

State Diamond Trader

Annual Report

2021/2022

state diamond trader
REPUBLIC OF SOUTH AFRICA

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Vision

- To be a catalyst for transformation and growth of the local diamond beneficiation industry



Mission

- To ensure the acquisition of and equitable access to rough diamonds with a particular focus on HDSAs.
- To promote the growth of a globally competitive local diamond beneficiation industry through relevant interventions.
- To establish and maintain a transformed client base of local diamond beneficiation.



Values

- Respect for the rights of our Stakeholders and Promotion of a caring attitude.
- Promotion of diversity and creation of an empowering working environment.
- Commitment to Mandate-its promotion, defense, and execution.
- Agility-Anticipation, proactive problem solving and resourcefulness.
- Efficiency-Professionalism and Excellence.
- Innovation-Continuous generating new ideas and innovative thinking.
- Promotion of ethical behaviour, trust and confidence.

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General Information

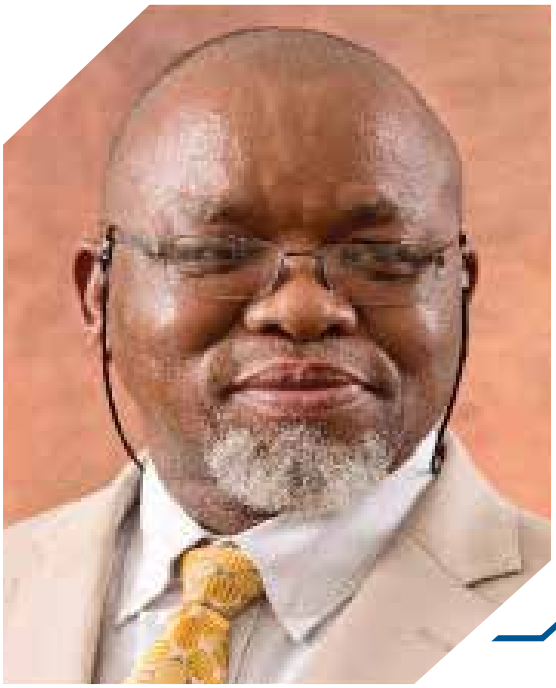
1. Entity Information

Domicile	Johannesburg, South Africa
Nature of business	The State Diamond Trader is a creature of statute, of the Diamonds Act (Act No. 56 of 1986) as amended. Its main business is to promote equitable access to and local beneficiation of the Republic's diamonds.
Postal Address	P. O. Box 61212 Marshalltown South Africa 2107
Business address	Jewellery Manufacturing Precinct, Superblock Building OR Tambo International Airport Special Economic Zone(ORTIA SEZ PRECINCT 1) Bonaero Drive, ACSA Precinct Bonaero Park 1619
Telephone	011 334 2691
Email	infosdt@statediamondtrader.gov.za
Website	www.statediamondtrader.gov.za
Twitter	@SDT_RSA
Facebook	State Diamond Trader sdt
Instagram	statediamondtrader
Shareholder	Government of the Republic of South Africa Represented by the Minister of Mineral Resources and Energy
Auditors	Auditor General of South Africa

List of Abbreviations and Acronyms

The Act	Diamonds Act, 56 of 1986, as amended
ADPA	Africa Diamonds Producer Association
AGSA	Auditor General of South Africa
ARC	Audit and Risk Committee
BBBEE	Broad Based Black Economic Empowerment
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CSIR	Council for Scientific and Industrial Research
DAA	Diamonds Amendment Act 29 of 2005
DMRE	Department of Mineral Resources and Energy
EDP	Enterprise Development Programme
HDSA	Historically Disadvantaged South Africans
HR	Human Resources
HR,RE and S&E	Human Resources, Remuneration and Social &Ethics Committee
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
KPCS	Kimberley Process Certification Scheme
MOU	Memorandum of Understanding
NDP	National Development Plan
OCI	Other Comprehensive Income
PAA	Public Audit Act
PFMA	Public Financial Management Act
PPC	Parliamentary Portfolio Committee
R	Rand(s)
ROM	Run of Mine
SADPMR	South African Diamonds and Precious Metals Regulator
SADPO	South African Diamond Organisation
SAGAAP	South African Generally Accepted Accounting Practice
SARS	South African Revenue Services
SDT	State Diamond Trader
SCM	Supply Chain Management
SMME	Small Medium and Micro-Enterprises
SOE	State-Owned Entity
TOR	Terms of Reference
USD	United States Dollar
VAT	Value Added Tax
WSP	Workplace Skills Development Plan

Minister's Note to Parliament



Mr S. G. Mantashe (MP)
Minister of Mineral Resources and Energy
Honourable Speaker of Parliament

Annual Report of the State Diamond Trader for the year ended 31 March 2022

I have the honour, in terms of section 65 (1) (a) of the Public Finance Management Act No. 1 of 1999 (PFMA), to present the Annual Report of the State Diamond Trader for the year ended 31 March 2022.

