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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 2009

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 2009.

Ms Susan Shabangu, MP

Minister of Mineral Resources

August 2009

CHAIRPERSON'S REPORT

The State Diamond Trader (SDT), a schedule 3B entity, has been in operation since 2007. In the first two years of operation, we were optimistic of success and we established a firm foundation, despite internal and external challenges.

In the year under review, we continued to adapt our policies and engagement with the industry to better respond to their needs and challenges. This was done through workshops and our open door policy with both customers and producers. The challenge of affordable and suitable goods became a constant theme that was raised by the industry to the SDT.

As a result, the beginning of the 2009 financial year saw the SDT intensifying its efforts to bring other producers on board. Despite the initial resistance and lack of understanding of the SDT's legal claim to the percentage of production and the processes to be followed in determining the price, the majority of producers approached engaged constructively with the SDT. With the introduction of other producers, the SDT was able to offer its clients a wider selection of goods and increased the number of its clients. The SDT will continue on this path of engagement with producers to ensure compliance with the law and the implementation of the country's beneficiation strategy.

However, despite these efforts, the SDT found itself unable to attract the existing small and medium SDT clients to buy regularly, even though the goods offered were what would have been indicated as a preference by these clients. The Board remains seized with this matter and has encouraged initiatives by SDT management to assist our small clients in accessing finance and opening markets.

Added to this, management experienced challenges in trading at the projected levels and had to lower the expected margins in order to meet the industry half way and promote beneficiation. This in turn impacted on the internal operations of the SDT.

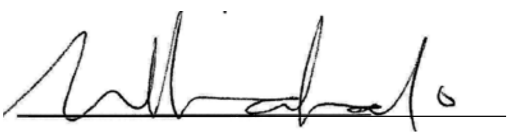
The global economic down turn could not have come at the worst time for the SDT and the industry. The closing down of factories and loss of jobs presents a serious threat to South Africa's beneficiation policy goal. With the support of the Minister of Minerals and Energy, Hon. Sonjica, the SDT initiated a review of its funding model using information and practical experience gathered in the last 2 years. Whilst this review was underway, the Shareholder committed itself to assisting the SDT with a 'bailout' to guarantee the SDT's operation in the interim.

We remain hopeful that the outcome of this review will enable the SDT to better focus on providing the industry with affordable goods, without the pressure of having to place unaffordable margins in order to sustain the SDT's operations.

The Shareholder's support throughout this difficult year has been a source of strength to the SDT. The secondments of Department of Minerals and Energy staff to the Board have been invaluable, in particular, the secondment of Ms Zikalala (DDG Minerals Policy) as the Chief Executive of the SDT when the term of contract of the previous Chief Executive expired. She has in the short period under review led a tight ship, with the support of the De Beers seconded staff. Their efforts are noted and appreciated by the Board and industry.

The Board's relentless commitment to the Government's vision of transformation and innovation in the industry continues to humble me. With their support and expert knowledge of the industry and challenges, the SDT approaches the next financial year not with blind optimism, but a realistic understanding that the road ahead may remain bumpy but with a light at the end of the tunnel.

The Board commits itself in the coming year to continue to implement its mandate in terms of the law in pursuit of the advancement of the beneficiation strategy.

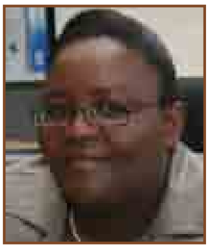


Linda Makatini

Chairperson of the Board

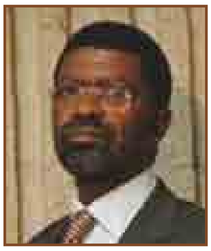
The State Diamond Trader – Accounting Authority

Ms L. Makatini (Chairperson)



Ms N. Zikalala (Acting CEO)

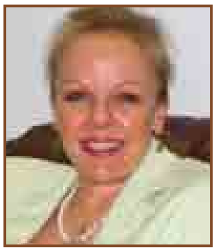
Mr P. Moeti



Mr A. Mngomezulu

Mr T. Montoedi

Mr I. Goondiwalla



Ms H. Tyler

Mr K. Joseph

Ms D. Maphatiane

Mr S. Motloung

Ms L. Ntshinga

Ms S. Motloung (Secretary)

Mr O. Temkin

CHIEF EXECUTIVE OFFICER'S REPORT

Introduction

The purpose of the report of the Acting Chief Executive Officer is to provide additional insight into the operations and financial performance of the State Diamond Trader during the 2008/09 financial year.

Trading Environment

At the beginning of the 2008/09 financial year, the SDT was still engaged in its Pilot Project, which was a key factor in terms of establishing it as a trading partner to its clients and the industry at large. The Pilot Project was successful in assisting the State Diamond Trader to make projections for future trade. This did not mean that the funding challenges were addressed, but that once these were addressed, a case for future trading had been made.

The State Diamond Trader was able to purchase around 3% of rough diamonds from South Africa's largest diamond producer and make this available to its clients during the first and second quarters of the financial year. An average of 1.5% gross margin was made from such trading activities during the period. As it became clear that margins of around 4% were more realistic, the Board resolved to cap its trading margins at 4% during the second quarter and this thereafter applied throughout the financial year.

During the course of the year, other diamond producers were brought on board and a few purchases were made from them between October 2008 and the end of the financial year. Gross margins realised from such purchases averaged 4%.

The challenges that significantly impacted upon the trading activities of the State Diamond Trader were the following:

1. The legislated provision of purchasing on a Run of Mine (ROM) basis from the producers which implied 84% (by caratage) and 37% (by value) of diamonds purchased were not suitable for its clients and for local beneficiation;

2. The global financial downturn which impacted luxury goods more negatively than could have been anticipated and therefore led to significantly reduced trading activities as both rough and polished markets virtually ground to a halt for a number of months and the impairment of the State Diamond Trader's inventory from R1,5 million to around R275 000; and

3. Reduced production by the largest diamond producer and other smaller ones coupled with closures of some diamond mines.

As indicated in the financial statements, the State Diamond Trader made purchases amounting to R92 024 575 and sales amounting to R117 209 000 during the year. While this represented higher figures of both purchases and sales compared with the previous financial year, the net effect is that these were much lower than projected for the year. This was a result primarily of the financial market downturn and its impact on diamond trade globally.

The impact of these activities was evident in the operating environment as some of projected activities could not take, such as the employment of trainees and the implementation of the approved HR Plan.

Operating Environment

1. Financial

The State Diamond Trader continued to operate under the financial arrangements and covenants held with the IDC, meaning that for actual diamond trading the loan facilities available were:

Revolving loan:	R35million
Standby loan:	R15 million
Total:	**R50 million**

and for operating activities the loan facility utilised was:

Subordinated loan	**R4,2 million**

The interest rate on the loans continued on the basis set at the beginning which was **prime + 1.5%.**The combination of the costs of raising these loans and the financial market turmoil had a marked negative impact on the operations of the State Diamond Trader as is stated in the financial report.

At the and of the financial year the State Diamond Trader had an outstanding amount of R3,661,929 on Subordinated loan facility with the IDC and had an outstanding balance of R157 947 due to the instalment for the month of February 2009 not having been paid. All due amounts on the Revolving loan facility had been paid. As indicated above, the impacts of the financial markets were severe on the State Diamond Trader and this resulted in the Board resolving to approach the Shareholder for a bailout. It also resulted in there being an overdrawn amount of around R61 785 at the end of the financial year. The Shareholder provided a bailout package of R1 million and this was only received by the State Diamond Trader after the end of the financial year.

2. Human Resources

The State Diamond Trader continued to operate with personnel seconded from the Shareholder department, DME, and De Beers in terms of the Service Level Agreement between the latter and itself. Such secondments were treated as donations in the accompanying financial statements and the total value of such donations was R7,1 million. The DME had to second additional personnel during the course of the year and this is included in the total donation amount.

The challenge of the funding capability of the State Diamond Trader was raised as a critical issue with the Shareholder and the problem was identified to be located in its funding model. The Shareholder has undertaken to review the funding model of the State Diamond Trader and this should bring about much required relief and a resolution of the current challenges.

Conclusion

The financial year under review provided a number of challenges to this young institution and it is hoped that it thereby made it stronger for the future. The start of the new financial year has indeed brought about glimmers of hope as the trading and the operating environments appeared to lift off. It remains early days yet for any enthusiastic market responses to turn into real gains for the State Diamond Trader.

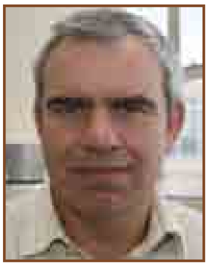
Management acknowledges the contributions and support of the Board, the then Department of Minerals and Energy and now Mineral Resources, De Beers and other stakeholders.

Ms N. Zikalala
Acting Chief Executive Officer

July 2009

The State Diamond Trader – Staff Members

Ms N. Zikalala (Acting CEO)



Mr F. Auger (Operations Manager)

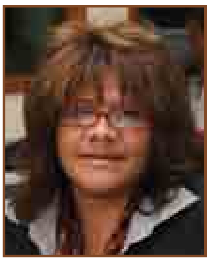
Ms S. Motloung (Secretary)

Mr S. Martin (Purchasing Manager)

Mr C. Van Der Ross (Sales Manager)

Mr S. Kanjee (Production Controller)

Ms N. Mbina (PA to the CEO)



Ms D. Mc Bride (Administration Officer)

Mr R. Joseph (Sales Executive)

Mr M. Vungwana (Assistant Client Relations Officer)

Phinda Ntsabula (Client Relations Officer)

GOVERNANCE

The State Diamond Trader (SDT) operates on a strong corporate governance foundation that is representative of the interests of all stakeholders. The governance framework is aligned with King II 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 ongoing 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.

SDT is mandated to promote equitable access to and local beneficiation of the diamond resources of South Africa, therefore the SDT is fully committed to the highest standards of governance.

While the Accounting authority of the SDT is responsible for the maintenance of sound corporate governance, it believes that implementation is best managed at executive management level as well as that we have, in all material respects, complied with King II and the PFMA.

State Diamond Trader and the Public Finance Management Act (PFMA) 1999

As a public entity, SDT operates in terms of the PFMA. In terms of PFMA the accounting authority and accounting officers 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, SDT is obliged to conclude a Shareholder's Compact on an annual basis with its Shareholder, the Minister of Minerals and Energy (the Minister, also referred to as the Shareholder). The compact sets out the mandate that SDT is committed to, 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 business plans;
- direct contact between the Chairperson and Shareholder; and
- ongoing 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 SDT. The Accounting Authority of the SDT is appointed by the Minister. It has a Charter detailing processes and procedures that regulate its functioning. Similarly, each Committee has formal and written terms of reference to ensure optimal discharge of duties within the mandate conferred upon each committee by the Accounting Authority.

The Accounting Authority is the core of SDT'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. There are thirteen non-executive members, and one executive member, the Chief Executive Officer (CEO) but one position is vacant as a result of resignation of the National Treasury representative. 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 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

Composition

Ms L Makatini (Chairperson)
Mr A Chikane (Chief Executive) - until August 2008
Ms N Zikalala (Member) - Acting CEO with effect from October 2008
Mr L Selekane (Member)
Mr O Temkin (Member)
Mr P Moeti (Member)
Ms D Maphatiane (Member)
Mr T Montoedi (Member)
Mr K Joseph (Member)
Mr I Goondiwalla (Member)
Mr M Grote (Member)-resigned with effect from 1st November 2008
Mrs H Tyler (Member)
Ms L Ntshinga (Member)
Mr S Motloung (Member)

Remuneration

The remuneration of members of the accounting authority is disclosed in note 16 of the Notes to the Annual financial statements.

