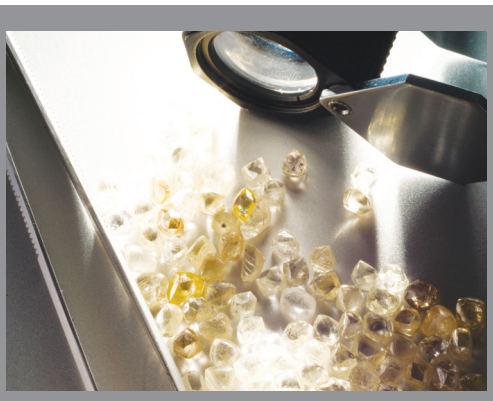






State Diamond Trader



ANNUAL REPORT

2012/2013

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Minister's Note to Parliament



SPEAKER OF PARLIAMENT

Honourable Speaker

Annual Report of State Diamond Trader for the year ended 31 March 2013.

I have the honour, in terms of section 65 of the Public Finance Management Act 1999 (Act No. 1 of 1999), to present the Annual Report of the State Diamond Trader for the year ended 31 March 2013.

Ms Susan Shabangu MP
Minister of Mineral Resources
August 2013





Chairperson's Report



OVERVIEW

It is a great pleasure for me to report on the activities of the State Diamond Trader in my first year as Chairperson. It is also a pleasure to do so because of the firm legacy inherited from the previous Board, that of a well-run and functioning institution despite the structural challenges it continues to face. In taking up the baton, our commitment is to build further on the foundation that has been laid and take the State Diamond Trader to greater heights.

The State Diamond Trader's vision to be a catalyst for the transformation and growth of the local diamond beneficiation industry will serve the institution well in its quest to contribute to the growth of the local diamond beneficiation industry in the coming year and beyond.

MARKET CONDITIONS

The market volatility and falling prices of rough diamonds due to the global economic instability and uncertain consumer demand had a negative impact on the State Diamond Trader's financial performance for 2012/2013. Almost half of the State Diamond Trader's sales happened towards the financial year end, whilst the increased financial exposure also came at a cost.

The constraints placed on the State Diamond Trader in terms of purchasing Run of Mine production from local diamond producers continued to plague its operations. The shareholder is looking at this constraint and the work being done on that front is surely going to provide much required relief in the coming years. The State Diamond Trader has to continue in this vein until such structural changes are made.

Globally, the diamond market did not perform well in 2012 and this is borne out by the lack of balance within the diamond pipeline where large stocks were maintained due to poor demand further down coupled with liquidity challenges experienced in a number of diamond centres. It is hoped that 2013 will provide some respite but that will be seen as the year progresses.

Despite these challenging conditions, it is pleasing to note that the State Diamond Trader still made an operating profit and maintained its financial viability for the financial year and thus laid another firm foundation for the future.

CORPORATE GOVERNANCE

Sound Corporate Governance is a key business driver which is firmly entrenched at the State Diamond Trader and as guided by the Accounting Authority (the Board). The new Board has been inducted through a corporate governance workshop which enhanced their understanding of the role and responsibilities that they have to execute. It is also notable that the State Diamond Trader received a clean audit at the end of last year. The efforts of the previous Board and management in obtaining such a status and there-by ensuring compliance at all times, is a huge benefit for the new Board and the State Diamond Trader as an organisation.



Chairperson's Report

continued...



The Management of the State Diamond Trader was also strengthened during the year through the permanent appointment of both the Chief Executive Officer and later the Chief Financial Officer.

I would like to thank the previous Board and my predecessor Adv. Linda Makatini, for her stewardship of the affairs of the State Diamond Trader, especially given the challenges the entity experienced in its formative years. They have given the new Board a strong foundation on which to pursue the objectives of the company into the new era.

LOOKING TO THE FUTURE

The State Diamond Trader will continue to measure its impact in transforming the diamond beneficiation industry. It will also continue to engage with key stakeholders, notably the Minister of Mineral Resources, to create and enhance an environment to achieve its mandate.

The highlight of the past year is that despite the difficult market conditions the State Diamond Trader remained self-sustainable and is therefore geared to excel as the market conditions improve.

Mrs Dolly Mokgatle
Chairperson
State Diamond Trader



Chief Executive Officer Report



OVERVIEW

The purpose of the report of the Chief Executive Officer is to provide insight into the operation and financial performance of the SDT during the 2012/2013 financial year.

TRADING ENVIROMENT

The anticipated global recovery has not fully materialised, with most developed countries still struggling to recover. There was a small upward movement in prices during the 2012/13 financial year, but that was cooled down by decreased production output. This had an immense effect on the ability of the State Diamond Trader to grow its business as planned at the beginning of the year.

The State Diamond Trader had to remove a number of clients from its register as these clients were either not actively engaged in their businesses during the year or were unable to comply with the basic requirements of being clients of the State Diamond Trader. On the other hand, the State Diamond Trader intensified its effort in the facilitation of support programmes aimed at improving its client's businesses. In the year under review the State Diamond Trader has facilitated a number of projects in which clients actively participated such as the State Diamond Trader sponsored exhibition stand at the annual Jewellex Exhibition, the Proudly SA Exhibition in which four (4) clients exhibited polished diamonds, the formation of a co-operation between five Mandate clients with a further two clients who participated in the BRICS summit Business Council Exhibition with the State Diamond Trader. All these programmes are carefully selected as the aim is always to promote the growth of the clients' businesses.

The State Diamond Trader also embarked on its annual stakeholder engagement process with diamond producers which, it hopes, will strengthen the mutual relationship. In the year under review a total of five meetings were held with different producers. Through this engagement process the State Diamond Trader and its stakeholders are able to appreciate and understand the challenges faced by both parties. More efforts are being made to ensure that all SA diamond producers comply with the provisions of section 59B.

OPERATING ENVIROMENT

Financial

The operations of the State Diamond Trader came under severe pressure during the year as a result of volatility in the diamond markets throughout the world. Movement of rough and polished diamonds within the pipeline experienced some hardships with much stagnation noticed. This did not augur well for the operations of an entity the size of the State Diamond Trader. Despite all this, a profit margin of 3% was achieved. As indicated in the financial statements, the State Diamond Trader made purchases amounting to R408 million (compared with R410 million the previous year). A gross margin of R 11 659 554 was achieved (compared to R22 631 690 in the previous year). The performance of the economy globally throughout the year 2012 had a negative effect on the performance of the global diamond markets and this in turn dampened the results achieved by the State Diamond Trader as can be seen from its financial performance. A gross margin of 4% had been anticipated for

Chief Executive Officer Report



continued...

the year, but 3% was actually achieved.

HUMAN RESOURCES

The State Diamond Trader continued to build its capacity by making available key permanent positions. The decision to make several permanent employments was taken after it became clear that the organisation required such and the stability of its financial position. It was also taken based on the fact that its operations were normalising and its footprint thereby growing. The State Diamond Trader employed five new Diamond Trainees who are now undergoing on the job training in the various departments within the Operations section. The success of this training programme was evident earlier in the year when two of the first Trainees became permanent employees of the State Diamond Trader.

The secondment of personnel from De Beers as part of the SLA agreement was extended during the year.

These officials continued to contribute to the transfer of skills to the State Diamond Trader.

CONCLUSION

The year 2012/13 marked a milestone of five years of the existence for the State Diamond Trader. Whilst there has been a great deal of challenges, it has also been a rewarding journey. The dedication and commitment of the staff of the State Diamond Trader has been commendable. The next five years presents us with an even bigger challenge of making bolder strides towards the transforming the South African diamond industry and growing diamond beneficiation.

I acknowledge and thank the Accounting Authority for its commitment to provide sound strategic direction and outstanding leadership and express appreciation for the support and immense contributions of the Minister of Mineral Resources and the Department, clients, diamond producers and the entire network of stakeholders of the State Diamond Trader.

Ms P.N. ZIKALALA MVELASE
Chief Executive Officer





ACCOUNTING AUTHORITY

Accounting Authority

UP TO 30 SEPTEMBER 2012

Adv L. Makatini	Chairperson
Ms P. N. Zikalala Mvelase	Chief Executive Officer
Brig. N. Mokoena	Member
Mr I. Goondiwalla	Member
Ms D. Maphatiane	Member
Mr P. Moeti	Member
Mr T. Montoedi	Member
Mr S. Motloung	Member
Mr L. Rapoo	Member
Major Gen. P. Arendse	Member

COMMITTEE MEMBERS

Mr A. Mngomezulu	Chair, Trading, Clientele and BEE Committee
Mr Y. Tenza	Chair, Audit and Risk Management Committee
Ms B. Luthuli	Member, Audit and Risk Management Committee

The term of the first Board of State Diamond Trader came to its end on 30 September 2012 and the new Board assumed its responsibilities on 1 October 2012.

ACCOUNTING AUTHORITY - FROM 1 OCTOBER 2012 TO 31 MARCH 2013

Composition

Mrs D.D. Mokgatle	Chairperson
Ms P.N. Zikalala Mvelase	Chief Executive Officer
Adv L. Makatini	Member
Mr I. Goondiwalla	Member
Mr P. Moeti	Member - resigned November 2012
Mr T. Montoedi	Member
Mr S. Motloung	Member
Mr L. Rapoo	Member
Ms S. Mohale	Member
Ms N. Mpuntsha	Member
Ms S. Nxumalo	Member
Ms N. Jiyane	Member
Mr M. Luhlabo	Member
Brig. N. Mokoena	Member



Accounting Authority



Mrs D.D. Mokgatle
CHAIRPERSON



Adv L. Makatini
CHAIRPERSON TILL 30-09-2012



Ms P.N. Zikalala Mvelase
CHIEF EXECUTIVE OFFICER



Mr L. Rapoo
MEMBER



Mr S. Motloung
MEMBER



Mr I. Goondiwalla
MEMBER



Brig. N. Mokoena
MEMBER



Mr M.A. Luhlabo
MEMBER



Ms S. Mohale
MEMBER



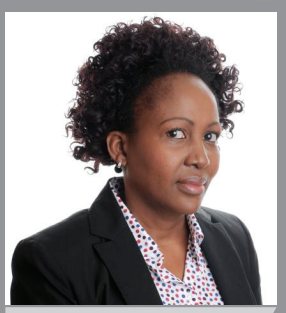
Mr P. Moeti
MEMBER



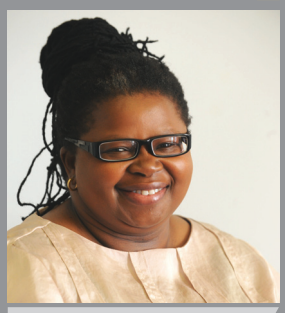
Mr T. Montoedi
MEMBER



Ms N. Mpuntsha
MEMBER



Ms D. Maphatiane
MEMBER



Ms S. Nxumalo
MEMBER

COMPANY SECRETARY
Legal Best (Pty) Ltd Consultant Company Secretary



State Diamond Trader Staff Members

State Diamond Trader Staff Members



Ms P.N. Zikalala Mvelase
CHIEF EXECUTIVE OFFICER



Mr P. Zonke
CHIEF FINANCIAL OFFICER



Mr F. Auger
CHIEF OPERATIONS OFFICER



Mr C. Van Der Ross
SALES MANAGER



Mrs D. McBride
SENIOR FINANCE OFFICER



Mr B. Sekano
PURCHASING OFFICER



Ms S. Mashiloane
SALES OFFICER



Ms R. Masemola
PRODUCTION CONTROLLER



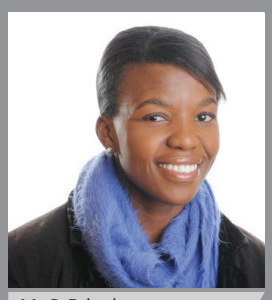
Mr P. Bokaba
FINANCE OFFICER



Ms N. Thango
JUNIOR CREDITORS CLERK



Ms N. Mdludlu
EXECUTIVE ASSISTANT



Ms P. Fakude
RECEPTIONIST



Ms K. Monama
DIAMOND TRAINEE



Mr G. Mance
DIAMOND TRAINEE



Mr S. Lindi
DIAMOND TRAINEE



Ms S. Govender
DIAMOND TRAINEE



Mr K. Moseki
DIAMOND TRAINEE



Mr T. Makgatho
DIAMOND TRAINEE



Ms S. Mdoka
DIAMOND TRAINEE



GOVERNANCE

The State Diamond Trader operates on a strong corporate governance foundation that is representative of the interests of all stakeholders. The governance framework is aligned with King III recommendation and complies with the provisions of the Public Finance Management Act (PFMA). This framework underpins the organisation's risk-based, integrated approach to internal controls that are entrenched throughout management and governance processes and is reviewed on an on-going basis. Governance structures are focused on providing leadership within a framework of effective controls which enables risk to be assessed and managed throughout the organisation.

The State Diamond Trader is mandated to promote equitable access to and local beneficiation of the diamond resources of South Africa. The State Diamond Trader is fully committed to the highest standards of governance.

While the Accounting Authority of the State Diamond Trader is responsible for the maintenance of sound corporate governance, it believes that implementation is best managed at executive management level. The State Diamond Trader has, in all material respects, complied with the PFMA and King III recommendations.

STATE DIAMOND TRADER AND THE PUBLIC FINANCE MANAGEMENT ACT (PFMA) 1999

As a public entity, the State Diamond Trader operates in terms of the PFMA. In terms of PFMA the Accounting Authority and the Accounting Officer are accountable for the use of resources to deliver services to all stakeholders. The Act emphasises:

- regular financial reporting,
- independent auditing and supervision of internal control systems,
- improved accounting standards,
- greater focus on output and performance, and
- increased accountability at all levels.

SHAREHOLDER'S COMPACT

In terms of the PFMA, the State Diamond Trader is obliged to conclude a Shareholder's Compact on an annual basis with its Shareholder, the Minister of Mineral Resources (the Minister, also referred to as the Shareholder). The compact sets out the mandate of the State Diamond Trader, together with the organisation's key performance indicators for the year. One of the Accounting Authority's responsibilities is to keep the Shareholder informed on all major developments affecting the organisation. This is achieved through:

- quarterly reports to the Shareholder;
- the annual report;
- detailed three-year corporate plans;
- direct contact between the Chairperson of the Accounting Authority and Shareholder; and
- on-going engagement with the Shareholder.