Mr Samson Gwede Mantashe (MP)
Minister of Mineral Resources and Energy
August 2022



Corporate Profile and Organisational Structure

Who We Are

The State Diamond Trader is a state-owned entity established in terms of Section 14 of the Diamonds Act 56, 1986, as amended ("the Act"). It operates in the diamond industry to grow local diamond beneficiation.

The mandate of the State Diamond Trader is to buy and sell rough diamonds and to promote equitable access to and beneficiation of the country's diamond resources. The entity aims to grow South Africa's diamond cutting and polishing industry by enabling and increasing the participation of Historically Disadvantaged South Africans (HDSAs) in the diamond beneficiation industry. The entity is eligible to purchase up to 10% of the run-of-mine (ROM) production from all diamond producers in South Africa empowered by Section 58B of the Act, as amended. It sells to registered customers through an application and approval process. The customers of the State Diamond trader are expected to have a Beneficiation Licence obtained from SADPMR.

The State Diamond Trader is a schedule 3B entity in terms of the Public Finance Management Act (PFMA), 1999, as amended. The entity is not funded by the government but generates its own capital for overheads and operational activities which includes the buying of rough diamonds at mining houses.



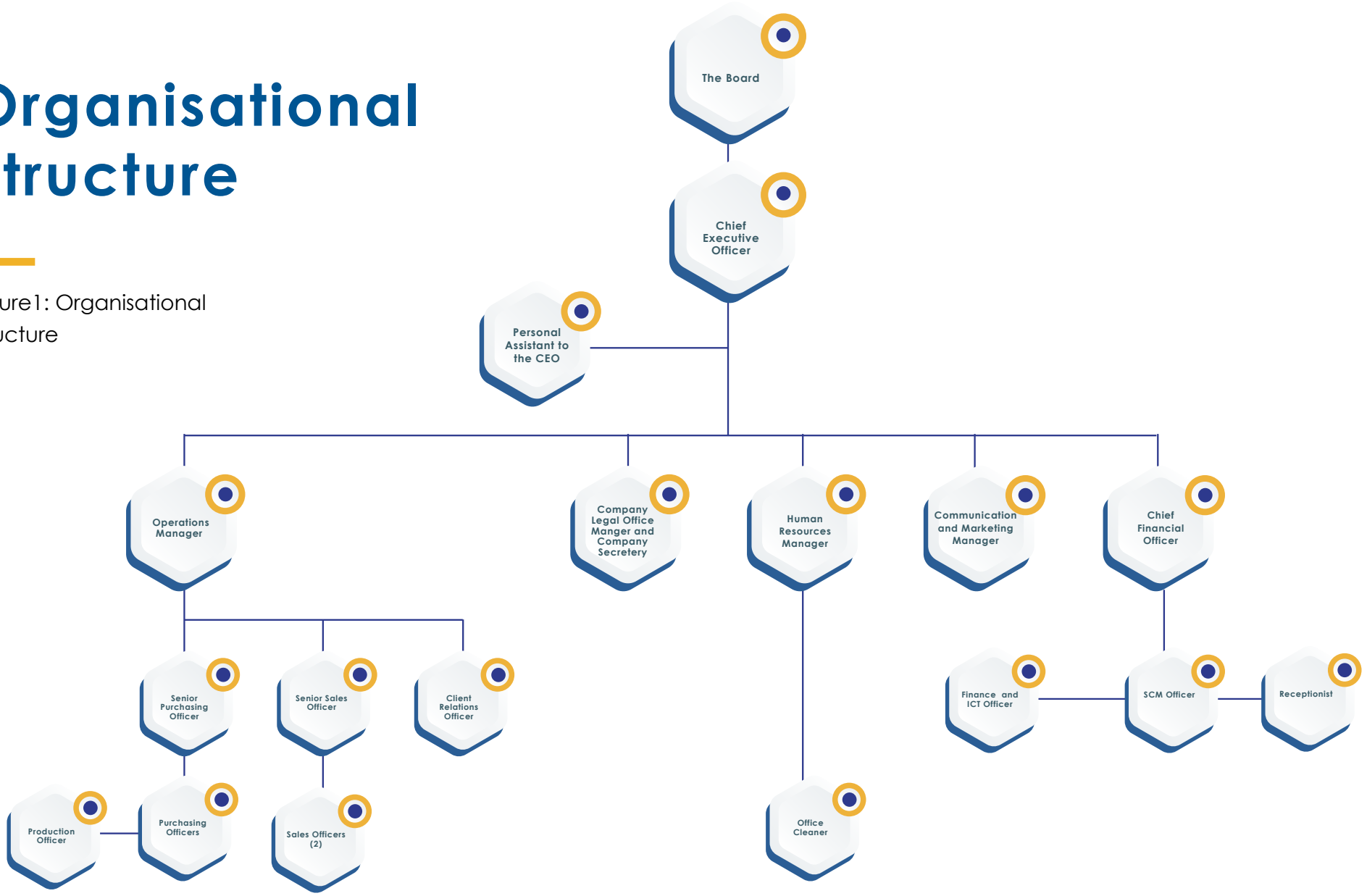
Our Mandate

The State Diamond Trader is Mandated to:

- Buy and sell rough diamonds for local beneficiation.
- Promote equitable access to and beneficiation of the country's diamond resources.
- Address distortion created by excluding previously disadvantaged groups from economic participation; (transform diamond industry).
- Purchase up to 10% of the run of mine from SA producers.
- Sell to registered customers through an application and approved process.

Organisational Structure

Figure1: Organisational structure



Chairperson's Foreword

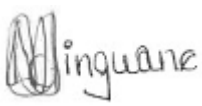


It is a privilege and pleasure to present the State Diamond Trader Annual Report for the year ended 31 March 2022.

In the year under review, the State Diamond Trader operated in a healthy and stable trading environment. The behaviour of the global diamond market surpassed the industry expectations since the relaxation of Covid 19 regulations. For the first time in many years, there was a high demand for all categories of rough diamonds and this upward trend in the diamond industry resulted in the State Diamond Trader surpassing all its forecasted sales and profits, with sales of R1,443 billion rand and a net profit of R52.6 million rand. The financial improvement has eased the financial viability concerns that arose from the entity's inability to trade in the previous year due to the National Lockdown. With a stronger financial balance sheet, the entity will be able to pursue its mandate by embarking on transformative projects within the industry.