Access to information

The Accounting Authority has access to all information it may require and may, at the cost of SDT, 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 SDT.

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 SDT's business is managed appropriately and prudently.

Executive sessions and meetings of non executive members of the accounting authority

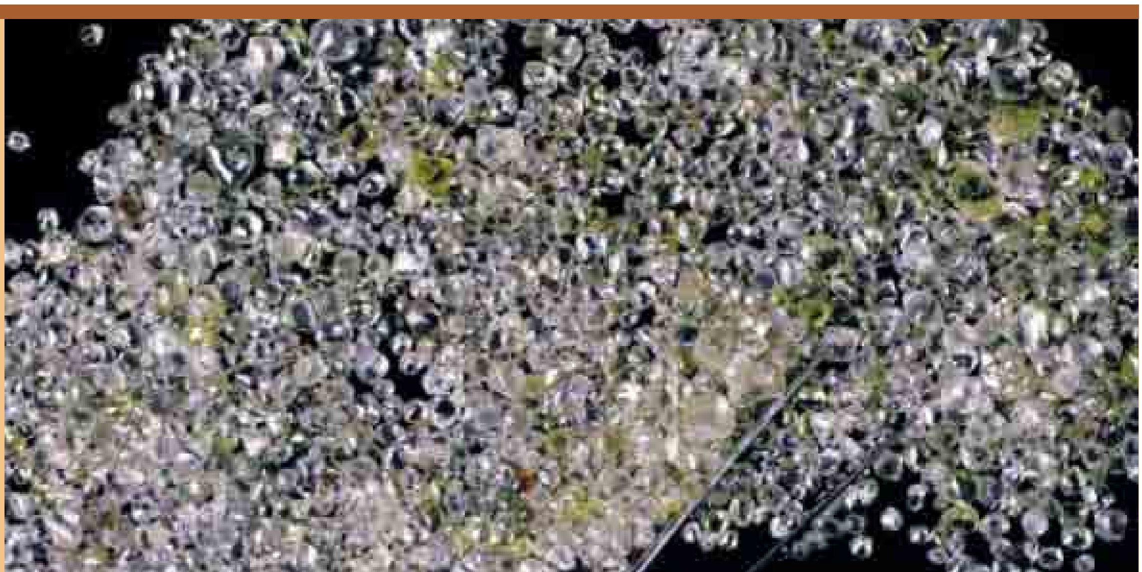
Non-executive members of the accounting authority meet separately to discuss issues of significance to the Accounting Authority and its operations. The Accounting Authority and its committees also hold executive sessions with management where issues pertinent to business operations are identified. These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

Attendance

In spite of the financial challenges faced by the SDT which led to non-payment of Accounting Authority members' fees, members continued to attend meetings at both the Accounting Authority and Committee levels. They discharged their fiduciary duties and ensured strategic direction to Management throughout the financial year.

Meetings

The Accounting Authority of the SDT held monthly and bi-monthly meetings for the most part of the financial year. Apart from these meetings, the Accounting Authority also met twice during the financial year, May 2008 and January 2009, for the review of its strategic objectives and the review of performance against set objectives.



Accounting Authority Meetings

	06/05/2008	12/05/2008	30/05/2008	31/05/2008	29/07/2008	12/09/2008	29/10/2008	27/01/2008	28/01/2008	13/03/2008	31/03/2008	# MEETING ATTENDED
1. L Makatini	✓	✓	✓	✓	✓	✓	✓	X	✓	✓	✓	10
2. A Chikane	✓	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	5
3. D Maphatlane	✓	✓	✓	x	✓	X	✓	✓	✓	✓	X	8
4. O Temkin	✓	x	✓	x	✓	✓	✓	X	X	X	X	5
5. I Goondiwalla	✓	x	✓	x	✓	✓	✓	✓	✓	✓	X	8
6. K Joseph	✓	x	x	x	✓	X	✓	✓	✓	✓	✓	7
7. P Moeti	✓	x	✓	✓	✓	✓	✓	X	X	✓	✓	8
8. T Montoedi	✓	✓	x	x	✓	✓	✓	X	✓	X	✓	7
9. H Tyler	✓	x	x	x	✓	X	X	X	X	✓	X	3
10. N Zikalala	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10
11. S Motloung	✓	✓	✓	✓	✓	X	X	✓	✓	✓	✓	9
12. L Ntshinga	✓	✓	x	x	✓	X	X	✓	X	X	✓	5
13. L Selekane	✓	✓	✓	✓	✓	✓	✓	✓	X	X	X	8
14. M Grote	✓	✓	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	6
15. A Mngomezulu	N/A	✓	✓	x	N/A	✓	N/A	✓	✓	X	X	5
16. S Dequintal	N/A	x	✓	✓	N/A	✓	N/A	N/A	N/A	✓	X	4
17. Y Tenza	N/A	x	x	x	N/A	✓	N/A	X	X	X	✓	2
# MEMBERS ATTENDED	13	10	12	8	14	11	9	8	8	9	8	

NOTES:

1.MS N ZIKALALA WAS APPOINTED AS A MEMBER OF THE ACCOUNTING AUTHORITY WITH EFFECT FROM DECEMBER 2007, SHE WAS ALSO APPOINTED AS ACTING CEO WITH EFFECT FROM OCTOBER 2008.

2. *Ms S de Quintal, Ms Mngomezulu and Mr. Tenza are committees' additional members and attend Accounting Authority/ strategic meetings as per invitation.*
3. *Mr. Chikane's contract expired on 30 August 2008.*
4. *Mr. Grote resigned with effect from end of October 2008.*

COMMITTEES OF THE ACCOUNTING AUTHORITY

Audit Committee

<u>Composition</u>

Members

Mr Y Tenza	Additional Member and Chairperson
Ms N Zikalala	Acting CEO- From October 2008
Mr A Chikane	CEO (ex-officio)-Until August 2008
Mr M Grote	Member-Until October 2008
Ms D Maphatiane	Member

The Audit Committee (AC) is an advisory committee to the Accounting Authority and is accountable to the Accounting Authority.

The AC consists of 3 non- executive members. The Chairperson of the Accounting Authority is not eligible to be appointed as chairperson of the AC.

The overall purpose of the AC 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 AC meetings.

Audit Committee Meetings

	24/07/2008	# MEETING ATTENDED
1. Y Tenza	✓	1
2. N Zikalala	N/A	0
3. A Chikane	✓	1
4. D Maphatiane	✓	1
5. M Grote	X	0
# MEMBERS ATTENDED	3	

Risk Committee

Composition

Members

Mr L Selekane	Chairperson
Ms N Zikalala	Acting CEO(ex-officio) - started acting in October 2008
Mr A Chikane	CEO (ex-officio) Until August 2008
Ms S De Quintal	Additional Member
Mrs H Tyler	Member
Ms L Ntshinga	Member

Risk Committee meetings

The Risk Committee (RC) is an advisory committee to the Accounting Authority and is accountable to the Accounting Authority.

The RC consists of 4 non-executive members. The Chairman of the Accounting Authority is not eligible to be appointed as chairperson of the RC.

The overall purpose of the RC 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; and
- ensuring compliance with all statutory and regulatory legislation.

	22/04/2008	22/05/2008	23/06/2008	21/11/2008	# MEETING ATTENDED
L Selekane	✓	✓	✓	✓	4
N Zikalala	N/A	N/A	N/A	X	0
A Chikane	✓	✓	✓	N/A	3
S De Quintal	✓	✓	✓	X	3
H Tyler	✓	✓	✓	✓	4
L Ntshinga	X	X	X	X	0
# MEMBERS ATTENDED	4	4	4	2	

Finance, Human Resources and Remuneration Committee

Composition

Members

Mr I Goondiwalla	Chairperson
Ms N Zikalala	Acting CEO (ex-officio) - started acting in October 2008
Mr A Chikane	CEO (ex-officio) -Until August 2008
Mr O Temkin	Member
Mr T Montoedi	Member
Mr M Grote	Member –resigned with effect from end of October 2008
Ms D Maphatiane	Member

The Finance, Human Resources and Remuneration Committee comprises of 5 non-executive members.

The main purpose of Finance, HR and Remunerations Committee is to assist the Accounting Authority in the oversight of SDT's remuneration structure and to ensure that it is in line with corporate principles, as well as to ensure that the reward and remuneration programme is market related and that the remuneration structure complies with local laws and regulations.

	01/04/2008	05/05/2008	30/05/2008	23/07/2008	19/03/2009	# MEETING ATTENDED
1. I Goondiwalla	✓	✓	✓	✓	✓	5
2. N Zikalala	N/A	N/A	N/A	N/A	✓	1
3. A Chikane	✓	✓	✓	✓	N/A	4
4. D Maphatiane	X	✓	✓	✓	X	3
5. O Temkin	X	X	✓	X	✓	2
6. T Montoedi	✓	✓	X	X	✓	3
7. M Grote	✓	✓	✓	✓	N/A	4
# MEETING ATTENDED	**3**	**5**	**5**	**4**	**4**	

Joint Finance and Audit Committees Meeting

	01/04/2008	# MEETING ATTENDED
1. I Goondiwalla	✓	1
2. A Chikane	✓	1
3. Y Tenza	✓	1
4. D Maphatiane	X	0
5. O Temkin	X	0
6. T Montoedi	✓	1
7. M Grote	X	0
# MEETING ATTENDED	**4**	

Trading, Clientele and BEE Committee

Composition

Members

Mr A Mngomezulu	Acting Chairperson (November 2008)
Ms N Zikalala	Acting CEO (ex-officio) -started acting in October 2008
Mr A Chikane	CEO (ex-officio) -Until August 2008
Mr K Joseph	Member
Mr P Moeti	Member
Mr S Motloung	Member

Trading Committee meetings

The Trading, Clientele & BEE Committee comprises of 4 non-executive members.

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

	27/05/2008	20/06/2008	20/08/2008	25/11/2008	19/03/2009	# MEETING ATTENDED
1. N Zikalala	✓	✓	✓	✓	✓	5
2. A Chikane	✓	✓	✓	N/A	N/A	3
3. K Joseph	X	✓	✓	✓	✓	4
4. P Moeti	✓	✓	X	X	X	2
5. S Motloung	✓	✓	✓	✓	✓	5
6. A Mngomezulu	X	✓	✓	✓	✓	4
# MEETING ATTENDED	**4**	**6**	**5**	**4**	**4**	

Executive Committee

Composition

Members

Ms L Makatini	Chairperson
Mr I Goondiwalla	Member
Mr L Selekane	Member
Ms N Zikalala	Member - Acting CEO - started acting in October 2008
Mr A Chikane	CEO (ex-officio) -Contract Expired in August 2008
Mr A Mngomezulu	Acting Chairperson of the Trading Committee

	28/03/2008	11/04/2008	15/04/2008	09/07/2008	28/08/2008	05/09/2008	09/12/2008	# MEETING ATTENDED
1. L Makatini	✓	✓	✓	✓	✓	✓	✓	5
2. I Goondiwalla	✓	X	✓	✓	X	X	X	2
3. L Selekane	✓	✓	✓	✓	✓	✓	✓	6
4. N Zikalala	✓	✓	X	✓	✓	✓	✓	5
5. A Chikane	✓	✓	✓	✓	X	X	X	3
6. A Mngomezulu	N/A	N/A	N/A	N/A	N/A	N/A	✓	1
# MEETING ATTENDED	**4**	**6**	**5**	**5**	**3**	**3**	**4**	

Other Meetings outside Accounting Authority and Committee Meetings

Additional meetings undertaken by Accounting Authority members on behalf of the SDT outside of those previously indicated.