ROLE OF THE ACCOUNTING AUTHORITY OF THE STATE DIAMOND TRADER

Sound governance entrenched by the Accounting Authority is integral to the sustainability of the State Diamond Trader. The Accounting Authority of the State Diamond Trader is appointed by the Minister of Mineral Resources. It has a Charter detailing processes and procedures that regulate its functioning. Similarly, each Committee of the State Diamond Trader has formal and written terms of reference to ensure optimal discharge of its duties within the mandate conferred upon it by the Accounting Authority.

The Accounting Authority is the core of State Diamond Trader's governance system and is responsible for:

- providing clear strategic direction to the organisation;
- ensuring that the appropriate management structures are in place;



- promoting a culture of ethical behaviour;
- overseeing risk management;
- entrenching sound corporate governance through an integrated governance structure; and
- compliance with all relevant laws, regulations and codes of practice.

The Accounting Authority has a duty to address matters of significance and concerns of all stakeholders, taking into account greater demands for accountability, and recognising and balancing the interests of all stakeholders.

COMPOSITION

The Accounting Authority of the State Diamond Trader represents a broad range of skills and experience to ensure an appropriate balance, to bring a sense of perspective and to add value and insight in strategic decision making. In line with best practice, the roles of Chairperson and CEO are separate. The term of office of a non-executive member is for a period not exceeding five years. Non-executive members may be re-appointed by the Minister for a period not exceeding three consecutive terms in office. The term of the Board expired in September 2012, and the term of the new Board began on 1 October 2012.

The effectiveness and performance of all members of the Accounting Authority is assessed annually. The Accounting Authority reviews its own role and effectiveness. The Chairperson of the Accounting Authority reviews the performance of the CEO, and the CEO annually reviews the performance of executive management.

ACCOUNTING AUTHORITY - UP TO 30 SEPTEMBER 2012

Composition

Adv. L. Makatini	Chairperson
Ms P. N. Zikalala Mvelase	Chief Executive Officer
Major Gen. P. Arendse	Member
Mr I. Goondiwalla	Member
Ms D. Maphatiane	Member
Mr P. Moeti	Member
Mr T. Montoedi	Member
Mr S. Motloung	Member
Mr L. Rapoo	Member
Brig. N. Mokoena	(Alternate for Major Gen. P. Arendse)

ACCOUNTING AUTHORITY - FROM 1 OCTOBER 2012 TO 31 MARCH 2013

Composition

Mrs D.D. Mokgatle	Chairperson
Ms P.N. Zikalala Mvelase	Chief Executive Officer
Adv L. Makatini	Member
Mr I. Goondiwalla	Member
Mr P. Moeti	Member - resigned November 2012
Mr T. Montoedi	Member
Mr S. Motloung	Member
Mr L. Rapoo	Member
Ms S. Mohale	Member
Ms N. Mpuntsha	Member
Ms S. Nxumalo	Member
Ms N. Jiyane	Member

Mr M. Luhlabo	Member
Brig. N. Mokoena	Member

REMUNERATION

The remuneration of members of the Accounting Authority is disclosed in note 22 of the Notes to the Financial Statements.

ACCESS TO INFORMATION

The Accounting Authority has access to all information it may require and may, at the cost of State Diamond Trader, seek independent professional advice if necessary. Management provides the Accounting Authority and its committee members with timeous and accurate information and documentation to fulfil its responsibilities.

ACCOUNTING AUTHORITY CHARTER AND RESPONSIBILITIES

The Accounting Authority has a fiduciary duty to act in good faith, with due care and diligence, and in the best interests of its stakeholders. The Accounting Authority is the primary body responsible for corporate governance values. While control is delegated to management and various committees, the Accounting Authority retains full and effective control over the performance of the State Diamond Trader.

The Accounting Authority's responsibilities include the appointment of the executive management, formulation and approval of the corporate strategies, ensuring a proper governance framework, overseeing risk management and ensuring that State Diamond Trader's business is managed appropriately and prudently.

EXECUTIVE SESSIONS AND MEETINGS OF NON-EXECUTIVE MEMBERS OF THE ACCOUNTING AUTHORITY

Non-executive members of the Accounting Authority meet separately to discuss issues of significance to the Accounting Authority and its operations. The Accounting Authority and its committees also hold executive sessions with management where issues pertinent to business operations are identified. These issues are addressed with the relevant management representatives.

ATTENDANCE

Members continued to attend meetings at both the Accounting Authority and committee levels and discharged their fiduciary duties and ensured strategic direction to management throughout the financial year.

MEETINGS

The Accounting Authority held four quarterly meetings during the financial year, apart from two meetings held to review the strategic plan and the risk profile of the State Diamond Trader as well as three Client Information Sessions.

The following members of the Accounting Authority's committees attended Accounting Authority meetings by invitation up until 30 September 2012:

Mr A. Mngomezulu	Trading, Clientele and BEE Committee
Mr Y. Tenza	Audit and Risk Management Committee
Ms B. Luthuli	Audit and Risk Management Committee



Accounting Authority Meetings, Workshops and Sessions

SERVING UNTIL 30 SEPTEMBER 2012

Name	Board Meeting 25/04/2012	Board Meeting 26/05/2012	Board Meeting 26/07/2012	Meeting s Attended
Adv. L.Makatini - Chairperson	√	√	X	2
Ms P.N. Zikalala Mvelase - CEO	√	√	√	3
Mr I. Goondiwalla	√	√	√	3
Ms D. Maphatiane	X	√	√	2
Mr A. Mngomezulu by invitation	X	√	X	1
Mr P. Moeti	X	√	X	1
Mr T. Montoedi	X	X	X	0
Mr S. Motloung	√	X	√	2
Mr Y. Tenza by invitation	X	X	√	1
Mr L. Rapoo	√	X	√	2
Ms B. Luthuli by invitation	√	√	X	2
Major Gen. P.Arendse	X	X	X	0
Brig. N. Mokoena by invitation	X	X	√	1
Total Members Attended	6	7	7	

SERVING FROM 1 OCTOBER 2012 TO DATE

Name	Inaugural Board Meeting 25/10/2012	Strategic Planning Session and Board Meeting 22/01/2013	Strategic Planning Session and Board Meeting 23/01/2013	Meetings Attended
Mrs D.D. Mokgatle - Chairperson	√	√	√	3
Ms P.N. Zikalala Mvelase - CEO	√	√	√	3
Ms S. Nxumalo	√	X	√	2
Ms N. Jiyane	√	X	X	1
Mr T. Montoedi	√	√	√	3
Mr S. Motloung	√	√	√	3
Adv. L. Makatini	X	X	X	0
Mr M. Luhlabo	√	√	√	3
Ms N. Mpuntsha	√	√	√	3
Mr L. Rapoo	X	√	√	2
Brig. N. Mokoena	√	√	√	3
Ms S. Mohale	√	√	X	2
Total Members Attended	10	9	9	



ACCOUNTING AUTHORITY COMMITTEES

AUDIT AND RISK COMMITTEE

Composition until 30 September 2012

Mr Y. Tenza	Chairperson
Ms P. N. Zikalala Mvelase	CEO
Ms B. Luthuli	Member
Ms D. Maphatiane	Member
Mr L. Rapoo	Member

Composition from 1 October 2012

Mr I. Goondiwalla	Chairperson
MS P. N. Zikalala Mvelase	CEO
Ms S. Nxumalo	Member
Ms N. Jiyane	Member
Mr T. Montoedi	Member

The Audit and Risk Committee (ARC) is an advisory committee to the Accounting Authority and is accountable to the Accounting Authority. The ARC consists of 4 non-executive members. The Chairperson of the Accounting Authority is not eligible to be appointed as chairperson of the ARC.

The overall purpose of the ARC is to assist the Accounting Authority in discharging its duties relating to, among others:

- the safeguarding of assets;
- the operation of adequate systems and controls;
- effective risk management;
- ensuring the preparation of accurate reporting and statements in compliance with legal requirements and accounting standards;
- ensuring good corporate governance; and
- ensuring compliance with all statutory and regulatory legislation.

Officials from the Office of the Auditor-General are invited to attend all ARC meetings.

AUDIT AND RISK COMMITTEE MEETINGS

Serving until 30 September 2012

Name	19/04/2012	Meetings Attended
Mr Y. Tenza - Chairperson	√	1
Ms P.N. Zikalala Mvelase - CEO	√	1
Ms B. Luthuli	√	1
Ms D. Maphatiane	X	0
Mr L. Rapoo	X	0
Total Members Attended	3	

Serving from 1 October 2012 to date

Name	23/01/2013	Meetings Attended
Mr I. Goondiwalla - Chairperson	√	1
Ms P.N. Zikalala Mvelase - CEO	√	1
Ms S. Nxumalo	√	1
Ms N. Jiyane	x	0
Mr T. Montoedi	√	1
Total Members Attended	4	



HUMAN RESOURCE, FINANCE AND REMUNERATION COMMITTEE

Composition until 30 September 2012

Mr I. Goondiwalla	Chairperson
Ms P. N. Zikalala Mvelase	CEO
Ms D. Maphatiane	Member
Mr T. Montoedi	Member

Composition from 1 October 2012

Mr S. Motloung	Chairperson
Ms P.N. Zikalala Mvelase	CEO
Ms N. Mpuntsha	Member
Mr L. Rapoo	Member

The Human Resources, Finance and Remuneration Committee comprises of 3 non-executive members.

The Human Resource, Finance and Remuneration Committee purposes are to:

- Ensure that the State Diamond Trader discharges its responsibilities of attraction, motivation, development and retention of the required staff competencies;
- Ensure that management has created and maintained an effective environment for financial management, internal control and procurement processes;
- Provide guidance and make recommendations to the Accounting Authority in respect of annual budgets required for approval as well as any material financial matter impacting on the State Diamond Trader;
- Monitor the remuneration framework for the entire organisation; and
- Ensure that at all times it applies the principles of sound corporate governance.

The Human Resource, Finance and Remuneration Committee is authorized by the Accounting Authority to:

- Investigate any activity within its terms of reference,
- Seek any information it requires from any State Diamond Trader employee in pursuance of its responsibilities;
- Obtain outside legal or other independent professional advice, and
- Secure the attendance of outsiders with relevant experience and expertise if it considers it necessary.

HUMAN RESOURCES, FINANCE AND REMUNERATION COMMITTEE MEETING

Accounting Authority Members until 30 September 2012

Name	17/04/2012	Meetings Attended
Mr I. Goondiwalla Chairperson	√	1
Ms P.N. Zikalala Mvelase - CEO	√	1
Ms D. Maphatiane	x	0
Mr T. Montoedi	x	0
Mr S. Motloung	√	1
Total Members Attended	3	

HUMAN RESOURCE AND REMUNERATION COMMITTEE MEETING

Accounting Authority Members from 1 October 2012

Name	06/03/2013	Meetings Attended
Mr S. Motloung - Chairperson	√	1
Ms P.N. Zikalala Mvelase - CEO	√	1
Ms N. Mpuntsha	√	1
Mr L. Rapoo	√	1
Mr T. Montoedi	√	1
Total Members Attended	5	

JOINT FINANCE AND AUDIT COMMITTEE MEETINGS

Accounting Authority Members up to 30 September 2012

Name	16/05/2012	19/07/2012	Meetings Attended
Mr Y. Tenza - Chairperson	√	√	2
Ms P.N. Zikalala Mvelase - CEO	x	√	1
Mr I. Goondiwalla	x	√	1
Ms B. Luthuli	√	x	1
Ms D. Maphatiane	√	x	1
Mr T. Montoedi	√	√	2
Mr L. Rapoo	x	x	0
Total Members Attended	4	4	





TRADING, CLIENTELE AND BEE COMMITTEE-UP TO 30 SEPTEMBER 2012

(The new Board gave this committee a name change)

Composition

Mr A. Mngomezulu	Chairperson
Ms P. N. Zikalala Mvelase	CEO
Mr P. Moeti	Member
Mr S. Motloung	Member

Trading and Diamond Industry Promotion Committee-From 1 October 2012

Mr A.M. Luhlabo	Chairperson
Adv. L. Makatini	Member
Brig. N. Mokoena	Member
Ms S. Mohale	Member
Ms P. N. Zikalala Mvelase	CEO

The main purpose of the Trading, Clientele and BEE Committee is to ensure that the State Diamond Trader meets its mandate which is to purchase and sell rough diamonds for beneficiation.

TRADING, CLIENTELE AND BEE COMMITTEE MEETINGS

Accounting Authority Members up to 30 September 2012

Name	05/04/2012	10/07/2012	Meetings Attended
Mr A. Mngomezulu - Chairperson	√	√	2
Ms P.N. Zikalala Mvelase - CEO	√	√	2
Mr P. Moeti	√	x	1
Mr S. Motloung	√	√	2
Total Members Attended	4	3	

TRADING AND DIAMOND INDUSTRY PROMOTION COMMITTEE

Accounting Authority Members from 1 October 2012

Name
Mr M. Luhlabo - Chairperson
Ms P.N. Zikalala Mvelase - CEO
Brig. N. Mokoena
Ms S. Mohale
Adv. L. Makatini

This Committee only met after the end of financial year



EXECUTIVE COMMITTEE

The Executive Committee is responsible for overseeing the business of the Accounting Authority from time to time and for reporting to the Accounting Authority on urgent matters and any matter as directed by the Accounting Authority.

The Committee comprised of all Chairpersons of the Committees of the Accounting Authority. The CEO and the Company Secretary attend its meetings.

Composition

Adv. L. Makatini	Chairperson
Ms P. N. Zikalala Mvelase	CEO
Mr I. Goondiwalla	Chairperson of the HR, Finance and Remuneration Committee
Mr A. Mngomezulu	Chairperson of the Trading, Clientele and BEE Committee
Mr Y. Tenza	Chairperson of the Audit and Risk Management Committee

The Board has taken a decision not to have an Executive Committee going forward.





REPORT OF THE AUDIT AND RISK COMMITTEE

Report of the Audit and Risk Committee

The Audit and Risk Committee is pleased to present the report for the financial year ended 31 March 2013 as required by the Public Finance Management Act, 1 of 1999, as amended.

The Audit and Risk Committee reviewed its terms of reference and its charter, has regulated its affairs in compliance with this charter, and has discharged all of its responsibilities contained therein.