The tone set by the Board in improving performance, promoting and applying good governance principles has resulted in the entity sufficiently improving performance and reducing its audit findings to a level that the Auditor-General issued an unqualified audit opinion.

I am grateful to the Minister of Mineral and Energy Resources and his Department for their continued leadership and guidance during the year under review. My further note of gratitude goes to the Board Members and the chairs of committees for their continuous dedication to the work of the State Diamond Trader. Last, but not least, I thank the CEO and his team for their contribution to the upward trajectory of the State Diamond Trader.



Ms M. M. Ledingwane
Chairperson of the Board

August 2022

Chief Executive Officer's Overview



At the beginning of the financial year under review, the State Diamond Trader was moving towards recuperating from the global lockdown effects caused by the pandemic (COVID-19) in 2019. Just as the rest of the world and the diamond industry as a whole caution was placed regarding the 2021/2022 financial year planning, with the entity adopting conservative targets in its Corporate Plan. However, the diamond markets took an unprecedented sharp increase during the second quarter and, as a result, it became evident that the entity was going to exceed its budget targets. However, the entity did not revise its target because of the unpredictable nature of the industry and opted to maintain the targets based on the previous financial year's performance.

As the demand for rough diamonds continued to surge, the rough diamond prices also increased. However that did not deter the continued demand thereof. The entity was able to supply economically viable rough diamonds as per its mandate which had a positive impact on the recovery of the entity and its clients .

Trading Environment

This financial year was successful for the rough diamond markets and the industry as a whole. The demand for rough diamonds remained high throughout the year, resulting in the entity's exceptional financial performance.

Operational Environment

The entity was able to purchase a total of carats of 600,179 to the value of R1,35 billion. A total of 600,670 carats valued at R1,443 billion were sold to in varying segments, Sales to 100% Historically Disadvantaged South African clients increased to 16% in comparison to the 12% that was met in the previous financial year. This significant growth was increased by the high demand of the polished diamonds which led to continue resonate our clients.