	# MEETING ATTENDED
1. L Makatini	15
2. I Goondiwalla	1
3. Y Tenza	3

Company Secretary

SDT's Company Secretary is responsible for administering the proceedings and affairs of the Accounting Authority and is also a central source of guidance and advice on business ethics and issues pertaining to good governance.

Company Secretary Highlights

The Company Secretary has been able to organise Accounting Authority and Committee meetings. She has also been able to compile a Charter for the Accounting Authority, take minutes and provide guidance on the statutory requirements of the SDT in line with the Diamonds Act as amended, PFMA and other applicable legislation.

Code of Ethics

In accordance with our commitment to good corporate citizenship practices and organisational integrity in the direction, control and stewardship of SDT's affairs, the Accounting Authority has adopted a Code of Ethics which commits us and our employees to the highest standards of behaviour in dealing with stakeholders, including clients, suppliers and customers. This commitment provides the Shareholder and our clients with the assurance that our affairs are being managed in an ethical and disciplined manner. In business dealings on behalf of SDT, employees are expected to avoid activities that might give rise to conflicts of interest. Procedures have been put in place to deal with conflicts of interest which may arise in the course of employees' day-to-day activities.

The Code of Ethics will be reviewed regularly to ensure that it remains abreast of developments inside and outside SDT, and reflects current best practices.

Fraud Prevention Policy

The Accounting Authority approved the SDT's Fraud Prevention Policy on 28 April 2009, to protect the organisation from any form of dishonest or unethical conduct, including financial and/or other unlawful gains.

The Accounting Authority expects management and all employees to adopt the highest standards of honesty, propriety, personal integrity and accountability, and to be fully attentive to any irregular transactions and other unlawful conduct affecting SDT. These standards are also expected from all people with whom we have business dealings, including consultants, vendors, contractors, members of the public and outside agencies conducting business with our employees.

Delegation of authority

The Accounting Authority retains full and effective control over the operations of SDT through well-formulated governing structures. Regular reports are submitted to the Accounting Authority by the chairpersons of the subcommittees. To ensure compliance with the approved delegation of authority, the terms of the delegations are monitored closely.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee is pleased to present the report for the financial year ended 31 March 2009 as required by the Public Finance Management Act, 1 of 1999, as amended.

The Audit Committee has adopted appropriate formal terms of reference as its audit committee 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 Committee has, inter-alia, reviewed the following:

- reports from external auditors,
- reports from external audits detailing concerns arising out of audits and ensured there are appropriate responses from management, which will result in the concerns being addressed; and
- the adequacy, reliability and accuracy of financial information provided by management and other users of such information.

The Audit Committee would also review the following once in place:

- 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 Committee is of the opinion, based on the information and explanations given by management and the Corporate Audit Department and discussions with the independent external auditors on the result of their audits, that management is implementing the internal accounting 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 Committee to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the period under review.

RISK MANAGEMENT

Introduction

The SDT is a statutory body established in terms of Schedule (3b) of the Public Finance Management Act. The company is required to comply with Public Finance Management Act as well as good governance. In line with good corporate governance, the Minister of Minerals and Energy appointed an Accounting Authority.

The Accounting Authority has established committees to assist in performing its functions. These include:

- Executive Committee
- Risk Committee
- Audit Committee
- Trading, Clientele and BEE Committee
- Finance, Human Resources and Remuneration Committee

It is the responsibility of the Accounting Authority to oversee the risk management of the company. Members of the Accounting Authority and Management Committee held a workshop on 13 March 2009 to discuss issues pertaining to the risks associated with the company.

Risk Governance Structure

The Accounting Authority is the oversight structure of the company and the Risk Committee is accountable to the Accounting Authority on all risk related matters. Management is responsible for the implementation of risk policies and procedures. In addition, The Risk Committee is required to consult Committees on all matters that affect their respective areas of specialisation.

The following is a proposed structure for discussion by members of the Accounting Authority:

- Accounting Authority
- Board Committees
- Management
- Risk Management Officer

Lack of Profitable Trading

The SDT performed below the projected levels during the last six months of the financial year. This was as a result of three main factors: its funding model which failed to address its financial requirements appropriately, the financial market downturn and the closure of and/or reduced production levels at most diamond mines. This prompted the Accounting Authority to request a bailout package from the Shareholder, which was duly granted. It also prompted the Accounting Authority to direct that purchasing be limited so that losses could be minimised.

The Accounting Authority, at its January 2009 strategic session, reviewed its objectives and included others, some of which are geared towards ensuring profitable trading as well as ensuring a balance between profitability and executing its mandate, while also ensuring the sustainability of the SDT.

Suitability of Supply

The SDT continued to purchase on a Run of Mine (ROM) basis, as provided for in section 59B of the Diamond Amendment Act, 2005, despite the challenge of selling ROM parcels to its clients. This continued to impact negatively on its bottom line as lower end goods became harder to trade. This basis of purchases is not suitable for the SDT. The Accounting Authority noted this and resolved to approach the Shareholder for the necessary changes to be effected.

Inability to Implement the Existing Organogram

The approved Human Resources Plan with its organogram was not implemented during the year as undertaken due to the unavailability of financial resources to do so. While the SDT is grateful to the Shareholder and to De Beers for seconding personnel, the major problem with the lack of such implementation has been the delay occasioned of the technical training that had to take place. This training was mainly to be conducted by the personnel seconded by De Beers. The result is that when the contract with De Beers comes to the end in October 2010, the personnel to take over from them will not be sufficiently trained and this may require the SDT to pay a premium to acquire suitably qualified and experienced personnel.

Lack of Cooperation from most Producers

For the first half of the year, the SDT could only purchase its rough diamond supply from De Beers. The other companies only began trading with the SDT during the second half of the year. During this time, some of the producers refused to comply with the legislation in as far as selling to the SDT was concerned. This hampered the SDT's intentions of increasing its diamond supply and impacted negatively on the ability of the SDT to execute its mandate.

Growing the Beneficiation Sector

One of the areas that have to be addressed by the SDT is that of ensuring the growth of the diamond beneficiation sector. It is early days yet for the SDT to have made a mark on this, but the onset of the financial market turmoil effectively blew away any chances of this taking place during the financial year under review. The SDT has as one of its strategic objectives, the contribution to sustainable development and this is essentially about the growth of the diamond beneficiation sector.

PERFORMANCE AGAINST STRATEGIC BUSINESS TARGETS

Performance against objectives

The State Diamond Trader's overall objectives are defined within Diamond Amendment Act 2005. By implementing the legislation as stated, the State Diamond Trader will facilitate the equitable access to the nation's rough diamond resources and the local beneficiation of those resources.

Strategic Objective 1

To retain and strengthen the relationship between the State Diamond Trader and the Industrial Development Corporation (IDC)

The funding model of the State Diamond Trader was, for the duration of the financial year under review, entirely based on loan funding from the IDC. For continued funding and favourable funding terms, the retention and strengthening of relations was identified as significant. This objective was achieved as the IDC continued to make available the required funding.

The following table details IDC Loans utilised for the purposes of purchasing rough diamonds for the State Diamond Trader

Disbursement No.	Loan No.	Producer	Loan amount (ZAR)	Date received	Date repaid	Days
4	20008817	De Beers	26,215,767.38	07/05/2008	10/06/2008	34
5	20009027	De Beers	34,187,853.21	13/06/2008	31/07/2008	48
6	20009268	De Beers	35,000,000.00	30/07/2008	01/09/2008	33
7	20009625	Alexkor	912,025.08	02/10/2008	30/10/2008	28
8	20009936	Etruscan	977,007.55	11/11/2008	03/02/2009	84
9	20009937	Alexkor	889,334.52	11/11/2008	03/12/2008	22
10	20010468	Petra	2,617,136.99	05/02/2009	20/04/2009	74
			100,799,124.73			

Strategic Objective 2

To focus on the purchasing and selling of rough diamonds to local beneficiators [Purchase 10% of the Rough Diamond Production of South Africa (as per the legislation]

State Diamond Trader Inspections 2008 - 09
[The quantity and value of rough diamonds inspected by the State Diamond Trader 2008-09: Summary by Producer]:

	Carats	US$ Value	US$/ Ct
Alexkor	19,952.72	9,283,693.06	465.28
De Beers	10,460,810.46	1,084,825,766.49	103.70
DiamondCorp	17,526.67	592,999.00	33.83
Etruscan	1,727.60	726,716.76	420.65
Kimcor	3,299.67	164,983.50	50.00
NDC (Lonrho)	734.39	338,668.83	461.16
Petra Cullinan	404,770.93	18,054,819.65	44.61
Petra Helam	12,503.16	588,297.24	47.05
Petra Koffiefontein	35,893.80	8,532,147.00	237.71
Petra Messina	13,246.54	2,999,596.05	226.44
Petra Nungu	10,080.70	699,660.14	69.41
Petra Star	9,652.22	1,120,052.06	116.04
Rockwell	5,913.39	2,821,864.80	477.20
Southern Era	10,751.00	1,127,807.70	104.90
Trans Hex	45,571.29	34,628,567.00	759.88
Totals	**11,052,434.54**	**1,166,505,639.28**	**105.54**

US$ value as determined by the producer

State Diamond Trader Purchases 2008 – 09
Summary by Producer

Producer	**Purchases by Producer**				
	Carats	US$	AP US$	ZAR	Rate
De Beers	107,791.58	11,092,458.97	102.91	85,359,800.42	7.70
Alexkor	759.90	335,123.03	441.01	3,211,990.30	9.58
Petra Koffiefontein	1,393.55	229,573.52	164.74	2,295,734.20	10.00
Etruscan	235.12	107,215.30	456.00	1,058,730.64	9.87
NDC (Lonrho)	26.49	9,536.35	360.00	98,319.75	10.31
	110,206.64	**11,773,907.17**	**106.83**	**92,024,575.31**	**7.82**

South African rough diamond production was estimated at 15,000,000 carats at a value of US$ 1.5 bn per annum in 2008. On the basis of this estimate, and not taking into account diamond market movements during the second half of the year, the State Diamond Trader inspected about 78% of the rough diamonds (quantity and value) produced in South Africa. Based on this estimate again, the State Diamond Trader was able to procure less than 1% of the rough diamonds produced in South Africa in terms of volume (carats) and value. The downturn in financial markets experienced during the year had a significant impact on the diamond market which, in turn, impacted negatively on the State Diamond Trader and its ability to trade as planned, hence the estimated 1% purchases achieved.

Sales to local beneficiators

The State Diamond Trader sold to 68 of its 105 clients, each of whom held a valid Beneficiation Licence.

Segment	No. of clients	Carats Sold	Sales Value ZAR	% Carats sold	% value sold
Large	4	122,249.22	68,239,746.26	86%	58%
Medium	12	4,898.52	12,084,871.99	3%	10%
Small	52	15,487.56	36,884,646.59	11%	31%
	68	**142,635.30**	**117,209,264.84**		

Note – the segmentation of customers
The State Diamond Traders registered clients are segmented according to the size of company in terms of number of employees.
Large > 20 employees
Medium 5> <20 employees
Small 5 < employees
This was undertaken so that the focus of sales activity could be on the small client segment which is predominantly made up of those companies with HDSA ownership.