In the conduct of its duties, the Audit and Risk Committee has, inter-alia, reviewed the following:

- reports from external auditors detailing concerns arising out of audits and ensured there are appropriate responses from management, which will result in the concerns being addressed;
- the adequacy, reliability and accuracy of financial information provided by management and other users of such information;
- the effectiveness of the internal audit function;
- the activities of the internal audit function, including its annual work programme, coordination with the external auditors, the reports of significant investigations and the responses of management to specific recommendations; and
- the scope and results of the external audit function, it's cost effectiveness, as well as the independence and objectivity of the external auditors.

The Audit and Risk Committee is of the opinion, based on the information and explanations given by management and the internal auditors and discussions with the independent external auditors on the result of their audits, that management is implementing appropriate internal controls to ensure that the financial records may be relied upon for preparing the financial statements, and that accountability for assets and liabilities is maintained. Nothing significant has come to the attention of the Audit and Risk Committee to indicate any material breakdown in the functioning of these controls, procedures and systems during the period under review.

Risk Management

INTRODUCTION

The Minister of Mineral Resources appointed an Accounting Authority in terms of section 17 of the Diamonds Amendment Act, 2005.

In line with the Public Finance Management Act as well as good governance, the Accounting Authority has established committees to assist in performing its functions. These include:

- Executive Committee- up to 30 September 2012, no longer in existence;
- Audit and Risk Committee;
- Trading, Clientele and BEE Committee-up to 30 September 2012
  (Name change: Trading and Diamond Industry Promotion Committee);
- Human Resource, Finance and Remuneration Committee-up to 30 September 2012
  (Name change: Human Resource and Remuneration Committee).

While the daily management of risk has been delegated to the Chief Executive Officer, it remains the responsibility of the Accounting Authority to oversee the risk management of the State Diamond Trader.

RISK GOVERNANCE STRUCTURE

The Accounting Authority is the oversight structure of the State Diamond Trader and the Audit and Risk Committee is accountable to the Accounting Authority on all audit and risk related matters. Management is responsible for the implementation of risk policies and procedures. In addition, the Audit and Risk Committee is required to note reports of all other Committees' before Accounting Authority approval.

The following is the structure of the entity:

- Accounting Authority
- Accounting Authority Committees
- Management
- Staff



STRATEGIC RISK REVIEW
2012-13

STRATEGIC RISK PROFILE
The risk executive dashboard highlights the strategic risks identified by the Accounting Authority of the State Diamond Trader. The inherent risks (IR) identified depict the risk profile without taking current controls into account. The residual risks (RR) identified are the exposure to risk remaining after taking the current controls into account.

It should be noted as highlighted in the dashboard that the Accounting Authority feels that the suitability of supply is the biggest inherent and residual risk facing the State Diamond Trader. Although this risk is dependent on external factors (i.e. legislation), management should monitor the mitigating controls on a continuous basis and ensure that action plans are implemented.

THE STATE DIAMOND TRADER'S IDENTIFIED STRATEGIC RISKS 2012-13

Risk Executive Dashboard								
Risk Category	Risk Title	Inherent Rating			Residual Rating		
		II	IL	IR	RI	RL	RR
Strategic	Suitability of supply	5	5	25	4	4	16
Strategic	Unpredictable continuous supply of diamonds	4	3	12	4	3	12
Strategic	Lack of profitable trading	5	5	25	3	3	9
Strategic	Inability to implement the existing organogram	4	4	16	3	3	9
Strategic	IT Governance risk	5	5	25	4	3	12

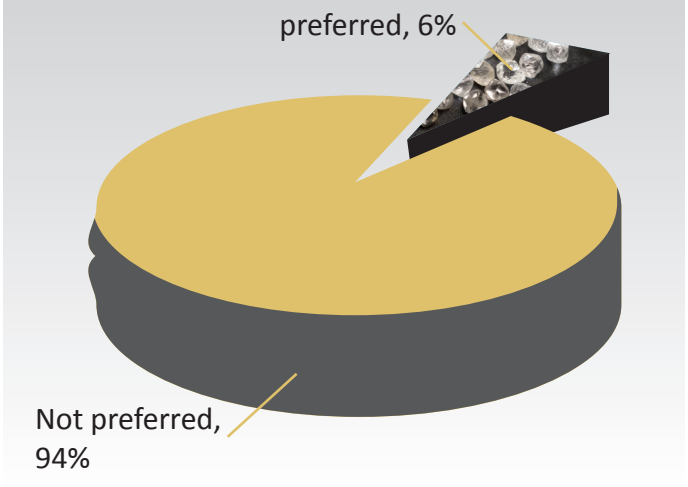
Legend	
Exposure rating	**Overall assessment**
Low – from 1 -5	Acceptable
Medium – from 6-12	Acceptable with caution
High – From 12.5 – 25	Unacceptable
Abbreviation	**Description**
II	Inherent Impact
IL	Inherent Likelihood
IR	Inherent Risk
RI	Residual Impact
RL	Residual Likelihood
RR	Residual Risk

STRATEGIC RISK REVIEW

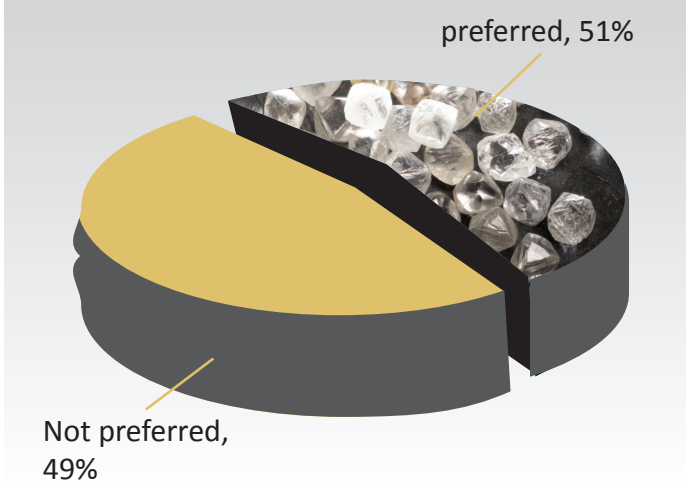
RISK 1 – Suitability of Supply

The suitability of rough diamond production for beneficiation purposes impacts significantly on the trading activity of the State Diamond Trader. In general, the South African diamond beneficiation industry requires a narrow range of rough diamonds, those that produce +1 carat, SI1+ quality, I+ colour round polished diamonds. These rough diamonds form a relatively small percentage of South African diamond production.

Rough Diamonds from SDT purchaces (Carats %) preferred for beneficiation



Rough Diamonds from SDT purchaces (Value %) preferred for beneficiation



Within the context of the Diamond Act, the State Diamond Trader can only purchase "Run of Mine", a representative sample of each producers total production within any given time period.

In terms of the actions identified in the risk profile;

1. **Engage producers individually to negotiate better supply.**
   To date no producer has agreed to this proposition and it is unlikely to happen as the producers will want uphold the letter of the law and not allow what amounts to "cherry picking".

2. **Explore changes in legislation to allow the State Diamond Trader to export what it cannot sell to the local market.**
   This is an attractive proposition as it may enable the State Diamond Trader to extract more "preferred" rough diamonds from the larger producers' Run of Mine selections. Policy changes are required to achieve this.

PURCHASING FROM OTHER DIAMOND PRODUCING COUNTRIES

In addition to the actions identified in the Risk Profile, this risk could be mitigated by purchasing suitable rough diamonds from other countries. In this case, the State Diamond Trader would not be bound by the Run of Mine purchasing format, effectively selecting rough diamonds suitable for cutting and polishing in South Africa.

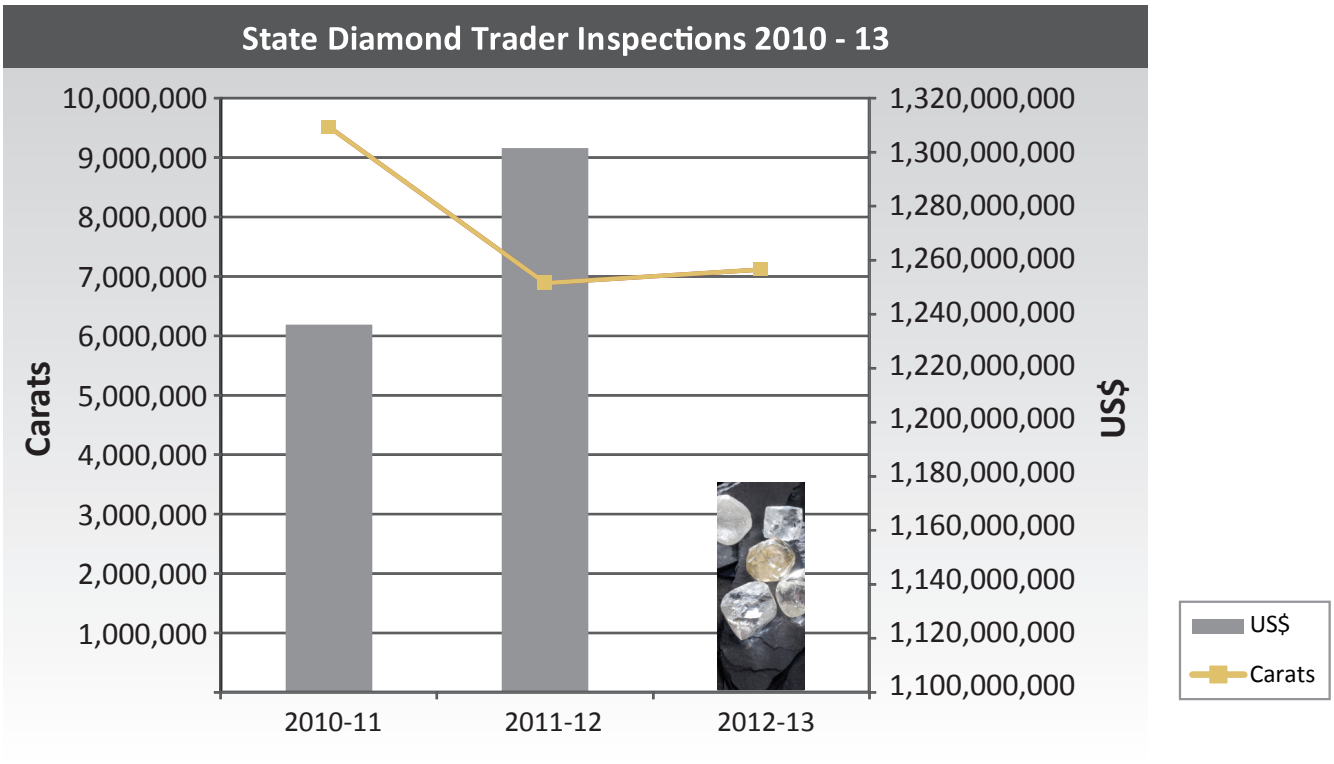
As the State Diamond Trader is a state entity, such purchasing must be part of international agreements on the part of the countries involved.

To date some progress has been made with regards to the possible purchasing from another African country, but further investigation has come to a halt pending the resolution of a number of logistical issues.

RISK 2 - Unpredictable continuous supply of diamonds

Trading activity at the State Diamond Trader is determined by the amount of rough diamonds produced in the country, with the legislation dictating the maximum quantity that can be purchased.

Due to the uncertain global economic situation, production of rough diamonds within South Africa has been inconsistent in terms of volume (carats) and value.



The State Diamond Trader is able to purchase up to 10% of any diamond producers production. However, in doing so it has to balance two factors. Firstly it must uphold its mandate and make rough diamonds available to its clients. Secondly it must operate as a commercial entity and trade at a margin that enables cost recovery.

With these two factors in mind, the State Diamond Trader was only able to purchase 4% of the volume and value of the rough diamonds it inspected during 2012/13. This was a result of the weakness of the diamond markets in general in the face of an uncertain global economic situation.

RISK 3 – Lack of profitable trading

Although trading margins came under pressure during 2012-13, the following table indicates that this risk has been mitigated.

	2012-13	2011-12	2010-11
SDT Sales ZAR	411,462,599	433,053,736	810,405,548
COGS ZAR	399,803,045	410,440,046	774,268,144
GM ZAR	11,659,554	22,613,690	36,137,404
GM%	3%	5%	4%

The State Diamond Trader is currently operating in line with legislation, delivering a trading margin that enables it to cover operational costs. It has also created reserves that will allow it to withstand difficult market conditions. This has been achieved through the rigorous application of Operational Policies relating to purchasing, production, sales and stock holding.

With regards to the action identified in the risk profile;

Refine client selection process to expand client database

A full review of the client base has been undertaken. New additional clients are required to ensure growth in trading activities and therefore profitability and sustainability of the State Diamond Trader.

RISK 4 – Inability to implement the existing organogram

To date the existing organogram remains incomplete in terms of filling all the posts indicated.
This is due to the inability to resolve two major issues;

1. Funding

The State Diamond Trader remains subject to a funding model in which it must pay all its costs from trading margin. Given that the State Diamond Trader is a relatively new entity and the diamond industry is passing through a particularly volatile period – the State Diamond Trader has been conservative in entering into full scale recruitment processes which will significantly increase costs.

2. Secondments

As a result of the funding issue – the State Diamond Trader has relied on secondments to fulfil several key posts in the organogram.

RISK 5 - IT Governance risk

The State Diamond Trader IT Strategy was approved by the Accounting Authority in May 2011. The State Diamond Trader continued to update the strategy as it developed IT policies within the strategic framework and these were approved in May 2012.

Goondiwalla

Mr I. Goondiwalla
Chairperson of the Audit and Risk Committee









TRADING REPORT

TRADING PERFORMANCE 2010-2013

	2012-13	2011-12	2010-11
Value inspected US$*	**1 ,177,840,751**	1 ,301,572,083	1,236,182,068
Carats inspected	**7 ,117,642**	6 ,889,931	9,519,617
US$ per carat	**165.48**	188.91	1 29.86
No. of producers	**9**	7	9
No. of Inspections	**126**	125	125
SDT Purchases ZAR	**407,998,978**	410,405,051	780,560,949
% purchased**	**4%**	**4%**	**9%**
No. of purchases	**48**	72	67
SDT Sales ZAR	**411,462,599**	433,053,736	810,405,548
COGS ZAR	**399,803,045**	410,440,046	774,268,144
GM ZAR	**11,659,554**	22,613,690	36,137,404
GM%	**3%**	5%	4%
Carats	**290,449**	293,087	859,383
No. of clients sold to	**42**	58	60
SDT Stock ZAR (31/03)	**15,163,853**	6 ,726,132	6 ,525,971
Ave age of stock (days)	**21**	16	1

* At producer values

** % purchased of goods inspected (by value)

SOUTH AFRICAN DIAMOND PRODUCTION – State Diamond Trader Inspections

Trading activity at the State Diamond Trader is determined by the amount of rough diamonds produced in the country, with the legislation dictating the maximum quantity that can be purchased.