Strategic Objective 3

To address issues of access to rough diamonds by previously disadvantaged individuals

The following summarises sales by the State Diamond Trader by the HDSA ownership of its clients.

HDSA Ownership	Carats	ZAR	% carats	% ZAR
>50%	683.55	4,237,264.09	0.5%	3.6%
26-50%	49,594.89	38,369,296.57	34.8%	32.7%
1-25%	26,158.58	32,078,863.34	18.3%	27.4%
0%	66,198.28	42,523,840.84	46.4%	36.3%
	142,635.30	**117,209,264.84**		

Strategic Objective 4

To ensure full compliance with Corporate Governance, the Public Finance Management Act and Treasury Regulations

1. **regulation 27.1- Audit Committees** [Sections 51(1)(a)(ii) and 76(4)(d) of the PFMA]

- Audit Committee established accordingly
- Audit Committee operated in terms of the approved terms of reference
- The Audit Committee substantially fulfilled its responsibilities for the year as set out in section 77 of the PFMA

2. **reg. 27.2- Internal controls and internal audit** [Sections 51(1)(a)(ii) and 76(4)(b) and (e) of the PFMA]

- Internal controls and internal audit in place- internal auditor was appointed in March 2009
- Risk assessment to identify emerging risks was conducted in March 2009
- A risk management strategy/report was compiled and clearly communicated to employees.

3. **reg. 28.1 financial statements** [Section 55 of the PFMA]

- The annual financial statements include a report by the Accounting Authority which also includes a disclosure of the emoluments of all members of the accounting authority and executive members of the SDT.
- Emoluments paid or receivable by members of the accounting authority and executive members are disclosed in aggregate and per member in respect of the last financial period.
- Disclosures in respect of executive and non-executive members of the accounting authority and executive members are made separately.
- For purposes of defining “material” [sections 50(1), 55(2) and 66(1) of the Act] and “significant” [section 54(2) of the Act], management has developed and agreed on a framework of acceptable levels of materiality and significance with the Accounting Authority in consultation with the external auditors.
- The SDT has prepared financial statements in accordance with SA GAAP.
- The annual report of the SDT detail the materiality/significance framework applied during the financial year.

4. **reg. 29.1 Corporate plans** [Section 52 of the PFMA]

- The corporate plan approved by the Shareholder covers a period of three years and it includes all necessary information.
- The Shareholder did not request additional information to be included in the corporate plan.
- The SDT has submitted:
  (a) a three-year borrowing programme (beginning with the first financial year of the corporate plan) with their corporate plan to the DME/National Treasury; and
  (b) quarterly reports on the borrowing programme to the DME/National Treasury, reflecting actual borrowing for that quarter and any update of the borrowing programme.

5. **reg. 29.2 Shareholder’s compact**

- The Accounting Authority of the SDT has in consultation with the Shareholder concluded a shareholder’s compact in the year currently audited.

6. **reg. 29.3 Evaluation of performance**

- The Accounting Authority has established procedures for quarterly reporting to the Shareholder in order to facilitate effective performance monitoring, evaluation and corrective action.

7. **reg. 29.4 Annual budgets** [Section 52(a) of the PFMA]

- The projection of revenue, expenditure and borrowings was done in the same format as submitted for Shareholder’s approval.

8. **reg. 31.3 Investment policy** [Sections 7(4) and 53(3) of the PFMA]

While the Investment Policy is still in a draft format, the current financial position of the SDT dictated no investments in the foreseeable future.

9. **reg. 33.1 Investigation of alleged financial misconduct** [Sections 85(1)(b), (c) and (d) of the PFMA]

None has happened thus far.

10. **reg. 33.2 Criminal proceedings** [Section 86 of the PFMA]

The AG was informed of the investigation conducted by SAPS against one of the former employees.

11. **reg. 33.3 Reporting** [Section 85(1) (a) and (e) of the PFMA]

None has happened thus far.

Strategic Objective 5

To ensure that De Beers' technical staff transfers skills to newly appointed State Diamond Trader Staff
No new State Diamond Trader staff members were appointed for the specific purposes mentioned during 2008/09 as there would be minimum exposure to rough diamonds, the essence of the planned training. It is planned that such training will take place during the course of the 2009/10 financial year.

Internal Perspective Objective

1. Market and industry intelligence at hand
Collecting market intelligence is an on-going process, essential to successful rough diamond trading. Within the diamond industry the following sources of intelligence are generally used;

a. Client feedback
b. Industry publications
c. Publicised market prices for rough diamonds
d. Government and other agencies statistics

It is this market intelligence that informs the State Diamond Trader when making the decision to purchase rough diamonds presented to it as per legislation. The State Diamond Trader must determine at the point of purchase whether there is demand for the type of rough diamonds presented and at what price.

The State Diamond Trader has established systems and procedures whereby this information can be collated and shared.

INTERNAL PERSPECTIVE

The Internal Perspective describes how SDT will deliver on its customer value proposition by building outstanding performance in operations management, customer management and innovative processes, in compliance with regulatory and social issues.

Internal perspective				
Objective	Measure	Target	Accountability	Feedback
Operations management processes				
Market and industry intelligence at hand	Establish industry information database	Oct-09	CEO	- Ongoing
Effective industry communication	Media coverage	June 2008	CEO	- In progress
	- print and electronic			
	- customer relations			
	- forums and mass media		CEO	- In progress
Facilitating access to rough diamonds	Up to 10% of SA's total annual production	June 2008	CLO	- In progress
Facilitating access to R&D	Market research	June 2008		- The following were achieved: - Increased knowledge of SA diamond industry; - One overseas marketing mission conducted and 11 clients of the State Diamond Trader benefited; - Provincial visits have been planned for the 2009/10 financial year.

Regulatory and social Processes				
Empowerment	Policies and processes to ensure achievement of BBBEE imperatives	2008	CLO	- In progress
Compliant with the legislation and corporate Governance	Diamonds Act as amended, PFMA, King Code, etc	2008	CS	- PFMA/King Code achieved Diamond Act compliance achieved

Customer Perspective				
Objective	Measure	Target	Accountability	Feedback
Customer management process				
Customer relations initiatives	Information dissemination feedbacks consultation forums	2008	CLO	- Five information sessions were held during the year; - Two client surveys were conducted; - Frequent one on one meetings were held with the clients
Increased SDT website visits	Interesting content news & views reference material	2008	IT Expert	- Content Approved , Awaiting to be implemented
Understand customer needs	Customer needs assessment	June 2008	CLO	- These were undertaken at different intervals - Ongoing
Improve Customer service	Customer satisfaction assessment	2009	CLO	- Ongoing
Strengthen partnership with stakeholders	MOUs TOR	2008	CLO	- These were done and ongoing

LEARNING AND GROWTH PERSPECTIVE

The learning and growth Perspective describes how the SDT will build its human, information and organisational capital to generate and sustain the unique demands of its internal processes and customer value proposition.

Learning and growth perspective				
Objective	Measure	Target	Accountability	Feedback
Human Capital				
Retain staff	Staff turnover	20%	CFO	- Seconded staff and 1 administrative staff employed - All staff seconded have secondment contracts with SDT and their employers
Improve staff morale	Staff satisfactory survey	80%	CEO/CFO	- Ongoing
Train staff	No. of training initiatives	2009	CEO/CFO	- No new technical staff employed

Transfer skills	No. of candidates(6)	2009	CEO/CFO	- No new technical staff employed
Information Capital				
Accurate and timely information	Improved IT infrastructure and applications	June 2008	CFO	- Ongoing
Organisation Capital				
Operationalise strategy	Balanced Scorecards for every organisational unit	June 2008	CEO	- Done
Update strategy	Strategic review	July 2008	Board/CEO	- Done
Align business and personal goals	Individual performance management tied to BCS	80%	CEO/CFO	- Done
Develop leadership skills	Leadership skill appraisal	100%	CEO/CFO	- In progress

FINANCIAL PERSPECTIVE

The Financial Perspective shows how the SDT will achieve profitability improvement through revenue growth, cost control and productivity gains through improved asset utilisation.

Financial perspective				
Objective	Measure	Target	Accountability	Feedback
Increase revenue with a view to cover operational expenses	Revenue generation	R35m per month	CEO	- Revenues were made in the financial year but not sufficiently and as planned. - Gross margins below target - Costs could not be fully covered
Adhere to cost budget	Cost	4%	CEO	- Not achieved in terms of margins - Operational costs – marginally achieved
Efficient utilisation of resources	RONA	7%	CEO	- Available financial resources were used efficiently except for the penalties and interest incurred with PAYE and VAT payments

THE ACCOUNTING AUTHORITY'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Accounting Authority's responsibility statement for the year ended 31 March 2009

The responsibility of accounting authority of the State Diamond Trader ranges from the maintenance of appropriate accounting records to the preparation and the integrity of the quarterly reports and annual financial statements. Through its committees, the accounting authority is able to engage with management on such areas of responsibility regularly and make recommendations. The Auditor-General is responsible for independently auditing and reporting on the financial statements.

The annual financial statements 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 annual 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 annual financial statements are thus based on appropriate accounting policies supported by reasonable and prudent judgments and estimates.

In order to enable the accounting authority to execute their responsibilities as required, the accounting authority establishes policies and sets standards that are designed to provide reasonable assurance against material misstatements and losses. The State Diamond Trader maintains internal financial controls to provide assurance regarding the management and maintenance of its assets and the integrity of its financial records. The internal controls in place are underpinned by the policy framework and the strategic objectives that are regularly reviewed to ensure compliance and relevance.

In the opinion of the accounting authority, based on the information available to date, the annual financial statements fairly present the financial position of the State Diamond Trader at 31 March 2009 and the results of its operations and cash flow information for the financial year ended. The Code of Good Practice has been adhered to.

The annual financial statements which appear hereunder were approved by the accounting authority on 28 July 2009 and signed

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Adv Linda Makatini (Chairperson)

Mr. S Motloung (Member)

Johannesburg
28 July 2009

ACCOUNTING AUTHORITY'S REPORT

The accounting authority is pleased to present its report summarising the activities of the SDT. The SDT was established in July 2007 in terms of section 14 of the Diamonds Amendment Act 29 of 2005 and commenced its business in September 2007 and has been in operation for the full 2008/9 financial period.

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

Financial performance

The objectives of the SDT are to promote equitable access to and beneficiation of South Africa's diamond resources. The main aim of the SDT 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.

While not aiming for profit maximisation, the SDT has set the objective of operating its business in a manner, which allows it to be self-sustaining.

The SDT has 105 registered customers, of which 68 made purchases during the year. According to the segmentation of the clients based on size of operation, 4 were large, 12 were medium and 52 were small.

Up until August 2008, the SDT was able to maintain regular sales cycles and ensure that its client base had access to rough diamonds. This was at reduced margins from the end of the previous financial year due to producer price increases in response to excessive demand in the first half of 2008.

With the suspension of purchases from De Beers in August 2008, due to the prevailing market conditions during that time, it has been difficult to maintain regular supplies to the SDT's clients. This has had an impact on the sustainability of their businesses.