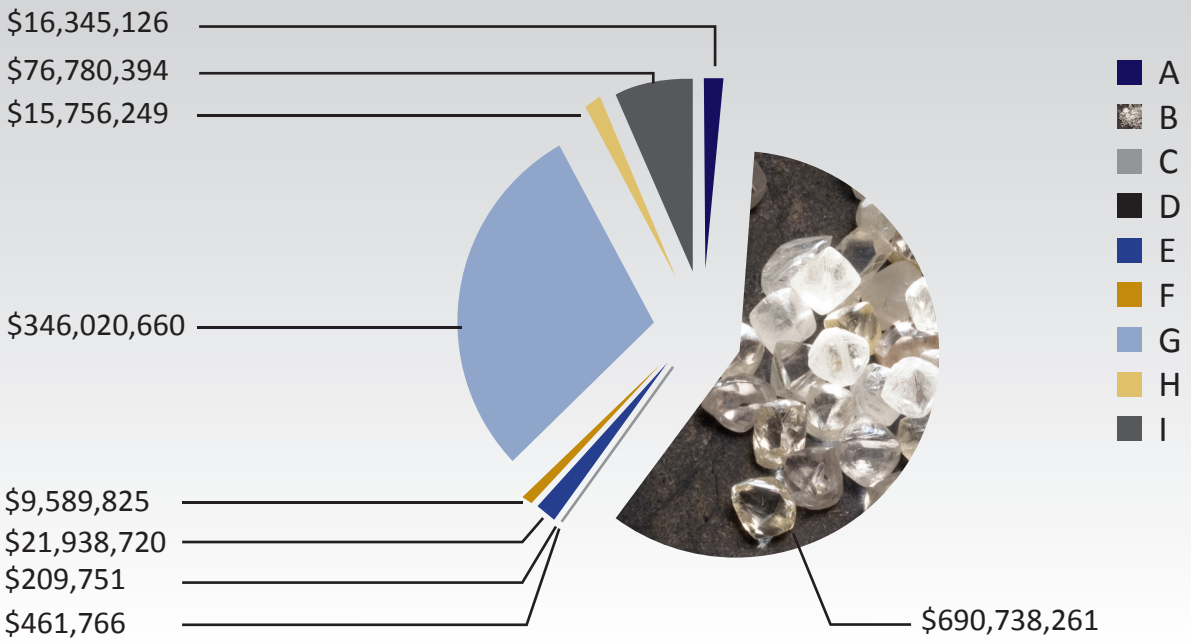
During the course of the year under review, the State Diamond Trader inspected a total of 7,117,642 carats to the value of US$ 1,177,840,751 from diamond mining operations in South Africa. The State Diamond Trader estimates that this accounts for over 90% of the country's total diamond production.

The State Diamond Trader noted a 3% increase in the quantity (carats) of rough diamonds presented to it by nine producers during the year. However, this was accompanied by a 10% fall in the total value presented, resulting in a 12% reduction in the average price (US$ per carat).

This reflects the current market volatility and falling prices of rough diamonds due to global economic instability and uncertain consumer demand.



State Diamond Trader Inspections by Producer 2012-13 (US$)



For comparative purposes, US$ values are used. This is due to the fact that rough diamonds are priced in US$ up until the point of purchase, an invoice issued and an exchange rate applied.

B remains the largest producer in South Africa, presenting the State Diamond Trader 59% of the total value of the rough diamonds inspected. G was second at 29% and I third at 7%.

STATE DIAMOND TRADER PURCHASES 2012-13

Summary by Producer

Producer	Carats	Cost ZAR	Cost US$	AP US$	Rate	No. of Purchases	% Purchased	
							Carats	Value
A	3,352	11,061,744	1,271,616	379.37	8.70	8	10%	8%
B	281,880	369,412,097	42,210,254	1 49.75	8 .75	6	6%	6%
E	173	2,403,937	295,078	1,704.17	8 .15	5	6%	1%
F	1,070	4,065,305	476,058	444.93	8 .54	8	8%	5%
G	12,957	15,329,359	1,779,956	137.37	8 .61	12	1%	1%
H	1,126	5,726,536	667,967	592.99	8.57	9	6%	4%
	3 00,559	**407,998,978**	**46,700,929**	**155.38**	**8 .74**	**48**	**4%**	**4%**
2011-12	**292,892**	**410,405,051**	**58,456,925**	**199.59**	**7.02**	**72**	**4%**	**4%**
diff %	2.62%	-0.59%	-20.11%	-22.15%	24%	-33%		

In carats and ZAR value, the State Diamond Trader purchased similar amounts to the previous year. This resulted in the State Diamond Trader purchasing 4% of the carats and value of the rough diamonds presented to it. In US Dollar terms, State Diamond Trader purchases fell by 20% compared to the previous year.

The relatively low percentage of rough diamonds purchased was fundamentally due to:

1. The global economic climate and demand for diamonds generally
2. The constraints placed on the State Diamond Trader in terms of purchasing Run of Mine selections
3. The quantity of goods not preferred for beneficiation within South African Run of Mine productions
4. The sales and pricing methodologies of the producers which often do not reflect the actual market performance globally and locally.

STATE DIAMOND TRADER SALES

Summary and Budget Comparison 2012-13

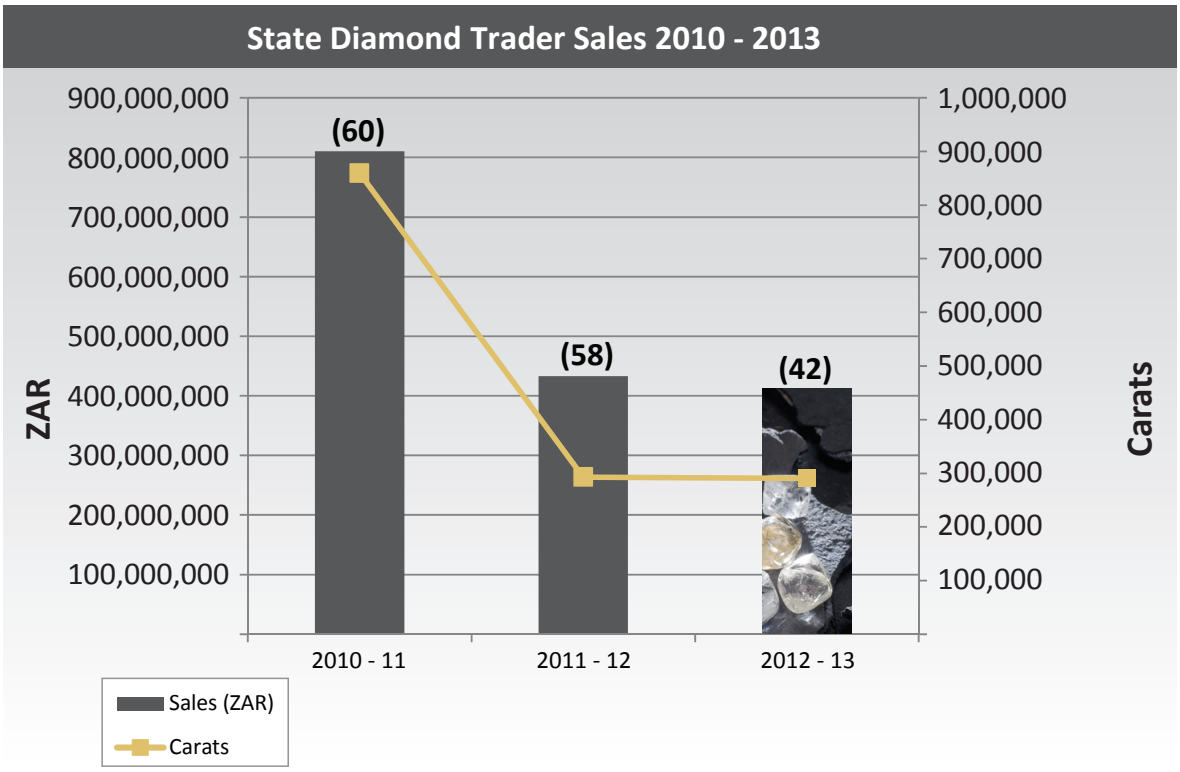
2012-13	Sales ZAR	Cost ZAR	GM	GM%
Actual	411,462,599	399,803,257	11,659,342	3%
Budget	568,296,694	545,547,368	22,749,325	4%
Variance	-156,834,095	-145,744,112	-11,089,984	-1%

The annual budget and projections were reviewed quarterly throughout the year as the actual market performance dictates such reviews. From a trading perspective, in order to mitigate circumstances which were outside of the State Diamond Trader's control, it had to take the following actions:

- Re-evaluate the rough diamond demand and price sensitivity of its clients
- Purchase only to its clients' demands
- Adhere to its trading policies

The fundamental macro-economic and diamond specific issues affecting the industry globally and therefore locally remain:

- Economic crisis in Europe
- Uncertain economic recovery in the US
- Slowing Asian markets
- Indian diamond market liquidity fears and exchange rate issues
- Polished diamond prices falling
- Volatile rough diamond demand



The figures in brackets indicate the number of clients sold to.

The above chart indicates that State Diamond Trader sales stabilized after the significant fall reflected in the previous year. However, this acts to hide significant underlying trends that are of a concern to the State Diamond Trader and the industry in general.

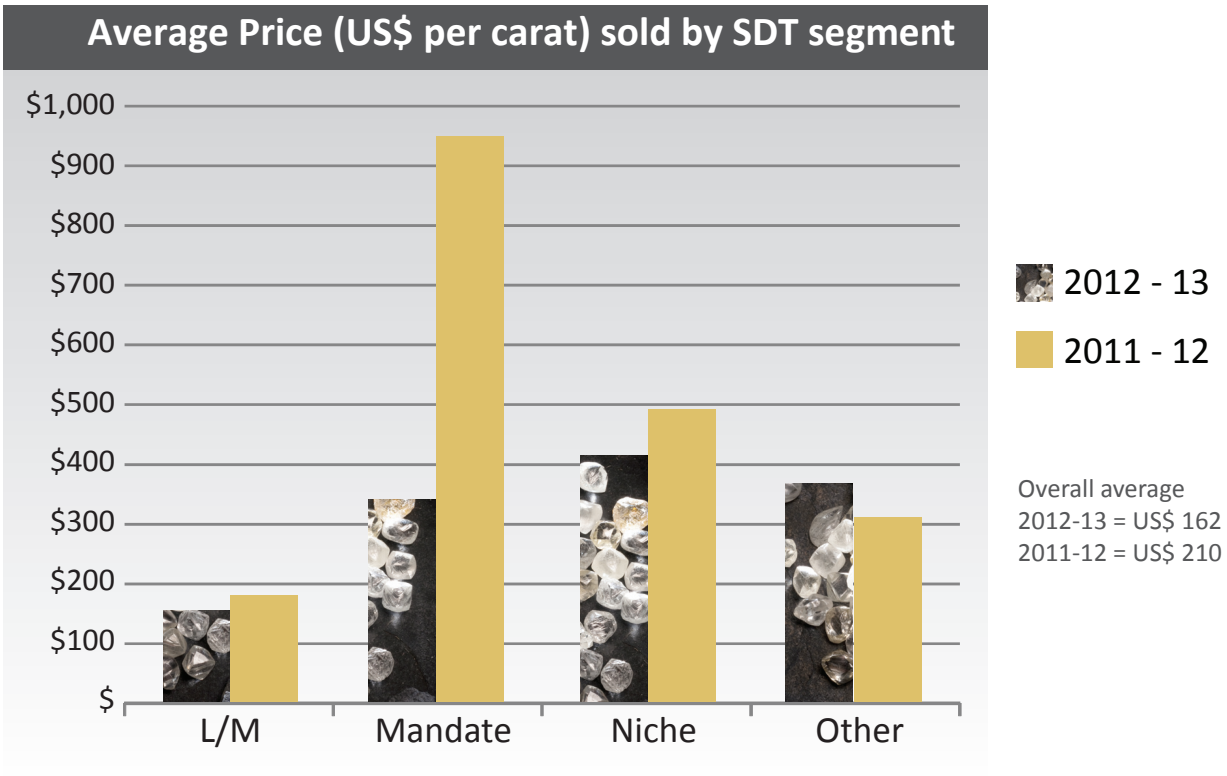
SALES BY CLIENT SEGMENT 2012-13

Segment	No. of clients	Carats	ZAR Sales	ZAR Cost	ZAR Profit	GM Profit %	% Sales	
							Carats	ZAR
L/M	5	280,634	379,385,516	368,383,115	11,002,401	3%	97%	92%
Mandate	16	2,339	6,777,903	6,891,749	- 113,846	-2%	1%	2%
Niche	20	7,003	23,971,268	22,959,354	1 ,011,914	4%	2%	6%
PPP	0	-	-	-	-	0%	0%	
Other	1	473	1,327,912	1,327,039	8 73	0%	0.2%	0.3%
	42	**290,449**	**411,462,599**	**399,561,257**	**11,901,342**	**3%**		

The total number of clients who purchased in 2012-13 is 42. However, this should be placed in the context that at the end of the year the State Diamond Trader had only 54 registered clients who were eligible to purchase from it due to the fact that a number of its clients were not compliant while others had challenges with their operations.

The total value of sales to the Mandate client segment fell from R10.6 million to R6.8 million, as shown in the above table. Sales to companies with greater than 50% HDSA ownership only made up 2% of the annual sales value.

Sales to the Mandate segment also recorded a negative margin – for the first time since the State Diamond Trader was established. This is despite the fact that this segment is given priority on access to the rough diamonds most suitable for local beneficiation.



It was, however also, noticeable that some Mandate clients have diversified into areas of rough diamonds which were generally considered outside their area of expertise (in terms of smaller sizes). This is reflected in the decrease in the average price of the rough diamonds sold to the segment indicated in the above chart. However, the average price sold to the Mandate segment was still more than double that of the overall average.

The constraints placed on the State Diamond Trader in terms of it purchasing Run of Mine production from local diamond producers means that it is obliged to sell to larger, more established companies that have the ability to cut and polish a wider range of rough diamonds or market the rough diamonds not required for beneficiation purposes in accordance with legislation. New strategies are being mooted to counteract the effects and consequences of trading on a Run of Mine basis and some of these may be implemented during the course of the coming financial years.

STOCK ON HAND AT 31 MARCH 2013

Supplier	Carats	Cost ZAR	Cost US$	Rate	Days in Stock
G (1305)	9 ,817.49	8,949,133.22	1,011,201.49	8.85	34
H (1303)	40.80	251,645.53	27,532.33	9.14	11
A (1302)	641.67	1,856,731.74	201,053.79	9.23	6
B (1301)	122.55	1,294,155.58	145,736.60	8.88	1
B (1302)	253.06	2,812,187.07	303,810.02	9.26	1
	10,875.57	**15,163,853.14**	**1,689,334.23**	**8.98**	**21**

The large part of the production which was in stock for 34 days at the end of the year, an estimated 90% of the volume (carats) and 60% of the value is not deemed suitable for local beneficiation.

STOCK TURN AROUND

The weighted average stock turnaround time for rough diamonds purchased in 2012-13 is 21 days.

This is outside the target as determined by the Stock Holding Policy (14 days).

The predominant reason for this is the market conditions and the price sensitivity exhibited by the State Diamond Trader's clients, resulting in either in extended negotiations to protect margin or the presentation of parcels of rough diamonds to multiple clients to find buyers.

CLIENT RELATIONS MANAGEMENT

The role of the Client Relations Office is to engage with the State Diamond Trader's clientele, current and potential, on all matters not pertaining to the sales of rough diamonds. In this regard, the activities of the Client Relations Office are summarised as the following:

- Managing the State Diamond Trader's clientele and updating the client register
- Client segmentation strategy development and implementation
- Ensuring client compliance
- Conducting factory inspections – ensuring compliance in line with beneficiation objectives
- Projects relating to the diamond industry and client development
- State Diamond Trader participation at relevant events

STATE DIAMOND TRADER CLIENTELE SHIP - ADDITION AND REMOVAL

In the process of implementing the Trading Rules, the Client Relations Office continuously monitors the compliance behaviours of clients. A number of general and suspension notices were issued to non-compliant clients throughout the year with some clients responding positively and thereby correcting the non-compliant behaviour.

At year end, the State Diamond Trader had 54 compliant registered clients in the following segments;

Large/Medium Beneficiators	7
Mandate Beneficiators	20
Niche Beneficiators	26
PPP Beneficiators	1



During the course of its existence, the State Diamond Trader has had over a 100 registered clients. However, they has been reduced significantly as businesses have either closed due to the economic situation or have been excluded from trading with the State Diamond Trader due to non-compliance. This relates particular to the holding of a Diamond Beneficiation Licence and SARS certificate of good standing.

FACTORY INSPECTIONS – ensuring compliance in line with beneficiation objectives

These inspections afford the State Diamond Trader an opportunity to engage the clients on numerous trading issues besides the buying of rough diamonds. The process ensures that the State Diamond Trader gets an insight into the challenges experienced by its clients.

In many of the factories inspected, particularly in the Mandate segment, State Diamond Trader officials found minimal to no activity with potential for growth appearing uncertain. This is a factor of the current economic difficulties being faced in the industry.

It has been established that in many cases the State Diamond Trader's Mandate clients' success is impeded by their lack of sound business expertise. The inability to turn the unfavourable available raw material (ROM) into a tool to sustain their business appears to be a further challenge. However, some of them are demonstrating signs of growth that are believed to have been brought about by the State Diamond Trader's developmental programmes and initiatives. Therefore, an increase in identification and facilitation of these programmes as well as the willingness and the determination on the part of Mandate clients would secure growth in these businesses.

PROJECTS RELATING TO THE DIAMOND INDUSTRY AND CLIENT DEVELOPMENT

Black Business Supplier Development Programme (BBSDP)

The State Diamond Trader has been acting as a facilitator, introducing its clients to this programme. The Black Business Supplier Development Programme was established in 2002. This grant was formulated to address constraints that were faced by small black owned businesses hindering them the participation in the mainstream economy. The usual limitations were access to finance, markets, products not meeting the required standards and the lack of management skill to operate growing businesses.

This grant is a cost sharing grant offered to these small black owned businesses. It helps them to get access to funding for machinery procurement and business support services.

It is the intention the banks will match the 50% funding to be provided by the DTI. In the past, the banks shied away from issuing funds to small businesses as there is no assurance that the business will be able to pay back the funds. It is hoped that this grant will open doors of great opportunities for State Diamond Trader's Mandate clients.

STATE DIAMOND TRADER PARTICIPATION AT RELEVANT EVENTS

During the course of the year, State Diamond Trader has either participated directly or facilitated the participation of its clients at the following events:

- **Jewellex Africa Exhibition 2012 (1st – 3rd September 2012, Sandton CC)**
  The Jewellex Africa Exhibition is the largest trade show on the continent aimed at the jewellery industry. In an attempt to address the issue of access to markets faced by many of the State Diamond Trader's



Mandate clients, it facilitated a stand for them to promote their businesses. 12 clients took up the opportunity.

- **The Proudly South African Exhibition 2012 (26th November, Emperors Palace)**
  The State Diamond Trader facilitated an exhibition stand at the "Proudly SA Buy Local Summit". This included a presentation of polished diamonds manufactured by the State Diamond Trader's Mandate client segment. Four clients were also present at the stand to promote their businesses.

- **The 2013 Mining Indaba (4th -7th February 2013, ICC Cape Town)**
  The Mining Indaba is the largest event in the world aimed at bringing together mining companies and investors from around the world. The State Diamond Trader participated to support its shareholder, the Department of Mineral Resources, in creating public awareness of the South African government's beneficiation strategy.
  The State Diamond Trader shared a stand with other SOEs under the department including the SADPMR, Mintek and the Council for Geoscience.

- **The 5th BRICS summit (26th – 27th March 2013, ICC Durban)**
  The State Diamond Trader participated at the trade show that accompanied the Business Council at the 5th BRICS summit. The purpose of which was to grow awareness of the State Diamond Trader's activities and the beneficiation strategy that underpins it. Two Mandate clients were invited and present at the State Diamond Trader's stand.

All these stated activities fall under the State Diamond Trader's mandate as identified in the Diamond Act 2005:

59A. The State Diamond Trader shall-
(b) Promote the diamond industry through the necessary research, support and development as deemed necessary from time to time.

The State Diamond Trader will continue its efforts of facilitating further training, access to funding agencies and access to markets for its Mandate clients in particular, as it promotes the growth of the industry.





Performance Against Strategic Business Targets

Performance Against Strategic Business Targets

PERFORMANCE AGAINST STRATEGIC BUSINESS TARGET

VISION
Be a catalyst for the transformation and growth of the local diamond beneficiation industry.

MISSION
- Ensure acquisition of and equitable access to rough diamonds with particular focus on HDSAs
- Promote the growth of the diamond beneficiation industry through relevant interventions
- Establish and maintain a transformed client base of local diamond beneficiators

VALUES
- We will respect the rights of our stakeholders and promote a caring attitude
- We will promote diversity and create an empowering working environment
- Commitment to mandate – it's promotion, defence and execution
- Agility – anticipation, proactive problem solving and resourcefulness
- Efficiency – professionalism and excellence in all that the State Diamond Trader does

STRATEGIC OBJECTIVES
1. Improve profitability of SDT operations to ensure its sustainability
2. Facilitate support to SDT clients
3. Increase number of and value of sales to HDSA clients
4. Develop and acquire appropriate Human Resource capacity
5. Develop, implement and maintain systems, procedures and controls in line with PFMA and other applicable policies
6. Enforce compliance with legislation on trading matters
7. Improve relations with producers to access better quality goods
8. Develop and maintain trading relations with other African diamond producing countries





STATE DIAMOND TRADER STRATEGIC OBJECTIVES LINKED TO DMR AND NATIONAL OUTCOMES:

National Outcome	DMR Programme	SDT Strategic Objectives
	SDT Mandate	**Promote the diamond beneficiation industry through research and development**
Create a better South Africa and contribute to be a better and safer Africa	**Mineral Policy and promotion** Promote investment in the Mining Sector	**Improve profitability of SDT operations to ensure its sustainability** **Facilitate support to SDT clients** **Increase number of and value of sales to HDSA clients**
	Mineral Policy and promotion Promote sustainable resource use and Management	**Enforce compliance with legislation on trading matters** **Develop and maintain trading relations with other African diamond producing countries**
Effective ,efficient and development orientated Public Service	**Corporate Services** Contribute to skills development	**Develop and acquire appropriate Human Resource capacity** **Facilitate support to SDT clients**

LEGISLATIVE AND OTHER MANDATES

The State Diamond Trader's main business is to buy and sell rough diamonds in order to promote equitable access to and beneficiation of diamond resources. The main aim of the State Diamond Trader is to address distortions in the diamond industry and correct historical market failures to develop and grow South Africa's diamond cutting and polishing industry.

The State Diamond Trader is a state owned entity established in terms of Section 14 of the Diamonds Amendment Act, 29 of 2005. The company is classified as a Schedule 3b entity of the Public Finance Management Act (PFMA).

The State Diamond Trader sells to approved customers through the State Diamond Trader's application and approval process. The State Diamond Trader is eligible by law and proclamation, to purchase up to 10% of the run of mine from all diamond producers in South Africa.



STRATEGIC GOALS	STRATEGIC OBJECTIVE	KEY STRATEGIC OUTPUTS	KEY ACTIVITIES	PERFORMANCE MEASURES	TARGET 2012 - 2013	PERFORMANCE FY 2012/13	VARIANCE EXPLANATION
GOAL 1: To ensure continued sustainability of the SDT	**Improve profitability of SDT operations**	**SDT operating as a "going-concern"**	**• Improve stock turnaround time in terms of SDT Stock Holding Policy**	**• Reduced turnaround times on stocks**	Below a weighted average of 14 days	Average stock turnaround for full year (exc. stock not sold) = 21 days Stock at year end = 10,876 carats, R15,163,853 Average age of stock = 21 days	The Board of the SDT was made aware of the excess number of days as a result of difficult trading conditions and a Policy provision intervention was implemented to address the issue
			• Maintain gross margin rates	**• Gross margin maintained at target**	Minimum of 4% per trading cycle	GM% = 3%	Market conditions determining achievable margin
			• Review and streamline operational expenditure	**• Improve efficiencies**	Operating expenses not exceeding budget	Operating Expenses exceeded budget for the year by almost R600 000.	This was mainly due to travel which was under budgeted for, Mining Indaba and introduction of benefits for employees.
			• Ensure that trading policies create an enabling environment to deliver required profit	**• A review of trading policies**	September-Annually	Allocation Policy, Purchasing, Production and Sales Procedures reviewed and approved	
			• Increase number of and value of sales to HDSA clients	**• Increased number of and percentage value of sales to HDSA clients**	20% p.a. for 2012-2014 30% p.a. for 2013-2015 numbers and sales value	Sales made to 16 HDSA clients (2011/12 = 26) % Value of sales to HDSA clients = 2% (2011/12 = 3%)	Sales to HDSA clients decreased due to economic environment and compliance issues

GOAL 1 continued

STRATEGIC GOALS	STRATEGIC OBJECTIVE	KEY STRATEGIC OUTPUTS	KEY ACTIVITIES	PERFORMANCE MEASURES	TARGET 2012 - 2013	PERFORMANCE FY 2012/13	VARIANCE EXPLANATION
			• Maintain cordial relations with the IDC	• Reduced cost of funding	Prime minus 1 -2% by 2013	New agreement (March 2013) provides for an improved interest rate	
				• Improved funding arrangements	R50m: 2012-2013 R100m: 2013-2015	Remains at R50m	
	To provide support to SDT clients	Competent clients with sustainable businesses	• Facilitate technical and business management training	• Number of clients trained	10 HDSA clients p.a. Growth in business management confidence	Facilitated client applications for DTI grants as per Black Business Supplier Development Programme	
			• Provide market intelligence	• Market Intelligence briefings	Quarterly	Two market intelligence briefings held Sponsored clients' participation at Jewellex, BRICS Summit and Proudly South African Show	
			• Facilitate access to finance	• Increased number of trading clients	10% p.a.	Facilitated client application for the DTI grant 42 clients traded ytd (2011-12 = 58)	Reduced client numbers due to market conditions and compliance issues

STRATEGIC GOALS	STRATEGIC OBJECTIVE	KEY STRATEGIC OUTPUTS	KEY ACTIVITIES	PERFORMANCE MEASURES	TARGET 2012 - 2013	PERFORMANCE FY 2012/13	VARIANCE EXPLANATION
GOAL 2: Be an efficient and professionally managed organisation	**Develop and acquire appropriate Human Resource capacity**	**Appropriate skills and capacity**	• **Implement HR policy**	• **Compliant HR processes**	On-going, annually	Further HR policies, HR Policy Manual,approved and implementation is on-going. Employee benefits introduced	
			• **Review HR Plan**	• **HR Plan responding to SDT requirements**	April 2012	Appointment of critical staff including 5 Diamond Sorting and Valuing Trainees planned for 2012/13	
			• **Ensure continuous capacity building for all personnel**	• **Relevant training for all diamond trainee personnel**	Annually	5 Diamond Sorting & Valuing Trainees trained at Academy and on the job training being implemented to complete. Further training for the other Diamond Sorters and Valuers continued.	
			• **Review and monitor training provided to ensure appropriateness**	• **Skills gaps identified and relevant courses/ training initiated**	Quarterly and on- going	Appointment of Diamond Trainees in line with skills gaps identified. Inter SETA transfer process successfully completed. SDT now with MQA. Reviewed as reports from training submitted and discussed.	