The second half of 2008 saw considerable turmoil in world diamond markets in response to wider economic issues. This made the purchasing of goods by the SDT uneconomic as customers were no longer willing to purchase at the prices required for the SDT to break even. As 2009 progressed, some stability has returned to the diamond markets. Prices for some types of rough diamonds have been moving slowly upwards. However, consumer demand appears to remain weak and current demand is being driven purely by a lack of rough diamonds at factory level.

The factors indicated have severely impacted on the SDT's ability to deliver its budget.

The SDT did not have a CFO from September 2008 to December 2008, with the result that SDT could not attend to some critical financial compliance matters timeously, for instance the timely submission and payment of VAT returns. This resulted in the late payment of VAT and in penalty being incurred by the SDT to the amount of R44 773.10 (refers to Note 19). This amount includes a shortfall from the penalties and interest of R20 810.94 incurred in the prior financial year. This qualifies as a Fruitless and Wasteful expenditure as per PFMA. Also, a provision for possible penalties and interest of around R108 000 on unpaid tax for the period has been made. This was due to the fact that the entity was yet not registered as a taxpayer and could not make the provisional tax payments to SARS for the 2007/2008 financial year.

Financial position

Revenue for the year of R117 209 264 (2008: R48 089 650) reflects an increase of 144% mainly due the entity being in operation for the full year. There was a decline in Gross Margin percentage to 1.5% (2008: 11%) due to the market and economic conditions in the diamond industry.

Capital expenditure for the year amounted to R873 039 (2008: R550 634)

Administrative expenses have increased by more than 100% to R12 331 117 (2008: R6 073 295) and this is mainly due to the current period being for a full 12 month compared to the comparative 7 months, of the SDT. An impairment loss on inventory of R1 233 817 has been recognised and this has contributed to the entity's net liability position of R4 237 020.

Cash flow position

The SDT had an unfavourable bank balance of R61 785 as at 31 March 2009.

Going concern

The performance of the SDT as a going concern was negatively impacted upon by the general downturn in the financial markets and on the downturn in the diamond trade and this affected the ability of the SDT to achieve on the planned trading activities. The accounting authority appropriately notified the Shareholder of the adverse trading conditions as they presented themselves and of the impact thereof on the SDT. The Shareholder took measures to bail out the SDT and provided a R1 million which was subsequently received during April 2009. The Shareholder and the SDT are currently working on a new funding model for the SDT which is an indication of the Shareholder's intention to ensure that the SDT continues to operate as a going concern. In addition thereto, the SDT has managed to achieve fairly healthy profitability from its trading activities post the balance sheet date. Consequently, the accounting authority has reason to believe that the SDT will continue operating as a going concern in the foreseeable future.

The accounting authority has reviewed the budgets and cash flow forecasts for the financial year ended on 31 March 2009. On the basis of this review, and in view of the current financial position and existing borrowing facilities, the accounting authority has the following concerns and statements to make:

1. The financial position of the State Diamond Trader is not in accordance with its budgets and projections and borders on the contravention of applicable legislation as stated above;
2. An unauthorised bank overdraft at the end of the financial year occurred and this was in contravention of the State Diamond Trader's policies and other applicable legislation; and
3. The financial model of the State Diamond Trader has resulted in a number of non-compliance areas in terms of the budgets and projections, eg the failure to implement the approved HR Plan and delays in making some required payments.

The accounting authority became aware of the adverse trading position of the State Diamond Trader before the end of 2008 and resolved to communicate this state of affairs with the Shareholder. The accounting authority had by then identified that the current funding model of the State Diamond Trader was not adequate to meet its needs and consequently hampering the efforts of executing its mandate. The Shareholder was also approached for a financial bailout which was agreed to and had it been processed speedily, the financial position at the end of the financial year may have been averted.

The Shareholder, has subsequently made an announcement about the state of affairs at the State Diamond Trader and undertaken to come up with a new funding model, recognising the broader role played by the State Diamond Trader within beneficiation in South Africa. From this and the letter that the Shareholder has sent, the accounting authority is confident that the State Diamond Trader will continue to operate as a going concern in the foreseeable future.

The State Diamond Trader incurred a net loss of R5 210 964 during the year ended 31 March 2009 and, as of that date, the entity's total liabilities exceeded its total assets by R4 237 020. The accounting authority however, is confident that the National Treasury will consider the funding proposal of the SDT to be presented by the Minister during the course of the 2009/10 financial year, but in the unlikely event that consideration thereof is delayed or the result is unfavourable, the accounting authority is of the view that the provisions of the Diamond Amendment Act, 2005, pertaining to the raising of funds will be implemented. The Act provides for the raising of loans and other financial instruments.

Should the funding proposal to the National Treasury be denied and the required funds cannot be raised, there will be a material uncertainty that may cast significant doubt on the ability of the SDT to continue as a going concern.

Subsequent Events

A letter of enforcement from the South African Revenue Services for outstanding penalties and interest relating to the 2007/8 financial year was received in May 2009 for an amount of R20 810.94. While the SDT regarded the delay as an oversight on the part of SARS, the amount has been settled.

Members of the Accounting Authority:

NAME	DATE APPOINTED
MS LINDA MAKATINI(CHAIRPERSON)	1 JULY 2007
MR ABBEY CHIKANE (EX CEO)	1 SEPTEMBER 2007 UNTIL AUGUST 2008
MS N ZIKALALA	1 DECEMBER 2007
MR O TEMKIN	1 JULY 2007
MR I GOONDWALA	1 JULY 2007
MR K JOSEPH	1 JULY 2007
MR P MOETI	1 JULY 2007
MR T MONTOEDI	1 JULY 2007
MRS H TYLER	1 JULY 2007
MR S MONTLOUNG	1 JULY 2007
MS L NTSHINGA	1 JULY 2007
MR M GROTE	1 JULY 2007 RESIGNED IN OCTOBER 2008
MR L SELEKANE	1 JULY 2007
MS D MAPHATIANE	1 JULY 2007

NOTES:

MS N ZIKALALA WAS APPOINTED AS A MEMBER OF THE ACCOUNTING AUTHORITY WITH EFFECT FROM DECEMBER 2007, SHE WAS ALSO APPOINTED AS ACTING CEO WITH EFFECT FROM OCTOBER 2008.

Company Secretary: **MS SELLOANE MOTLOUNG**

Entity Information

Postal Address:
P.O Box 61212
Marshalltown
South Africa
2107

Business Address:
Suite 510, 5th floor
SA Diamond Centre
225 Main Street
Johannesburg, 2000

Website: www.statediamondtrader.gov.za

Shareholder: Government of the Republic of South Africa
Represented by Minister of Minerals and Energy

Country of incorporation: Republic of South Africa

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF STATE DIAMOND TRADER FOR THE YEAR ENDED 31 MARCH 2009

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the State Diamond Trader which comprise the balance sheet as at 31 March 2009, and the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 41 to 69.

The accounting authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Statements of Generally Accepted Accounting Practice (SA Statements of GAAP) and in the manner required by the Public Finance Management Act, 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.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 13 of the Diamond Second Amendment Act, 2005 (Act No. 30 of 2005), my responsibility is to express an opinion on these financial statements based on my audit.

4. I conducted my audit in accordance with the International Standards on Auditing read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. 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.

5. 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.

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

Opinion

7. In my opinion the financial statements present fairly, in all material respects, the financial position of the State Diamond Trader as at 31 March 2009 and its financial performance and its cash flows for the year then ended, in accordance with South African Statements of Generally Accepted Accounting Practice (SA Statements of GAAP) and in the manner required by the PFMA.

Emphasis of matters

Without qualifying my opinion, I draw attention to the following matters:

Going concern

8. The accounting authority's report on page 30 indicates that the State Diamond Trader incurred a net loss of R5 210 964 during the year ended 31 March 2009 and, as of that date, the entity's total liabilities exceeded its total assets by R4 237 020. These conditions, along with other matters as set forth in the accounting authority's report, indicate the existence of a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern.

Other matters

Without qualifying my opinion, I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Non-compliance with applicable legislation

Public Finance Management Act

9. The entity had not complied with section 51(1)(a)(i) of the PFMA which requires the entity maintains effective, efficient and transparent systems of internal control. SARS payments relating to VAT/PAYE/SDL/UIF were made late resulting in fruitless and wasteful expenditure in the form of interest and penalty charges. Furthermore, the entity was not registered for Income Tax.

Governance framework

10. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting authority and executive management and are reflected in the key governance responsibilities addressed below:

Key governance responsibilities

11. The PFMA tasks the accounting authority with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
Clear trail of supporting documentation that is easily available and provided in a timely manner			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.	✓	
Quality of financial statements and related management information			
2.	The financial statements were not subject to any material amendments resulting from the audit.		✓
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.		✓

No.	Matter	Y	N
Timeliness of financial statements and management information			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines [section 55 of the PFMA].	✓	
Availability of key officials during audit			
5.	Key officials were available throughout the audit process.	✓	
Development and compliance with risk management, effective internal control and governance practices			
6.	Audit committee		
	• The public entity had an audit committee in operation throughout the financial year.	✓	
	• The audit committee operates in accordance with approved, written terms of reference.	✓	
	• The audit committee substantially fulfilled its responsibilities for the year, as set out in Treasury Regulation 27.1.8.	✓	
7.	Internal audit		
	• The public entity had an internal audit function in operation throughout the financial year.		✓
	• The internal audit function operates in terms of an approved internal audit plan.		✓
	• The internal audit function substantially fulfilled its responsibilities for the year, as set out in Treasury Regulation 27.2.		✓
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.		✓
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.		✓
10.	The information systems were appropriate to facilitate the preparation of the financial statements.	✓	
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in Treasury Regulation 27.2.		✓
12.	Powers and duties have been assigned, as set out in section 56 of the PFMA.	✓	
Follow-up of audit findings			
13.	The prior year audit findings have been substantially addressed.		✓
14.	SCOPA/Oversight resolutions have been substantially implemented.		N/A
Issues relating to the reporting of performance information			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.	✓	
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		✓
17.	A corporate plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the State Diamond Trader against its mandate, predetermined objectives, outputs, indicators and targets [Treasury Regulation 29.1].	✓	
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.		**N/A**

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on performance information

12. I have reviewed the performance information as set out on pages 22 to 30.

The accounting authority's responsibility for the performance information

24. The accounting authority has additional responsibilities as required by section 55(2)(a) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the public entity.

The Auditor-General's responsibility

13. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*.

14. In terms of the foregoing my engagement included performing procedures of a review nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

27. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the review findings reported below.

Findings on performance information

Non-compliance with regulatory requirements

Inadequate quarterly reporting on performance information

15. No quarterly reports on the progress in achieving measurable objectives and targets for the strategy objective 5: to ensure that De Beer's technical staff transfer skills to newly appointed State Diamond Trader staff, were prepared by the State Diamond Trader to facilitate effective performance monitoring, evaluation and corrective action, as required by Treasury Regulation 29.3.1.

Lack of effective, efficient and transparent systems and internal controls regarding performance management

16. The accounting authority did not ensure that the State Diamond Trader has and maintains an effective, efficient and transparent system and internal controls regarding performance management, which describe and represent how the entity's processes of performance planning, monitoring, measurement, review and reporting will be conducted, organised and managed, as required in terms of section 51(1)(a)(i) of the PFMA. **Usefulness and reliability of reported performance information**

Usefulness and reliability of reported performance information

17. The following criteria were used to assess the usefulness and reliability of the information on the entity's performance with respect to the objectives in its corporate plan:

- Consistency: Has the entity reported on its performance with regard to its objectives, indicators and targets in its approved corporate plan?
- Relevance: Is the performance information as reflected in the indicators and targets clearly linked to the predetermined objectives and mandate. Is this specific and measurable, and is the time period or deadline for delivery specified?
- Reliability: Can the reported performance information be traced back to the source data or documentation and is the reported performance information accurate and complete in relation to the source data or documentation?

The following audit findings relate to the above criteria:

Reported performance information not relevant

18. The targets with regard to the customer and learning and growth perspectives were not:

- Time-bound in specifying the time period or deadline for delivery.

APPRECIATION

19. The assistance rendered by the staff of the State Diamond Trader during the audit is sincerely appreciated.

Johannesburg

28 July 2009

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

	Notes	2009 R	2008 R (7 months)
Revenue	2	117 209 264	48 089 650
Cost of Sales	3	(115 456 836)	(42 574 981)
Gross Profit		**1 752 428**	**5 514 669**
Other Income	4	7 652 779	4 014 199
Administrative expenses		(12 331 117)	(6 073 295)
(Loss)/profit from operating activities	5	**(2 925 910)**	**3 455 573**
Finance Income		63 695	6 614
Finance Expense	6	(2 351 183)	(2 089 944)
(Loss)/Profit before tax		**(5 213 398)**	**1 372 243**
Taxation	7	2 434	(398 299)
(Loss)/Profit for the period		**(5 210 964)**	**973 944**

BALANCE SHEET AS AT 31 MARCH 2009

	Notes	2009 R	2008 R (7 months)
ASSETS			
Non Current Assets		**1 021 853**	**536 014**
Property, Plant and Equipment	8	1 021 853	536 014
Current Assets		**332 648**	**32 966 399**
Inventory	9	271 988	23 400 489
Trade and Other Receivables	10	57 988	3 191 559
Cash and Cash Equivalents	11	2 672	6 374 351
TOTAL ASSETS		**1 354 501**	**33 502 413**
Equity and Liabilities			
Equity		**(4 237 020)**	**973 944**
Retained (Loss)/Income		(4 237 020)	973 944
Non Current Liabilities		**1 966 492**	**3 465 029**
Loans and Borrowings	12	1 966 492	3 462 595
Deferred Tax Liability	13	-	2 434
Current Liabilities		**3 625 029**	**29 063 440**
Trade and Other Payables	14	1 205 132	1 386 445
Loans and Borrowings	12	1 853 384	27 281 130
Cash and Cash Equivalents	11	61 785	-
Income Tax Payable		504 728	395 865
TOTAL EQUITY AND LIABILITIES		**1 354 501**	**33 502 413**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2009

	Retained Loss/ Income R
Balance at 01 April 2007	**-**
Profit for the period	973 944
Balance at 31 March 2008	**973 944**
Loss for the year	(5 210 964)
Balance at 31 March 2009	**(4 237 020)**

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

	Notes	2009 R	2008 R (7 months)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(utilised in) operations	15	**23 064 092**	**(22 179 754)**
Interest received		63 695	6 614
Interest paid		(2 164 089)	(1 645 601)
Other income from De Beers		399 726	-
Net cash from operating activities		**21 363 424**	**(23 818 741)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of furniture and equipment	8	(873 039)	(550 634)
Net cash flows from investing activities		**(873 039)**	**(550 634)**
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease)/Increase in IDC Loan - Revolving Credit Facility		(26 423 183)	26 581 130
(Decrease)/Increase in IDC Loan - Standby Facility		(500 666)	4 162 595
Net cash flows from financing activities		**(26 923 849)**	**30 743 725**
Net (decrease)/increase in cash and cash equivalents		**(6 433 464)**	**6 374 351**
Cash and cash equivalents at beginning of the year		6 374 351	-
Cash and cash equivalents at end of the year	11	**(59 113)**	**6 374 351**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

1. ACCOUNTING POLICIES

The following are the principal accounting policies of the State Diamond Trader which are in all material respects, consistent with those applied in the previous year, except as otherwise indicated.

1.1. Basis of preparation

The annual financial statements are 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). The annual financial statements are further prepared under the historical cost basis, except for certain financial instruments, (refer to note 1.6). The 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.

The preparation of annual financial statements in conformity with SA GAAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying SDT's accounting policies. The areas involving a higher degree of judgement or complexity or areas, where assumptions and estimates are significant to the annual financial statements, are disclosed in note 1.11 (Critical accounting estimates and judgements).

1.2. Revenue

Revenue is measured at the fair value of the consideration received or receivable for the goods sold in the ordinary course of SDT's activities. Revenue is shown, net of value added tax, estimated returns, rebates and discounts.

Revenue from the sale of goods shall be 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 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.

1.3. 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 the profit or loss using the effective interest rate method.

1.4. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the "first-in-first-out" principle and includes 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.

1.5. Property, plant and equipment

The cost of an item of property, plant 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, plant and equipment is stated at cost less accumulated depreciation and, if applicable, accumulated impairment losses. 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 the income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight line method to allocate their cost (including capitalised leased assets) over the estimated useful lives. Leased assets are depreciated over the shorter of the lease term and their useful lives. Depreciation is recognised in the income statement.

The estimated useful lives for the current and comparative periods are as follows:

Item	**Average useful life**
Leasehold improvements	Over the remaining period of the lease
Other office equipment	10%
Computer hardware	33.30%
Furniture and fittings	10%
Motor vehicles	10%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet 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. The recoverable amount of an item of property, plant and equipment is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to that asset. For the purpose of impairment testing assets are broken into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of the other assets or groups (the "cash-generating unit"). Impairment losses are recognised in the income statement.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the income statement.

1.6. 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.

i) Classification

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

ii) Recognition

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

A regular way purchase of financial assets is recognised using the trade date. From this date any gains and losses arising from the changes in the fair value of the financial assets are recognised in the income statement.

Financial liabilities are not recognised unless one of the parties has performed or the contract is a derivative contract not exempted from the scope of IAS 39. SDT classifies its financial liabilities at amortised cost. The classification depends on the purpose for which the financial liabilities were acquired. Management determines the classification of the financial liabilities at initial recognition and re-evaluates this classification at every reporting date.

Financial liabilities are initially recognised at fair value, this generally being their issue proceeds, net of transaction costs incurred.

iii) Measurements

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 liabilities are measured at amortised cost and any differences between the proceeds, net of transaction costs, and the redemption value is recognised in the income statement over the period of the borrowings, using the effective interest rate method.

iv) 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 the income statement 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.

v) Derecognition

SDT 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 derecognition in accordance with IAS 39.

SDT uses the weighted average method to determine realised gains and losses on derecognition. The financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

vi) Specific instruments

- ***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 the 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***

  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***
  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.

1.7. 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 the income statement on a straight-line basis over the period of the lease.

1.8. Employee benefits

The cost of all short term employee benefits, such as salaries, medical aid, leave payouts and other contributions is recognised during the year in which the employee renders the related service. SDT employees are not entitled to bonuses.

1.9. Income taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement, 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 on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for deferred tax purposes. 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 income statement, 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.

1.10. Related parties

SDT 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 SDT.

1.11. Critical accounting estimates and judgements

The SDT 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 a material adjustments to the carrying amounts of assets and liabilities within the next financial year are as follows:

1.11.1 Estimates of residual values and useful lives of assets

The SDT 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 SDT 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 SDT. Technological innovation and maintenance programmes impact the useful lives and residual values of the assets.

1.11.2 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.

1.12. 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 SDT and use of DME staff seconded to the entity. Donations are intended to compensate expenses and to provide immediate financial support to the entity 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 entity.

1.13. 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 provincial legislation providing for procurement procedures in that 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.

	2009 R	2008 R
2. Revenue	**117 209 264**	**48 089 650**

Revenue consists of the sale of rough diamonds to local beneficiators

3. Cost of sales

Opening Balance	23 400 489	-
Purchases	92 024 575	65 975 470
Transport costs	303 760	-
Closing Balance	(271 988)	(23 400 489)
Cost	(1 505 805)	(23 400489)
Impairment	1 233 817	-
	115 456 836	**42 574 981**

4. Other Income

Other income consists of:

Income from DBCM	399 726	-
Donations Received:	7 253 053	4 014 199
De Beers (DIAMDEL) Staff Costs	5 936 152	3 492 351
DME Staff Costs	1 187 889	492 313
Use of De Beers Assets and Diamond Equipment	129 012	29 535
	7 652 779	**4 014 199**

5. (Loss)/profit from operating activities

(Loss)/profit from operating activities is stated after accounting for the following:

Audit fees	234 398	-
Emoluments		
For services as members (refer note 16)	518 993	182 352
For managerial services (refer note 16)	500 000	700 000
Depreciation	387 200	14 620
Operating lease charges - premises	243 097	95 785
Fruitless and wasteful expenditure (refer note 19)	153 636	48 109
Salaries	836 435	788 540
Salaries - Donations	7 124 041	3 984 664
Use of De Beers Assets and Diamond Equipment	129 012	29 535

	2009	2008
	R	R
6. Finance Expenses		
Finance expenses relate to:		
Finance costs on IDC facilities	187 094	444 344
Interest charged by :	2 164 089	1 645 600
IDC	2 162 969	1 327 895
Other	1 120	317 705
	2 351 183	**2 089 944**

	2009	2008
7. Taxation		
Current tax expense:		
South African normal tax	-	395 865
Deferred tax expense		
Reversal of temporary differences	(2 434)	2 434
	(2 434)	**398 299**

Reconciliation of effective tax rate:

	2009	2008
Statutory rate%	28.00%	29.00%
Adjustments:		
Decrease in statutory rate applied to deferred tax	0.00%	-0.20%
Non-deductible expenses	-0.71%	0.00%
Current year losses for which no deferred tax asset was recognised	-26.58%	0.00%
Other deferred tax assets not recognised	-0.66%	0.00%
Effective tax rate	**0.05%**	**28.80%**

8. Property, Plant and Equipment

	Leasehold Improvements	Furniture and Fittings	Security Equipment	Computers	Total
	R	R	R	R	R
Year ended 31 March 2009					
Opening net carrying amount	**361 397**	**111 724**	**4 769**	**58 124**	**536 014**
Gross carrying amount	368 503	114 006	4 902	63 223	550 634
Accumulated depreciation	(7 106)	(2 282)	(133)	(5 099)	(14 620)
Additions	77 697	64 412	431 626	299 304	873 039
Depreciation	(252 356)	(14 478)	(35 367)	(84 999)	(387 200)
Closing net carrying amount	**186 738**	**161 658**	**401 028**	**272 429**	**1 021 853**
Gross carrying amount	446 200	178 418	436 528	362 527	1 423 673
Accumulated depreciation	(259 462)	(16 760)	(35 500)	(90 098)	(401 820)
Year ended 31 March 2008					
Opening net carrying amount	**-**	**-**	**-**	**-**	**-**
Gross carrying amount	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Additions	368 503	114 006	4 902	63 223	550 634
Depreciation	(7 106)	(2 282)	(133)	(5 099)	(14 620)
Closing net carrying amount	**361 397**	**111 724**	**4 769**	**58 124**	**536 014**
Gross carrying amount	368 503	114 006	4 902	63 223	550 634
Accumulated depreciation	(7 106)	(2 282)	(133)	(5 099)	(14 620)

Change in estimate

During the year ended 31 March 2009 the Entity reviewed the useful live of its lease hold improvements, which resulted in changes in its expected usage. Management previously intended to use the lease hold improvements for a period of 10 years, but the lease agreement expires on 30 November 2009 with no option to extend. As a result the expected useful lives of the lease hold improvements decreased as it has to be aligned with the period of the lease. The effect of these changes on depreciation expense in current and future periods is as follows:

	2010	2009	2008
	R	R	R
(Decrease)/increase in depreciation expense	142 119	211 460	-

	2009	2008
	R	R

9. Inventory

Cost of inventory	1 505 805	23 400 489
Inventory write down	(1 233 817)	-
	271 988	**23 400 489**

Inventory comprises rough diamonds purchased for resale and capitalised insurance and handling costs while inventory is in transit. This amount excludes VAT. Inventory serves as security for the IDC Revolving Credit Facility. (Refer to note 12)

Inventory is stated at the lower of cost and net realisable value. Inventory carried at net realisable value amounted to R 271 988 (2008: R nil)

10. Trade and other receivables

Other Receivables	12 949	8 648
VAT Receivable	27 039	2 867 010
Prepayments	18 000	315 901
	57 988	**3 191 559**

- Credit risk and impairment losses

The entity's exposure to credit risk and impairment losses is disclosed in Note 18.