STRATEGIC GOALS	STRATEGIC OBJECTIVE	KEY STRATEGIC OUTPUTS	KEY ACTIVITIES	PERFORMANCE MEASURES	TARGET 2012 - 2013	PERFORMANCE FY 2012/13	VARIANCE EXPLANATION
GOAL 3: Promote and uphold efficient governance	**Implement and maintain admin systems, procedures and controls**	**Efficiency and Best Practices**	**• Improve the use of admin processes**	• All approved procedures implemented and monitored	Positive Internal Audit results	Internal Audit Reports issued did not have significant findings.	
			• Ensure quarterly Internal Audits are conducted	• Tested internal controls and systems	Quarterly	On-going and internal Audits took place per approved three year plan.	
			• Training staff on all policies and business processes	• Implementation of and compliance with all policies and procedures	Quarterly	Workshops and review of policies and procedures were carried out and still on-going.	
			• Develop and get approval of Asset Management Policy	• Compliant legislative framework on assets	April 2012	Developed and approved during the year	
			• Maintain asset register	• Secured assets	On-going	On-going and register updated upon new asset acquisitions	
			• Develop and approve IT Policies and Procedures	**• Secured IT environment**	March 2012	IT Policy and Manual approved and previously identified gaps addressed	
				• Appropriate IT support for SDT business	On-going	IT support in place and monitored, monthly reports in place.	
			• Acquire and maintain adequate insurance for diamond stock and SDT assets	**• Sufficient insurance for all stock and assets**	May - annually	Insurance in place.	
			• Review and maintain compliant procurement procedures in line with SDT Supply Chain Policy	**• Compliant procurement procedures**	April - annually	Review and updating done and on-going.	

STRATEGIC GOALS	STRATEGIC OBJECTIVE	KEY STRATEGIC OUTPUTS	KEY ACTIVITIES	PERFORMANCE MEASURES	TARGET 2012 - 2013	PERFORMANCE FY 2012/13	VARIANCE EXPLANATION
	Adhere to Corporate Governance, Legislation and Policies	Compliance	• Ensure Audit and Risk Management Committee meetings are held	• Compliance monitoring and guidance to Board	Minimum of 4 Meetings p.a.	On-going and 4 meetings held during the year	
			• Preparation and approval of Statutory reports	• Submission of quarterly and annual reports	Quarterly and annually	Quarterly reports done & submitted	
			• Address All Audit findings	• Improved performance on systems and controls	Quarterly and annually	Addressed as undertaken	
			• Conduct annual Risk Assessment	• Frequently assessed risk profile	March- Annually	Assessment done and approved in February 2012 for 2012/13	
				• Risk appropriate mitigation plans	Controlled risk environment, On-going	Achieved and on-going monitoring and reporting.	

STRATEGIC GOALS	STRATEGIC OBJECTIVE	KEY STRATEGIC OUTPUTS	KEY ACTIVITIES	PERFORMANCE MEASURES	TARGET 2012 - 2013	PERFORMANCE FY 2012/13	VARIANCE EXPLANATION
GOAL 4: Ensure constant access to rough diamonds	Enforce legislation compliance	Rough diamond made available to local beneficiators	• Ensure all producers declare their production cycles	• Increased amount of rough diamonds available to SDT and its clients	10 additional Producers trading with SDT by end 2013, 20 by 2015	32 Inspections undertaken from seven (7) producers	No new producers registered as some producers are SADPO members and the court case against SDT was not concluded
		SDT to comply with its legislated requirements	• Inspect rough diamonds produced in SA	• Increased % of Productions inspected	90% by 2013 95% by 2015	Inspected 90% of rough diamonds mined in RSA	
			• Purchase up to 10% of total SA production (volume and value)	• % of SA production purchased	9% by 2012-2013 10% by 2013-2015	4% of carats and value purchased from inspected productions.	Poor market conditions determined amounts purchased



GOAL 4 continued

STRATEGIC GOALS	STRATEGIC OBJECTIVE	KEY STRATEGIC OUTPUTS	KEY ACTIVITIES	PERFORMANCE MEASURES	TARGET 2012 - 2013	PERFORMANCE FY 2012/13	VARIANCE EXPLANATION
	Improve relations with producers	Select rough diamonds as per clients' demands	• Update client demand analysis	• Report produced December annually	5% increase of preferred rough diamonds bought by 2014	Report in place, no changes recorded	
			• Engage producers on suitability of supply per SDT Producer Engagement strategy	• Reduced number of disputes with producers	50% reduction in disputes, on going	Only two disputes were declared and IDV process invoked and both disputes were resolved Producers engaged per strategy	
	Develop and maintain trading relations with other African diamond producing countries	Cost benefit analysis and strategy on importing diamonds	• Test purchasing with 3 African countries producing diamonds	• Costs and sales analysis of purchases made from 3 countries	March 2013	Discussions on-going at State level. Private company proposals to SDT verified with relevant authorities and non-compliance confirmed, and no purchases done	
			• Negotiate supply agreements with 3 selected diamond producing countries	• Supply agreements concluded	1 country agreement by March 2013 2 others by March 2015	Still in discussion with identified countries, no agreement to date	
			• Contribute to KPCS development and in RSA KPCS compliance processes	• Compliant KPCS processes locally and internationally	1 KPCS compliant purchase of rough by March 2013 Further 2 by March 2015	Due to no agreement concluded, no purchase was made possible	
			• Attend KPCS meetings as part of RSA team	• Compliance with KPCS on international rough purchases	June and November annually	Achieved	

Statement of Responsibility for Financial Statements

Statement of responsibility by the directors, who constitute the Accounting Authority for the State Diamond Trader for the year ended 31 March 2013.

The responsibility of the Accounting Authority of the State Diamond Trader ranges from the maintenance of appropriate records to the preparation and integrity of the quarterly reports and financial statements. Through its committees and its regular meetings, the Accounting Authority is able to engage with the management on all areas of responsibility and make recommendations and decisions.

The financial statements presented herein represent the state of affairs of the State Diamond Trader, its financial results, its performance against predetermined objectives and its financial position at the end of the financial year. The financial statements have been prepared in terms of the South African Statements of Generally Accepted Accounting Practice, the Public Finance Management Act and the Treasury Regulations. The financial statements are thus based on appropriate accounting policies supported by reasonable and prudent judgments and estimates.

The Accounting Authority establishes policies and sets of standards that are designed to provide reasonable assurance against material misstatements and losses and this enables the Accounting Authority to execute its responsibilities as required. The State Diamond Trader maintains internal financial controls thereby to provide assurance regarding the management and maintenance of its assets and the integrity of its financial records. The internal policies are underpinned by its policy framework and the strategic objectives, which provide a strategic direction to management on the expected performance and the outcomes. These are regularly reviewed to ensure compliance and relevance.

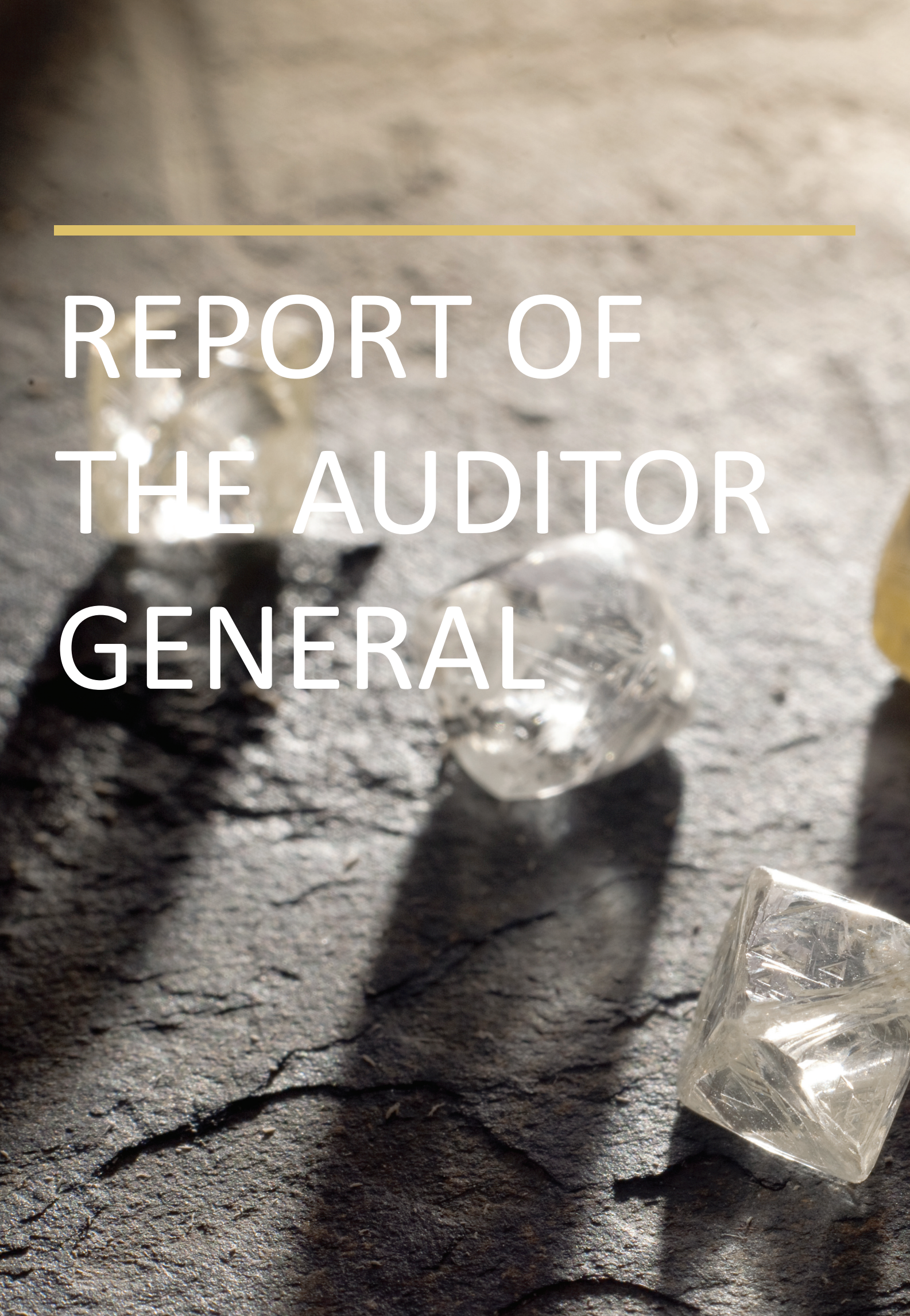
It is the opinion of the Accounting Authority that based on the information available to date, the financial statements herein presented fairly present the financial position of the State Diamond Trader at 31 March 2013 and the results of its operations and cash flow information for the financial year end.

The financial statements which appear hereunder were approved by the Accounting Authority on 25 July 2013 and are signed on its behalf by:

Mrs D.D.Mokgatle
Chairperson of the Board

Mr I. Goondiwalla
Chairperson Audit and Risk Committee





REPORT OF THE AUDITOR GENERAL

REPORT OF THE AUDITOR GENERAL TO THE PARLIAMENT ON STATE DIAMOND TRADER (SDT)

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the State Diamond Trader set out on pages 57 to 77 which comprise statement of financial position as at 31 March 2013, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

The Accounting authority's responsibility for the financial statements

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

Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit.I conducted my audit in accordance withthe Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the General Notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of 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.

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

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the State Diamond Trader as at 31 March 2013, and its financial performance and cash flows for the year then ended in accordance with South African Statement of Generally Accepted Accounting Practice (SA Statements of GAAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).



REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

7. In accordance with the PAA and the General Notice issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

8. I performed procedures to obtain evidence about the usefulness and reliability of the information in the performance against strategic business targets as set out on pages 43 to 48 of the annual report.

9. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury Framework for managing programme performance information.

The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

10. There were no material findings on the performance against strategic business targets concerning the usefulness and reliability of the information.

Additional matters

11. Although no material findings concerning the usefulness and reliability of the performance information was identified in the performance against business strategic objectives, I draw attention to the following matters below. These matters do not have an impact on the predetermined objectives audit findings reported above.

Achievement of planned targets

12. Of the total number of 36 targets planned for the year, 11 of targets were not achieved during the year under review. This represents 31% of total planned targets that were not achieved during the year under review. For further details on the extent and reasons for deviations between planned targets and actual performance refer to Accounting Authority's report, page 54 to 55 of the annual report.

13. The information was assessed to determine whether performance indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information.*

14. There were no material findings on the strategic planning and performance management documents concerning the measurability and relevance of the information.

Compliance with laws and regulations

15. I did not identify any instances of material non-compliance with specific matters in key applicable laws and regulations as set out in the General Notice issued in terms of the PAA.

Internal control

16. I did not identify any deficiencies in internal control which I considered sufficiently significant for inclusion in this report.

Auditor General

Pretoria
31 July 2013

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence



Accounting Authority's Report

The Accounting Authority hereby presents its sixth Annual Report summarizing the activities of the State Diamond Trader. The State Diamond Trader was established in July 2007 in terms of section 14 of the Diamonds Amendment Act 29 of 2005.

This review provides a context to the financial performance of the State Diamond Trader's operations as detailed in the financial statements.

FINANCIAL PERFORMANCE

The objectives of the State Diamond Trader are to promote equitable access to and local beneficiation of diamond resources of South Africa. The State Diamond Trader has set itself the objective of operating its business in a profitable and self-sustaining manner to ensure its sustainability in the future.

The current year was even more difficult in terms of the market conditions. Increased exposure of the State Diamond Trader also came at a cost with benefits set to outweigh the costs in the long term.

FINANCIAL POSITION

Revenue for the year of R411 462 599 (2012: R433 053 736) reflects a decrease of 5%. This was due to the State Diamond Trader purchasing a lower percentage of the production available as a result of the unpredictable increases in prices at producer level together with the general performance of the Diamond Industry globally.

The performance of the global economy in 2012 provided a platform for much of the lacklustre performance of the diamond markets globally and the performance of the State Diamond Trader mirrored such performance and has thus to be viewed in that light. A Gross Margin percentage of 3% on average was achieved on trading.

Capital expenditure for the year amounted to R158 863 (2012: R1 781 170) as most IT equipment and furniture for the new office premises were secured in the prior year.