11. Cash and Cash Equivalents

State Diamond Trader - Joint Account	672	4 113 216
Petty Cash	2 000	2 000
Cash and Cash Equivalent	2 672	4 115 216
State Diamond Trader - Operational Account		
(Bank Overdraft) / Cash and Cash Equivalent	(61 785)	2 259 135
Cash and cash equivalents in the statement of cash flow	**(59 113)**	**6 374 351**

- Interest rate risk

The entity's exposure to interest rate risk and a sensitivity analyses for financial assets and liabilities are disclosed in note 18.

12. 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 18.

Non Current Loans	**(1 966 492)**	**(3 462 595)**
Standby Loan Facility - Industrial Development Corporation	(1 966 492)	(3 462 595)
Current Loans	**(1 853 384)**	**(27 281 130)**
Revolving Credit Facility - Industrial Development Corporation	(157 947)	(26 581 130)
Standby Loan Facility - Industrial Development Corporation	(1 695 437)	(700 000)

IDC loan consists of a Standby loan facility of R4 200 000 and a Revolving loan facility of R35 000 000. The SDT took out the whole Standby loan facility of R4 200 000. Standby loan is at the interest rate of prime + 1.5%, once off raising fee of 1% and repayable over 36 months in equal monthly installments of R141 286 from the first day of the 13th months (which is 1 October 2008) from the date of the first drawdown of the Standby loan. The SDT uses the Revolving loan up to R35 000 000 to buy goods and as at 31 March 2009 an amount of R157 947 (2008: R26 581 130) was still owing. The Revolving loan is at the interest rate of prime + 1.5%, raising fee of 1% of the value of the facility, loan fee of the higher of R1 500 or 15 basis points of the value of each loan and repayable in full within 30 days from the date of raising the loan. The Revolving loan amount of R157 947 is secured over inventory of R271 988 (R23 400 489) (Refer to note 9)

13. Deferred tax asset and liabilities	**2009**	**2008**
	R	**R**
Recognised deferred tax assets and liabilities	-	**(2 434)**
Property plant & equipment	-	(2 434)

Deferred tax assets and liabilities are recognised on identified temporary differences. Deferred tax assets can however only be recognised if it is probable that future taxable profit will be available against which the entity can utilise the benefits. Deferred asset can therefore only be recognised as a reversal of the prior deferred tax liability.

Unrecognised deferred tax assets and liabilities	**(1 385 672)**	**-**
Temporary differences	36 888	-
Assessed loss	(1 422 560)	-

Deferred tax assets have not been recognised in respect of the identified temporary differences because it is not probable that future taxable profit will be available against which the entity can utilise the benefits there from.

14. Trade and Other Payables	**2009**	**2008**
	R	**R**
Trade payables	(425 089)	-
Accruals	(742 063)	(852 244)
Vat payables	-	(269 420)
Payroll payables	(37 980)	(264 781)
	(1 205 132)	**(1 386 445)**

- Liquidity risk

The entity's exposure to currency and liquidity risk relating to trade and other payables are disclosed in note 18.

15. Cash generated from/(utilised in) operations

Loss/(profit) before taxation	**(5 213 398)**	**1 372 243**
Adjusted for:		
- depreciation	387 200	14 620
- interest expense	2 164 089	1 645 600
- interest received	(63 695)	(6 614)
- income received from De Beers	(399 726)	-
- donations received	(7 253 053)	(4 014 199)
- staff services donated - De Beers	5 936 152	3 492 351
- staff services donated - DME	1 187 889	492 313
- use of assets - De Beers	129 012	29 535
	(3 125 530)	**3 025 849**

Changes in working capital:		
- decrease/(increase) in trade receivables	3 133 571	(3 191 559)
- decrease/(increase) in inventory	23 128 501	(23 400 489)
- (decrease)/ increase in trade and other payables	(72 450)	1 386 445
Cash generated from operations	**23 064 092**	**(22 179 754)**

16. Emoluments

Executive members

A Chikane - Chief Executive Officer	500 000	700 000
(Contract expired - September 2008)		

Non-Executive members	**Accounting Authority and Sub-committee meeting fees**	
	2009	**2008**
	R	**R**
Ms L Makatini (Chairperson)	121 280	38 975
Ms D Maphatiane	54 074	16 432
Mr O Temkin	27 194	12 059
Mr I Goondiwalla	53 356	19 536
Mr K Joseph	45 114	22 913
Mr P Moeti	36 154	17 839
Mr T Montoedi	44 800	14 142
Mrs H Tyler	24 797	15 442
Mr S Motloung	54 388	20 130
Mr Y Tenza (Audit Committee) Not a Member	28 559	2 801
Ms S De Quintal (Risk Committee) Not a Member	29 277	2 083
	518 993	**182 352**

The following Non-Executive members of the Accounting authority are public servants and do not get paid by the SDT:

Ms N Zikalala

Ms L Ntshinga

Mr L Selekane

Mr M Grote

Mr A Mngomezulu

17. Related Parties

The SDT is wholly owned by the National Government of the Republic of South Africa represented by the Minister of Minerals and Energy. The SDT 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 SDT, 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 2009 entered into between the SDT and entities outside the entity are as follows:

Department of Minerals and Energy (DME) seconded four of its staff to the SDT as the Chief Executive Officer, the Company Secretary, the Client Relations Officers and Assistant to the Client Relations Officer and the costs paid by DME on behalf of SDT are as follows:

DME staff costs	1 187 889	492 313

De Beers Consolidated Mines is a supplier of rough diamonds and provides staff as a donation. The purchases of rough diamonds from De Beers Consolidated Mines and the cost of seconded staff are as follows:

	2009 R	2008 R
De Beers staff costs	5 936 152	3 492 351
Purchase of rough diamonds	85 359 800	65 739 084
	91 295 952	**69 231 435**

The SDT borrowed funds from the Industrial Development Corporation (IDC), a government entity, for the start up of its operations and the purchase of rough diamonds and the balances are as follows:

IDC - Revolving Credit Facility	(157 947)	(26 581 130)
IDC - Standby Revolving Credit Facility	(3 661 929)	(4 162 595)
	(3 819 876)	**(30 743 725)**

Key management personnel refer to note 16 (Executive members)

18. Financial risk management

The SDT has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the SDT'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 SDT's risk management framework. It has established the Risk Management Committee, which is responsible for developing and monitoring the SDT'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 SDT, 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 SDT's activities. The SDT, 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 SDT's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the SDT.

Credit risk

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

Exposure to credit risk

The SDT 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.

Liquidity risk

Liquidity risk is the risk that the SDT will not be able to meet its financial obligations as they fall due. The SDT'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 SDT's reputation.

The SDT 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 SDT is able to manage its cash flow requirements.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Financial liabilities	Carrying Amount	Contractual cash flows	Less than 1 year	More than 1 year, less than 5 years
At 31 March 2009				
Loans and borrowings	3 819 876	3 819 876	1 853 384	2 543 155
Trade and other payables	425 829	425 829	425 829	-
Bank overdraft	61 785	61 785	61 785	-
At 31 March 2008				
Loans and borrowings	30 743 725	30 743 725	27 281 130	3 462 595
Trade and other payables	-	-	-	-

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 SDT'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 SDT is exposed to currency risk on sales and purchases, which are denominated in US Dollars (USD). The SDT 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 2009		
Revolving Facility	(130)	130
Standby Facility	(48 123)	47 834
Cash flow sensitivity (net)	(48 253)	47 964
At 31 March 2008		
Revolving Facility	(21 860)	21 859
Standby Facility	(57 079)	57 079
Cash flow sensitivity (net)	(78 939)	78 938

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 2009		**31 March 2008**	
In Rands	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Loans and borrowings	3 819 876	3 819 876	30 743 726	30 743 726
Cash and cash equivalents	2 672	2 672	6 374 351	6 374 351
Trade and other payables	425 089	425 089	-	-
Bank overdraft	61 785	61 785	-	-

Capital management

The SDT is Government Business Enterprise and does not have any share capital. The SDT 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 SDT generates sufficient profit from its operations to cover operating expenses.

19. Fruitless and Wasteful Expenditure

Penalties and fines on late payment of VAT/PAYE/SDL/UIF and normal tax	**153 636**	**48 109**

The fruitless and wasteful expenditure is in respect of SARS penalties and interest of; R30 963.49 relating to the late payment of PAYE/SDL/UIF; R13 809.61 relating to the late payment of VAT for the period of December 2009 and R108 862.88 in accrued penalties relating to the non-payment of the provisional tax payments for income tax earned in the 2007/2008 financial year. The SDT paid over to SARS an amount of R 30 963.49 in April 2008.

20. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2009, and have not been applied in preparing these financial statements:

Standard/Interpretation		Effective date
IFRIC 16 (AC 449)	**IFRIC 16(AC449): Hedges of a Net investment in a Foreign Operation**	Annual periods commencing on or after 1 October 2008*
	AC 449 addresses the accounting treatment for hedges of a net investment in a foreign operation.	
	This statement will not impact the results or disclosures of the Entity as the Entity does not have a foreign operation and has not entered into any hedging transactions.	
IFRIC 13 (AC 446)	**IFRIC 13(AC446): Customer Loyalty Programmes**	Annual periods commencing on or after 1 July 2008*
	AC 446 addresses accounting by entities that grant loyalty award credits to customers who buy other goods or services. Specifically, it explains how such entities should account for their obligations to provide free or discounted goods and services to customers who redeem award credits.	
	This statement will not impact the results or disclosures of the Entity as the Entity has not entered into any customer loyalty programmes.	
IAS 1 (AC 101)	**IAS 1 (AC 101): Presentation of Financial Statements** The objective of this standard is to prescribe the basis for presentation of general purpose financial statements and current and non current classification of derivatives, to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities.	Annual periods commencing on or after 1 January 2009*
	This statement will not impact the results of the Entity but will result in changes to certain disclosures.	
	Current and non-current classification of convertible instruments This statement will not impact the results of the Entity but will result in changes to certain disclosures.	Annual periods commencing on or after 1 January 2010*
IAS 16 (AC 123)	**Amendments to IAS 16 (AC 123) Property, Plant and Equipment** The main change is to revise the definition of "recoverable amount" in IAS 16 (AC 123) to replace the term "net selling price" with the term "fair value less costs to sell" in order to achieve consistency with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations and IAS 36 (AC 138) Impairment of Assets. Address presentation issues that arise from assets that are rented and then subsequently sold on a routine basis.	Annual periods commencing on or after 1 January 2009*
	This statement will not impact the results of the Entity but could result in changes to certain disclosures.	
IAS 19 (AC 116)	**Amendments to IAS 19 (AC 116): Employee Benefits - Improvements to IFRS** If a reduction in benefit results in both a curtailment and a past service cost then the effect should be accounted for separately rather than as a curtailment only. Other amendments include; a distinction between short and long term employee benefits and the treatment of administrative costs.	Annual periods commencing on or after 1 January 2009*
	This statement will not impact the results or disclosures of the Entity as the Entity does not have a Defined Benefit Plan.	

	Standard/Interpretation	Effective date
IAS 20 (AC 134)	**Amendments to IAS 20 (AC 134): Government Grants and Disclosure of Government Assistance - Improvements to IFRS** Clarifies that the benefit of a loan with below market rate interest received from government is treated as a Government grant and is measured and recognised in accordance with IAS 39.	Annual periods commencing on or after 1 January 2009*
	This statement will not impact the results or disclosures of the Entity as the Entity does currently not receive any grants.	
IAS 23 (AC 114)	**IAS 23 (AC 114): Borrowing Costs** The main change from the previous version of AC 114 is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. Align to IAS 39 by referring to the use of an effective interest rate, as described in IAS 39, as a component of borrowing costs.	Annual periods commencing on or after 1 January 2009*
	This statement will not impact the Entity as currently there are no borrowings from outside parties relating to the purchase or construction of qualifying assets.	
IAS 27 (AC 132)	**Amendments to IAS 27 (AC 132): Consolidated and Separate Financial Statements - Improvements to IFRS** Align standard with IFRS 5 by clarifying that a parent entity that accounts for an investment in a subsidiary in accordance with IAS 39 (in its separate financial statements and subsequently classifies the investment as held for sale (or held in a disposal group classified as held for sale) would continue to measure the investment in accordance with IAS 39 when classified as held for sale.	Annual periods commencing on or after 1 January 2009*
	This statement will not impact the results or disclosure of the Entity as the Entity has not entered into any transactions that result in the need to apply the accounting contained within AC 132.	
IAS 28 (AC 110)	**Amendments to IAS 28 (AC 110): Investments in Associates - Improvements to IFRS** Clarify the disclosure required by an investor in an associate that accounts for its investment in an associate at fair value through profit or loss. Clarify that after applying the equity method, an impairment loss on an associate is not allocated to any asset that forms part of the carrying amount of the investment in associate. Clarify that the reversal of a previously recognised impairment loss is in accordance with IAS 36 to the extent that the recoverable amount of the investment in the associate subsequently increases.	Annual periods commencing on or after 1 January 2009*
	This statement will not impact the results or disclosure of the Entity as the Entity has not entered into any transactions that result in the need to apply the accounting contained within AC 110.	
IAS 29 (AC 124)	**IAS 29 (AC 124) - Financial Reporting in Hyperinflationary Economies** To clarify the measurement basis in financial statements and for consistency of terminology with other IFRSs.	Annual periods commencing on or after 1 January 2009*
	This statement will not impact the results or disclosures of the Entity as the Entity does not operate in a hyperinflationary economy.	
IAS 31 (AC 119)	**IAS 31 (AC 119) Interest in Joint Ventures** Clarify the disclosures required by a veturer in a jointly controlled entity that accounts for its interest in the jointly controlled entity at the fair value through profit or loss in accordance with IAS 39.	Annual periods commencing on or after 1 January 2009*
	This statement will not impact the results or disclosure of the Entity as the Entity has not entered into any transactions that result in the need to apply the accounting contained within AC 119.	

	Standard/Interpretation	Effective date
IAS 32 (AC 125) & IAS 1 (AC 101) amendment	**IAS 32 (AC 125) Financial Instruments: Presentation and IAS 1(AC 101) Presentation of Financial Statements: Puttable Financial Instruments and Obligations Arising on Liquidation** The standard introduces an exemption to the principle otherwise applied in IAS 32 for the classification of instruments as equity; the amendments require certain instruments that normally would be classified as liabilities to be classified as equity if and only if they meet certain conditions.	Annual periods commencing on or after 1 January 2009*
	This statement will not impact the results or disclosure of the Entity as the Entity has not entered into any transactions that result in the need to apply the accounting contained within AC 132.	
IAS 36 (AC 128)	**Amendments to IAS 36 (AC 128): Impairment of Assets - Improvements to IFRSs** To align the disclosure requirements when fair value less costs to sell is used to determine recoverable amount with those when the recoverable amount is based on value in use.	Annual periods beginning on or after 1 January 2009*
	This statement will not impact the results of the Entity but will likely result in certain additional disclosures.	
	To clarify the largest unit to which goodwill should be allocated. This statement will not impact the results of the Entity as it does not have any goodwill.	Annual periods beginning on or after 1 January 2010*
IAS 38 (AC 129)	**Amendments to IAS 38 (AC 129): Intangible Assets -Improvements to IFRS** Clarify how to account for advertising and promotional activities Avoid giving the impression that the units of production method of amortisation is not allowed for all intangible assets if it results in a lower amount of accumulated amortisation than the straight-line method.	Annual periods beginning on or after 1 January 2009*
	This statement will not impact the results of the Entity as it does not have any intangible assets.	
	Additional consequential amendments arising from revised IFRS 3. This statement will not impact the results of the Entity as it does not have any intangible assets.	Annual periods beginning on or after 1 July 2009*
IAS 39 (AC 133)	**IAS 39 (AC 133): Financial Instruments Recognition and Measurement - Improvements to IFRS** Amendment to: 1) address when specific financial instruments start or cease to be accounted for at fair value through profit or loss; 2) remove the reference to the need to designate hedging instruments at the segment level in order to eliminate conflict between IAS 39 and IFRS 8. I addition the effective interest rate application guidance in IAS 39 has been amended to incorporate the use of a revised effective interest rate calculation, when applicable, for situations when a fair value hedge is remeasured. The amendments relating to the reclassification of derivatives into or out of the classification of at fair value through profit or loss apply from the date and in the manner the entity applied the 2005 amendments to IAS 39 in paragraph 105A of that standard.	Annual periods commencing on or after 1 January 2009*
	This statement will not impact the results or disclosure of the Entity as the Entity has not entered into any transactions that result in the need to apply the accounting contained within this standard.	
	Clarify the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations.	Annual periods beginning on or after 1 July 2009*
	This statement will not impact the results or disclosure of the Entity as the Entity has not entered into any transactions that result in the need to apply the accounting contained within this standard.	

	Standard/Interpretation	Effective date
IAS 40 (AC 135)	**IAS 40 (AC 135): Investment Property - Improvements to IFRS** Amended to include property under construction or development for future use as investment property in its definition of "investment property". The Entity does not have any property falling within the scope of these amendments.	Annual periods commencing on or after 1 January 2009*
IFRS 1 and IAS 27 (AC 132) amendment	**IFRS 1 and IAS 27 (AC 132) amendment: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate** The Entity does not have any instruments falling within the scope of these amendments.	Annual periods commencing on or after 1 January 2009*
IFRS 2 (AC 139) amendment	**IFRS 2 (AC 139) Share-based Payment: Vesting Conditions and Cancellations** The definition of vesting conditions in IFRS 2 (AC 139) has been amended to clarify that vesting conditions are limited to service conditions and performance conditions. This statement will not impact the results or disclosure of the Entity as the Entity has not entered into any transactions that result in share based payments or the need to apply the accounting contained within IFRS 2 (AC 139).	Annual periods commencing on or after 1 January 2009*
IFRS 7 (AC 144) - Financial Instruments: Disclosures	**Amendments to IFRS 7 (AC 144)- Improving Diclosures about Financial Instruments** Amendment dealing with improving disclosures about fair value measurements of financial instruments and over liquidity risk. This statement will not impact the results of the Entity but will likely result in certain additional disclosures.	Annual periods commencing on or after 1 January 2009*
IFRS 8 (AC 145)	**IFRS 8 (AC 145): Operating Segments** AC 145 requires an entity to adopt the "management approach" to reporting on the financial performance of its operating segments. The standard sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which the entity operates, and its major customers. The disclosure should enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environment in which it operates. This statement will not impact the results or disclosures of the Entity as the Entity equity is not traded in a public market.	Annual periods commencing on or after 1 January 2009*
IFRIC 15 (AC 448)	**IFRIC 15 (AC448): Agreements for the Construction of Real Estate** AC 448 addresses accounting for agreements for the construction of real estate and will have an impact on the timing of the recognition of revenue resulting from these contracts. This statement will not impact the results or disclosures of the Entity as the Entity has not entered into any construction contracts.	Annual periods commencing on or after 1 January 2009*
IAS 27 (AC 132) amendment	**IAS 27 (AC 132): Consolidated and Separate Financial Statements** In accordance with IAS 27 (AC 132) amendments, acquisitions of additional non-controlling equity interests in subsidiaries have to be accounted for as equity transactions. Disposals of equity interests while retaining control are also accounted for as equity transactions. When control of an investee is lost, the resulting gain or loss relating to the transaction will be recognised in profit and loss. This statement will not impact the results or disclosure of the Entity as the Entity has not entered into any transactions that result in the need to apply the accounting contained within AC 132.	Annual periods commencing on or after 1 July 2009*

	Standard/Interpretation	Effective date
IFRS 3 (AC 140)	**IFRS 3 (AC 140): Business Combinations** IFRS 3 (AC 140) applies to all new business combinations that are occur after 1 July 2009. The scope of the standard has been expanded to include business combinations by mutual entities and by contract alone and the definition of a business has been clarified to include a set of activities that and assets that are not being operated as a business, as long as the acquirer is capable of operating the set as a business.	Annual periods commencing on or after 1 July 2009*
	This statement will not impact the results or disclosure of the Entity as the Entity has no intention to enter into any business combinations.	
IFRIC 9 (AC 442)	**Embedded Derivatives - IFRIC 9 (AC 442): Reassessment of Embedded Derivatives and IAS 39** Amendment to the assessment for separation of embedded derivatives on reclassification of hybrid instruments out of the fair value through profit or loss category.	Annual periods commencing on or after 1 July 2009*
	This statement will not impact the results or disclosure of the Entity as the Entity has no transactions within the scope of this standard.	
IAS 7 (AC 118) - Statement of Cash Flows	**Amendments to IAS 7 (AC 118)- Improvements to IFRSs** Purpose is to clarify that only expenditures that result in the recognition of an asset can be classified as a cash flow from investing activities.	Annual periods commencing on or after 1 January 2010*
	This statement will not impact the results of the Entity but will likely result in changes to certain disclosures.	
IAS 17 (AC 105) - Leases	**Amendments to IAS 17 (AC 105)- Improvements to IFRSs**	Annual periods commencing on or after 1 January 2010*
	Guidance stating that a lease of land with an indefinite economic life normally is classified as an operating lease unless at the end of the lease term title is expected to pass, has been deleted.	
	When a lease includes both land and buildings elements, an entity should determine the classification of the element taking account of the fact that land normally has an indefinite useful life.	
	This statement will not impact the results of the Entity as it does not own any land or buildings.	

* All Standards and Interpretations will be adopted at their effective date.

* *Rough diamond pictures courtesy of www.debeersgroup.com*

NOTES