Administrative expenses have increased from R14 262 320 the previous year to R15 863 442 in the current year and this is mainly due to an increase in Salary expenses as a result of new set of trainees and filling of permanent positions at senior and entry level. There was inventory amounting to R15 163 853 at the end of the financial year (2012:R6 726 132).

Net assets as at 31 March 2013 amounted to R46 085 280 (2012: R40 899 605).



CASH FLOW POSITION

Cash resources at the end of the financial year amounted to R24 707 188 (2012: R31 952 148).

GOING CONCERN

The Accounting Authority is of the view that the performance of the State Diamond Trader during the financial year has strengthened and that it will continue operating as a going concern.

SUBSEQUENT EVENTS

There were no subsequent events identified for reporting purposes.





FINANCIAL STATEMENTS

Statement of Financial Position

AS AT 31 MARCH 2013

	Notes	2013 Rands	2012 Rands
ASSETS			
Non-current assets		**1 839 750**	**2 121 239**
Property and equipment	6	1 839 750	2 121 239
Current assets		**45 111 436**	**39 649 208**
Inventory	7	15 163 853	6 726 132
Trade and other receivables	8	5 240 395	970 928
Cash and cash equivalents	9	24 707 188	31 952 148
TOTAL ASSETS		**46 951 186**	**41 770 447**
EQUITY AND LIABILITIES			
Equity		**46 085 280**	**40 899 605**
Retained income		46 085 280	40 899 605
Non-current liabilities		**-**	**-**
		-	-
Current liabilities		**865 906**	**870 842**
Trade and other payables	11	781 715	833 469
Operating Lease Rental Liability		84 191	37 373
Loans and borrowings	10	-	-
TOTAL EQUITY AND LIABILITIES		**46 951 186**	**41 770 447**



Statement Of Comprehensive Income

FOR THE YEAR ENDED 31 MARCH 2013

	Notes	2013 Rands	2012 Rands
Revenue	12	411 462 599	433 053 736
Cost of sales	12	(399 803 045)	(410 440 046)
Gross profit		**11 659 554**	**22 613 690**
Other income	13	8 180 890	6 330 929
Administrative expenses		(15 863 442)	(14 163 013)
Profit/(Loss) from operating activities	**14**	**3 977 002**	**14 781 606**
Finance income	15	1 643 698	1 665 628
Finance expenses	16	(435 025)	(280 961)
Profit before income tax		**5 185 675**	**16 166 273**
Income tax expense	17	-	(3 252 354)
Profit/(Loss) for the period		**5 185 675**	**12 913 919**
Total comprehensive income		**5 185 675**	**12 913 919**



Statement of Changes In Equity

FOR THE YEAR ENDED 31 MARCH 2013

	Retained Income/(Loss) Rands
Balance at 01 April 2011	**27 985 686**
Profit for the year	12 913 919
Balance at 31 March 2012	**40 899 605**
Profit for the year	5 185 675
Balance at 31 March 2013	**46 085 280**



Statement of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2013

	Notes	2013 Rands	2012 Rands
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated by operations	18	(8 294 770)	16 268 688
Interest paid		(435 025)	(280 961)
Interest received		1 643 698	1 665 628
Income tax paid		-	(4 243 024)
Other Income from DBCM		-	23 952
Net cash inflow from operations		**(7 086 097)**	**13 434 283**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment		(158 863)	(1 781 170)
Net cash outflow from investing activities		**(158 863)**	**(1 781 170)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of IDC revolving credit facility		-	-
Payment of IDC standby facility		-	(816 330)
Net cash outflow from financing activities		**-**	**(816 330)**
Net increase in cash and cash equivalents		**(7 244 960)**	**10 836 783**
Cash and cash equivalents at the beginning of the period		31 952 148	21 115 365
Cash and cash equivalents at the end of the period		**24 707 188**	**31 952 148**

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2013

1. REPORTING ENTITY

State Diamond Trader is an entity domiciled in South Africa. The address of the entity's registered office is Jewel City, 225 Main Street, Johannesburg, 2001. The entity is primarily involved in the purchase and sale of rough diamonds.

2. BASIS OF PREPARATION

a) Statement of compliance

The financial statements have been prepared in accordance with, and comply with, South African Statements of Generally Accepted Accounting Practice (SA GAAP) and the Public Finance Management Act, 1999 (Act No 1 of 1999).

b) Basis of measurement

The financial statements have been prepared in accordance with the going-concern principle on the historical basis except for financial instruments, refer note 3(e).

c) Functional and presentation currency

These financial statements are presented in Rands which is the entity's functional currency. All financial information presented in Rands has been rounded to the nearest rand.

d) Use of estimates and judgements

The preparation of financial statements in conformity with SA GAAP requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. It also requires management to exercise its judgement in the process of applying the State Diamond Trader's accounting policies.

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

The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3(k) (Critical accounting estimates and judgments).

e) Changes in accounting policies

The Entity applies revised IAS 1 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Entity presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income.



Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on amounts disclosed previously.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except as explained in note 2(e), which addresses changes in accounting policies.

a) Revenue

Revenue comprises the fair value of the consideration received or receivable for the goods sold in the ordinary course of State Diamond Trader's activities. Revenue is shown, net of value-added tax, estimated returns, rebates and discounts.

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

- The entity has transferred to the buyer the significant risks and rewards of ownership of goods;
- The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over 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.

b) Finance Income and Expenses

Finance income comprises interest income on bank balances. Interest is accrued on a time proportionate basis using the effective interest rate method.

Finance expenses comprise interest expense on borrowings and changes in the cost of financial liabilities at amortised costs. All borrowing costs are recognised in profit or loss using the effective interest rate method.

c) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the cost of acquiring the inventory and other costs incurred in bringing them to the existing location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

d) Property and equipment

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

- it is probable that the future economic benefits associated with the item will flow to the Entity; and
- the cost of the item can be measured reliably.

All property and equipment is stated at historical cost less accumulated depreciation and, if applicable, accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items and bringing the item to working condition for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.



Depreciation on property and equipment is calculated using the straight-line method to allocate their cost (including capitalised leased assets) over the estimated useful lives, as follows:

Furniture and Fittings	10%
Computer hardware	33.3%
Other office equipment	10%
Leasehold improvements	Over the remaining period of the lease

Depreciation is recognised in profit or loss. The depreciation method, residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in profit or loss.

e) Financial instruments

Financial instruments carried on the balance sheet include cash and cash equivalents, trade and other receivables, loans and borrowings and trade and other payables.

(1) Classification

Financial instruments are measured at amortised cost using the effective interest rate method less any impairment losses.

(2) Recognition

State Diamond Trader recognises financial assets and financial liabilities on the date it become party to the contractual provisions of the instrument.

(3) Measurement

Financial instruments are measured initially at fair value (transaction price) plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately, while on other financial instruments they are capitalised.

Subsequent to initial recognition, these financial instruments are measured as follows:

- **Cash and cash equivalents**
  Cash comprises cash balances with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. These are initially and subsequently measured at amortised cost.

- **Trade and other receivables (Accounts receivable)**
  Trade receivables are initially stated at fair value and subsequently at amortised cost using the effective interest rate method. The recoverable amount of trade receivables is calculated at the present value of expected future cash flows discounted using the original effective interest rate inherent in the asset. Short-term receivables are not discounted.



- **Trade and other payables (Accounts payable)**
  Trade payables are initially measured at fair value and are subsequently measured at amortised costs using the effective interest rate method. These are subject to normal trade credit terms and relatively short payment cycles. Trade and other payables are classified as other financial liabilities.

(4) Impairment

Financial assets that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of Impairment. If any such indication exists, an impairment loss is recognised in profit and loss as the difference between the asset's carrying amount and present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

If in a subsequent year the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the income statement. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been previously recognised.

(5) De-recognition

State Diamond Trader derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for de-recognition in accordance with IAS 39.

State Diamond Trader uses the weighted average method to determine realised gains and losses on de-recognition. The financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

f) Operating leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

g) Provisions

Provisions are recognised when the entity has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation. The amount of the provision is the present value of the expenditure expected to be required to settle the obligation.

h) Employee benefits

The cost of all short term employee benefits, such as salaries, medical aid, leave pay outs and other contributions is recognised during the year in which the employee renders the related service.

i) Income tax

As of February 2012 the entity was granted income tax exempt status and therefore would not be liable for any income tax for the year.



Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss, except to the extent that it relates to items recognised in equity. Current taxation comprises tax payable, calculated on the basis of the expected taxable income for the year, using tax rates expected at the balance sheet date and any adjustments of the tax payable for the previous year.

Deferred taxation is recognised using the balance sheet method providing for all temporary differences except to the extent that the deferred tax liability or asset arises from the initial recognition of an asset of liability in a transaction that is not a business combination which at the time of the transaction, affects neither accounting nor taxable profit or loss. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred taxation is calculated using the taxation rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at balance sheet date. The effect on deferred taxation of any changes in taxation rates is charged to profit or loss, except to the extent that it relates to items previously charged or credited directly to equity.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

j) Related parties

State Diamond Trader operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the constitutional independence of all three spheres of government in South Africa, only parties within the national sphere of government will be related parties. Related parties also include key management personnel, which are persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any members of the accounting authority (whether executive or otherwise) of the State Diamond Trader.

k) Critical accounting estimates and judgements

The State Diamond Trader makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are as follows:

(1) Estimates of residual values and useful lives of equipment

The State Diamond Trader reassesses annually the residual values and remaining useful lives of fixed assets. The residual values of these assets have been estimated as the amount that the State Diamond Trader would currently obtain from disposal of each asset, in its current location, if the asset were already of the age and in the condition expected at the end of its useful life. The useful life is estimated as the period over which an asset is expected to be available for use by the State Diamond Trader. Technological innovation and maintenance programs impact the useful lives and residual values of the assets.



(2) Contingent liabilities

Management applies its judgement to the patterns and advice it receives from its attorneys, advocates and other advisors in assessing if an obligation is probable, more likely than not, or remote. This judgement application is used to determine whether the obligation is recognised as a liability or disclosed as a contingent liability.

l) Donations

Donations consist primarily of use of the De Beers staff seconded to the entity, De Beers assets that are in the premises that were used by the State Diamond Trader and use of DMR staff seconded to the State Diamond Trader in 2012. Donations are intended to compensate expenses and to provide immediate financial support to the State Diamond Trader with no future related costs and are recognised as income in the period in which they are received and expensed, as they are used by the State Diamond Trader.

m) Irregular, fruitless and wasteful expenditure

Irregular expenditure means expenditure incurred in contravention of, or not in accordance with, a requirement of any applicable legislation, including:

- The PFMA, or
- Any national/provincial legislation providing for procurement procedures in that national/provincial government.

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

All irregular, fruitless and wasteful expenditure is charged against income in the period in which it is incurred.

4. FINANCIAL RISK MANAGEMENT

Overview

The State Diamond Trader has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the State Diamond Trader's exposure to each of the above risks, and the objectives, policies and processes for measuring and managing risk.

The accounting authority has an overall responsibility for the establishment and oversight of the State Diamond Trader's risk management framework. It has established the Risk Management Committee, which is responsible for developing and monitoring the State Diamond Trader's risk management policies. The committee reports regularly to the accounting authority on its activities.

Risk management policies are established to identify and analyse the risks faced by the State Diamond Trader, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in the State Diamond Trader's



activities. The State Diamond Trader, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The accounting authority, through its relevant Committees, oversees how management monitors compliance with the State Diamond Trader's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the State Diamond Trader.

Credit risk
Credit risk is the risk of financial loss to the State Diamond Trader if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the State Diamond Trader's receivables from customers.

Exposure to Credit Risk
The State Diamond Trader is not exposed to credit risk from its customers, as its policy is not to grant credit. Goods will not be released to the customer until payment has been received and cleared.

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

The State Diamond Trader manages liquidity risk by following a cycle approach to the purchase and sale of diamonds. Only once all diamonds from the previous cycle have been sold and the revolving credit facility has been settled in full will the next order to purchase diamonds be placed. In this manner the State Diamond Trader is able to manage its cash flow requirements.

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

Currency risk
The State Diamond Trader is exposed to currency risk on sales and purchases, which are denominated in US Dollars (USD). The State Diamond Trader manages currency risk by settling the foreign currency denominated purchases on or about the date of purchase and receiving payments for foreign currency denominated sales on or about the date of sale, thereby minimising foreign currency exposure.

Cash Flow interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rates. The entity's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest rate risk.

The sensitivity analysis below focuses on cash flow sensitivity (the impact on future interest-related cash flows). A change of 100 basis points in the interest rates at the reporting date would have increased/ (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

SENSITIVITY ANALYSIS

	Effect on profit or (loss)	
	Increase	Decrease
At 31 March 2013		
Revolving Facility	-	-
Cash flow sensitivity (net)	-	-
At 31 March 2012		
Revolving Facility	-	-
Cash flow sensitivity (net)	-	-

The IDC Loan Facility was not used under the current new agreement that has a different interest rate.

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet are as follows:

	31 March 2013		31 March 2012	
In Rands	Carrying amount	Fair value	Carrying amount	Fair value
Loans and Borrowings	-	-	-	-
Cash and cash equivalents	24 707 188	24 707 188	31 952 148	**31 952 148**
Trade and other payables	565 012	565 012	307 591	**307 591**

Capital management

The State Diamond Trader is Government Business Enterprise and does not have any share capital. The State Diamond Trader is not funded by government and it is expected to be self-sufficient. The accounting authority monitors gross profit margins and operating expenditure to ensure that the State Diamond Trader generates sufficient profit from its operations to cover operating expenses.



5. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, amendments to standards and interpretations issued are not yet effective for the year ended 31 March 2013, and have not been applied in preparing these financial statements:

STANDARD/INTERPRETATION		EFFECTIVE DATE
IFRS 10, IFRS 12 and IAS 27	*Investment Entities* A qualifying investment entity is required to account for investments in controlled entities – as well as investments in associates and joint ventures – at fair value through profit and loss; the only exception would be subsidiaries that are considered an extension of the investment entity's investing activities. The consolidation exception is mandatory – not optional. This statement will not impact the results of the Entity as the Entity does not have Investment Entities.	Annual periods beginning on or after 1 January 2014*

IAS 32 and IFRS 7	*Offsetting Financial Assets and Financial Liabilities*
	The amendments to IAS32 clarify that:
	• An entity currently has the legal enforceable right to offset if that right is:
	  • Not contingent on future event; and
	  • Enforceable both in normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and
	• Gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that:
	  • Eliminate or result in insignificant credit and liquidity risk; and
	  • Process receivable and payables in a single settlement process or cycle.
	The amendments to IFRS 7 include minimum disclosure requirements related to financial assets and financial liabilities that are:
	• Offset in the statement of financial position; or
	• Subject to enforceable master netting arrangements or similar agreements.
	This statement will impact the results of the Entity as the Entity does have Financial Assets and Liabilities.
		Annual periods beginning on or after 1 January 2014*





STANDARD/INTERPRETATION		EFFECTIVE DATE
IFRS 9 (2009) (AC 146)	*Financial Instruments* IFRS 9 (AC 146) addresses the initial measurement and classification of financial assets and will replace the relevant sections of IAS 39 (AC 133). Under IFRS 9 (AC 146) there are two options in respect of classification of financial assets, namely, financial assets measured at amortised cost or at fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows and when they give rise to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value. Embedded derivatives are no longer separated from hybrid contracts that have a financial asset host. This statement will impact the results of the Entity as the Entity does have Financial Assets and Liabilities.	Annual periods beginning on or after 1 January 2015*
IFRS 9 (2010) (AC 146)	*Financial Instruments* IFRS 9 (2010) (AC 146) addresses the measurement and classification of financial liabilities and will replace the relevant sections of IAS 39 (AC 133). Under IFRS 9 (2010), the classification and measurement requirements of financial liabilities are the same as per IAS 39 (AC 133), except for the following two aspects: • fair value changes for financial liabilities (other than financial guarantees and loan commitments) designated at fair value through profit or loss, that are attributable to the changes in the credit risk of the liability will be presented in other comprehensive income (OCI). The remaining amount of the fair value change is recognised in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in profit or loss. The determination as to whether such presentation would create or enlarge an accounting mismatch is made on initial recognition and is not subsequently reassessed. • Under IFRS 9 (2010) (AC 146) derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, are measured at fair value. IFRS 9 (2010) (AC 146) incorporates, the guidance in IAS 39 dealing with fair value measurement, and accounting for derivatives embedded in a host contract that is not a financial asset, as well as the requirements of IFRIC 9 Reassessment of Embedded Derivatives. This statement will impact the results of the Entity as the Entity does have Financial Assets and Liabilities.	Annual periods beginning on or after 1 January 2015*

6. PROPERTY AND EQUIPMENT

	Leasehold Improvements R	Furniture and fittings R	Security Equipment R	Computers R	Diamond Equipment R	Total R
Year ended 31 March 2013						
Opening net carrying amount	**130 983**	**454 501**	**758 296**	**550 152**	**227 307**	**2 121 239**
Gross carrying amount	454 592	537 340	953 425	1 065 566	238 000	**3 248 923**
Accumulated depreciation	(323 609)	(82 839)	(195 129)	(515 414)	(10 693)	**(1 127 684)**
Additions	6 341	93 699	-	58 823	-	158 863
Depreciation	(21 730)	(60 419)	(95 686)	(241 130)	(21 386)	**(440 351)**
Closing net carrying amount	**115 594**	**487 780**	**662 610**	**367 845**	**205 921**	**1 839 750**
Gross carrying amount	460 933	631 038	953 425	1 124 389	238 000	**3 407 785**
Accumulated depreciation	(345 339)	(143 258)	(290 815)	(756 544)	(32 079)	**(1 568 035)**
Year ended 31 March 2012						
Opening net carrying amount	**151 277**	**126 012**	**323 398**	**36 438**	**-**	**637 124**
Gross carrying amount	458 560	178 418	448 108	362 527	-	1 447 613
Accumulated depreciation	(307 283)	(52 406)	(124 710)	(326 089)	-	(810 489)
Additions	-	334 562	494 371	714 237	238 000	1 781 170
Asset Transfer (DBCM)	-	24 359	10 946	45	-	35 350
Depreciation	(21 925)	(30 433)	(70 419)	(200 568)	(10 693)	**(334 038)**
Closing net carrying amount	**130 983**	**454 501**	**758 296**	**550 152**	**227 307**	**2 121 239**
Gross carrying amount	454 592	537 340	953 425	1 065 566	238 000	**3 248 923**
Accumulated depreciation	(323 609)	(82 839)	(195 129)	(515 414)	(10 693)	**(1 127 684)**

7. INVENTORY

	2013 R	2012 R
Inventory	**15 163 853**	**6 726 132**
Cost of inventory	15 163 853	6 726 132

Inventory is stated at the lower of cost and net realisable value. Inventory relates to rough diamonds purchased.

8. TRADE AND OTHER RECEIVABLES

	5 240 395	970 928
Prepayments	145 693	113 312
Interest and DBCM receivable	79 384	56 256
SARS Receivable: VAT Receivable	1 382 744	514 798
Income Tax Refund Receivable	3 632 574	286 562

- Credit risk and impairment losses
The entity's exposure to credit risk and impairment losses is disclosed in Note 4.

9. CASH AND CASH EQUIVALENTS

	24 707 188	31 952 148
FNB Operational Accounts	8 021 010	10 681 602
Petty cash	3 000	2 000
FNB Call Accounts	5 738 003	10 819 777
Standard Bank Call Account	10 945 175	10 448 769

- Interest rate risk
The entity's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 4.

10. LOANS AND BORROWINGS

This note provides information about the contractual terms of the interest bearing loans and borrowings, which are measured at amortised cost. For more information about the entity's exposure to interest rate and liquidity risk, see note 4.

Current portion of long term loans	-	-
Revolving Credit Facility	-	-

The revolving loan facility did not have any outstanding balance in the current financial year and thus has a balance of R0 at period end (2012: R0).



11. TRADE AND OTHER PAYABLES

	2013 R	2012 R
Trade and other payables	**781 715**	**833 469**
Accruals	173 453	483 503
Creditors	565 012	307 591
Provisions	43 250	42 375

- Liquidity risk
The entity's exposure to currency and liquidity risk relating to trade and other payables are disclosed in note 4.

12. REVENUE

Revenue consists of sales of rough diamonds to local beneficiators.	**411 462 599**	**433 053 736**

Cost of sales

Reconciliation:		
Opening inventory	6 726 132	6 525 971
Purchases	407 998 978	410 405 051
Security and Transport costs	241 788	235 155
Less: Closing inventory	15 163 853	6 726 132
Cost of goods sold	**(399 803 045)**	**(410 440 046)**

13. OTHER INCOME

Other Income is Donations to the State Diamond Trader in respect of Staff donated by DBCM and DMR, use of Equipment from DBCM and an Income Tax Refund due to the State Diamond Trader.

Other income	**8 180 890**	**6 330 929**
Donations DBCM	4 249 695	4 716 511
Other Income from DBCM	71 540	23 952
Donations DBCM: Use of Equipment	5 753	147 133
DBCM Transfer of assets Unrealised Profit	-	39 333
Other Income - Trading	221 328	-
Donations DMR	-	1 404 000
Income Tax Refund due to State Diamond Trader	3 632 574	-

	2013 R	2012 R
14. PROFIT/(LOSS) FROM OPERATING ACTIVITIES IS STATED AFTER ACCOUNTING FOR THE FOLLOWING:		
Audit Fees	642 446	624 958
Emoluments		
For service as members	265 254	422 044
For managerial services	1 560 000	300 473
Depreciation	440 351	334 038
Operating lease charges	475 456	316 770
Salaries	1 820 044	1 048 880
Reversal of Provision on Salaries	-	(97 677)
Salaries – Donations	4 249 695	6 120 511
Use of De Beers Assets and Diamond Equipment	5 753	147 133
15. FINANCE INCOME		
Interest received	**1 643 698**	**1 665 628**
16. FINANCE EXPENSES		
Finance costs on IDC facilities	169 550	252 500
Interest charged by:	265 475	28 461
IDC	265 475	28 339
Other	-	122
	(435 025)	**(280 961)**
17. INCOME TAX EXPENSE		
Current tax expense:		
South African Normal Tax	-	3 599 822
Deferred tax expense	-	(53 171)
Reversal of temporary differences	-	(294 297)
Income tax expense	-	**3 252 354**
Reconciliation of effective tax rate:		
Statutory rate%	-	28.00%
Adjustments:		
Non-deductible expenses	-	-
Tax not charged due to being exempt	-	-5.60%
Prior year reversal of over accrual	-	-1.83%
Reversal of deferred tax liability	-	-0.33%
Effective tax rate	-	**20.24%**

18. CASH GENERATED FROM OPERATIONS

	2013 R	2012 R
Net income / (loss) before taxation	**5 185 675**	**16 066 966**
Adjusted for:		
- depreciation	440 351	334 038
- other non-cash items	46 818	(36 984)
- interest expense	435 025	280 961
- interest received	(1 643 689)	(1 665 628)
- other income received from DBCM	-	(23 952)
- Donations received - DMR and DBCM	(4 255 448)	(6 267 644)
- Staff services donated - DBCM	4 249 695	4 716 511
- Staff services donated - DMR	-	1 404 000
- Use of assets - De Beers	5 753	147 133
Adjusted net profit before taxation	**4 464 171**	**15 054 708**
Changes in working capital:		
- decrease/(increase) in trade and other receivables	(4 269 466)	1 137 999
- decrease/(increase) in inventory	(8 437 722)	(200 161)
- (decrease)/ increase in trade and other payables	(51 754)	276 142
	(12 758 942)	**1 213 980**
Cash generated from operations	**(8 294 770)**	**16 268 688**

19. DEFERRED TAX LIABILITY

As the State Diamond Trader is exempt from Income Tax, there is no deferred tax liability effect.

20. COMMITMENTS

Operating Leases – as lessee (expense)

Minimum lease payments due		
- within one year	463 397	432 444
- in second to fifth year inclusive	1 167 194	1 630 590
	1 630 591	**2 063 034**

Operating lease payments represent rental payable by the entity for its equipment and office premises. The lease for equipment was negotiated for a term of 3 years with escalation of 0% per annum starting from 1 September 2011. The prior lease came to end on 31 August 2011. The lease for the Office premises was negotiated for a term of 5 years with escalation of 8% per annum starting from 1 September 2011. No contingent rent is payable on both leases.

	2013 R	2012 R

21. RELATED PARTIES

The State Diamond Trader is wholly owned by the National Government of the Republic of South Africa represented by the Minister of Mineral Resources. The State Diamond Trader is a Schedule 3B public entity in terms of the Public Finance Management Act, 1999 (Act No 1 of 1999, as amended). It therefore has a significant number of related parties including other state owned entities, government departments and all other entities within the national sphere of Government.

The State Diamond Trader, in the ordinary course of business, enters into various agreements with other parties within the national sphere of Government. The significant transactions (in the normal course of business) and balances outstanding at 31 March 2013 entered into between the State Diamond Trader and entities outside the entity are as follows:

Department of Mineral Resources (DMR) seconded one of its staff members to the State Diamond Trader as the Chief Executive Officer. The total costs paid by DMR on behalf of State Diamond Trader were as follows:

DMR Staff Costs	-	1 404 000

The State Diamond Trader has a Revolving Facility account with the Industrial Development Corporation (IDC) a Government entity for use as working capital from time to time and the outstanding balances on the facilities were as follows:

IDC Revolving Facility	-	-

Key Management personnel compensation refer to note 22

22. EMOLUMENTS

	2013 R	2012 R
Executive members		
Chief Executive Officer	1 560 000	300 473

Non-Executive members Accounting Authority and Sub-committee meeting fees
The term of the first Board of State Diamond Trader came to its end on 30 September 2012 and the new Board assumed its responsibilities on 1 October 2012.

Adv. L. Makatini (Chairperson – Term ended 30 September 2012)	15 522	134 096
Ms D. Maphatiane	23 250	48 002
Mr I. Goondiwalla	-	-
Mr P. Moeti	9 678	22 408
Mr T. Montoedi	40 716	48 002
Mr S. Motloung	48 390	62 671
Mr Y. Tenza (Audit and Risk Management Committee)	36 708	41 135
Ms B. Luthuli (Audit and Risk Management Committee)	19 356	65 730
Mrs D.D. Mokgatle (Chairperson – Appointed 1 October 2012)	23 328	-
Ms S.Mohale	-	-
Ms N. Mpuntsha	21 246	-
Ms S.Nxumalo	-	-
Ms N. Jiyane	5 784	-
Mr A.Luhlabo	21 246	-
Brig. N.Mokoena	-	-
Total	**265 254**	**422 044**

The following Non-Executive members of the Accounting Authority are either public servants as defined in the Public Service Act, or are executives of State Owned Entities and therefore do not get paid by the State Diamond Trader:

Mr A. Mngomezulu
Mr L. Rapoo

23. SUBSEQUENT EVENTS

There were no subsequent events identified for reporting purposes.

24 CONTINGENT LIABILITIES

The State Diamond Trader is not aware of any contingent liabilities that existed as at 31 March 2013.

25 CONTINGENT ASSET

The State Diamond Trader is not aware of any contingent asset that existed as at 31 March 2013.



Entity Information

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Business address:	Jewel City 225 Main Street Johannesburg 2001
Website:	www.statediamondtrader.gov.za
Email:	infosdt@statediamondtrader.gov.za
Shareholder:	Government of the Republic of South Africa Represented by Minister of Mineral Resources
Country of incorporation:	Republic of South Africa

Directors:

The term of the first Board of State Diamond Trader came to its end on 30 September 2012 and the new Board assumed its responsibilities on 1 October 2012.

Mrs D.D. Mokgatle	Chairperson
Ms P.N. Zikalala Mvelase	Chief Executive Officer
Adv L. Makatini	Member
Mr I. Goondiwalla	Member
Ms D. Maphatiane	Not re-elected
Mr P. Moeti	Member - resigned November 2012
Mr T. Montoedi	Member
Mr S. Motloung	Member
Mr L. Rapoo	Member
Ms S. Mohale	Member
Ms N. Mpuntsha	Member
Ms S. Nxumalo	Member
Ms N. Jiyane	Member - resigned April 2013
Mr A. Luhlabo	Member
Brig. N. Mokoena	Member

Company Secretary: Legal Best (Pty) Ltd Consultant Company Secretary



Notes



Notes





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State Diamond Trader

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