Performance Information

The entity had 17 planned strategic targets for the year under review, 15 targets were achieved and two were not achieved. Those strategic targets were shifted to the following year with appropriate mitigation measures.

Sound Financial Position

The entity's going concern was raised by the Auditor's General (AG) during the previous year financial audit. However, this unprecedented turnaround of the rough diamond markets resulted in the entity recording its highest financial position to date. Though the entity's financial reserves were at their highest, the entity continued to be consecutive in dealing with financial spending as cost containment measures continue to be observed with minimum activities that required financing to avert adverse financial implications. This had contributed to overturning the entity's going concern problem.

The Financial Report of the entity is drafted in accordance with the International Financial Reporting Standard (IFRS). The Sales were R1,443 billion compared to the budget of R722,8 million resulting in a positive variance of R719,9 million for the year, The Gross Profit for the year under review was R84,6 million which is a GM% of 5,8% compared to 3,3% that was budgeted for. The entity has made a net profit of R52,6 million. The Cash and cash equivalent balance at the end of 31 March 2022 was R100,9 million. Details on financial position is contained under financial performance on **pages 59 to 63.**

I am confident that the growth will be sustainable as the Business Plan and financial Model was endorsed during the year under review for continuous performance improvement.

2021-2022 Audit

Critical to the entity during the financial year under review was to mitigate repeat findings as raised by the AG. It is pleasing to report that the Audit Management Action Plan implemented resulted in positive audit results with no material findings on financial statement, performance report and compliance with legislation.

Human Resources

As the second quarter drew to the end, the entity's two critical positions were left vacant resulting in a vacuum regarding the execution of operations, compliance and governance duties within the entity. The Company Secretary/Legal Manager resigned at the end of the second quarter which was a setback for the entity, especially in matters of Governance and Compliance. However, the entity was able to withstand the challenges thereof complied with applicable legislation and good governance principles.

The entity had three resignations during the financial year which were successfully filled within the year.

The entity continued with its developmental programmes and two new bursaries were awarded to employees who have served the entity with diligence.

Human capacity remains critical to the entity as it is always core to the achievement of the mandate. As part of optimising its resources Management together with the support of the Board, the benchmarking exercise was conducted to address organisational design and salary evaluation as part of staff development and the entity's growth and performance.

The entity is pleased to welcome the Company Secretary/Legal Manager who commenced his duties on 1 March 2022 and looking forward to a fruitful working relationship.

Governance and leadership

The Board continued to provide oversight and strategic leadership during the financial year under review, Committee and Board meetings were held as scheduled. Training on the Public Finance Management Act (PFMA) and Protection of Personal Information Act (POPIA) was conducted as part of the continuous development for the Board members. Internal Audit was functional, and the audits were conducted in line with the approved Three-Year Internal Audit rolling plan, and compliance commitments were also satisfied.

Kimberley Process Participation (KP)

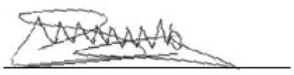
The entity continued to participate in the KP an organisation that prevents conflict/illegal diamonds from entering the international diamond markets. The entity continued to provide diamond expertise in their Working Group of Diamond Experts Committee and the Sub-Committee thereof. The entity also forms part of the team that conducts KP review visits to diamond producing countries, to ascertain whether these countries comply with the KP certification minimum requirements.

Stakeholder Management

The State Diamond Trader operates in a highly regulated environment with different stakeholders to engage with including regulators, producers, clients and other interested stakeholders. Several activities were held in promoting both the entity and the industry. Some of the activities resulted in the signing of the Memorandum of Understanding for future collaboration on plans.

Conclusion

I thank the Chairperson of the Board and all Board members for their oversight role, support and guidance provided during the year. My sincere gratitude to my Executives and all staff for their sterling performance notwithstanding capacity odds. Lastly, to all our Stakeholders (producers, clients, and services providers) for their support. My appreciation to PPC, DRME and other SOEs for their continued support, thank you.



Mr. S.M. Mnguni
Chief Executive Officer

August 2022



Governance >

The Board

The Board of the State Diamond Trader is appointed by the Minister of Mineral Resources and Energy ("the Minister") in terms of Section 17(2) of the Diamonds Act 56, 1986, as amended. The board is on their second year of their term, the Minister appointed the Board for three (3) years with effect from 1 November 2020.

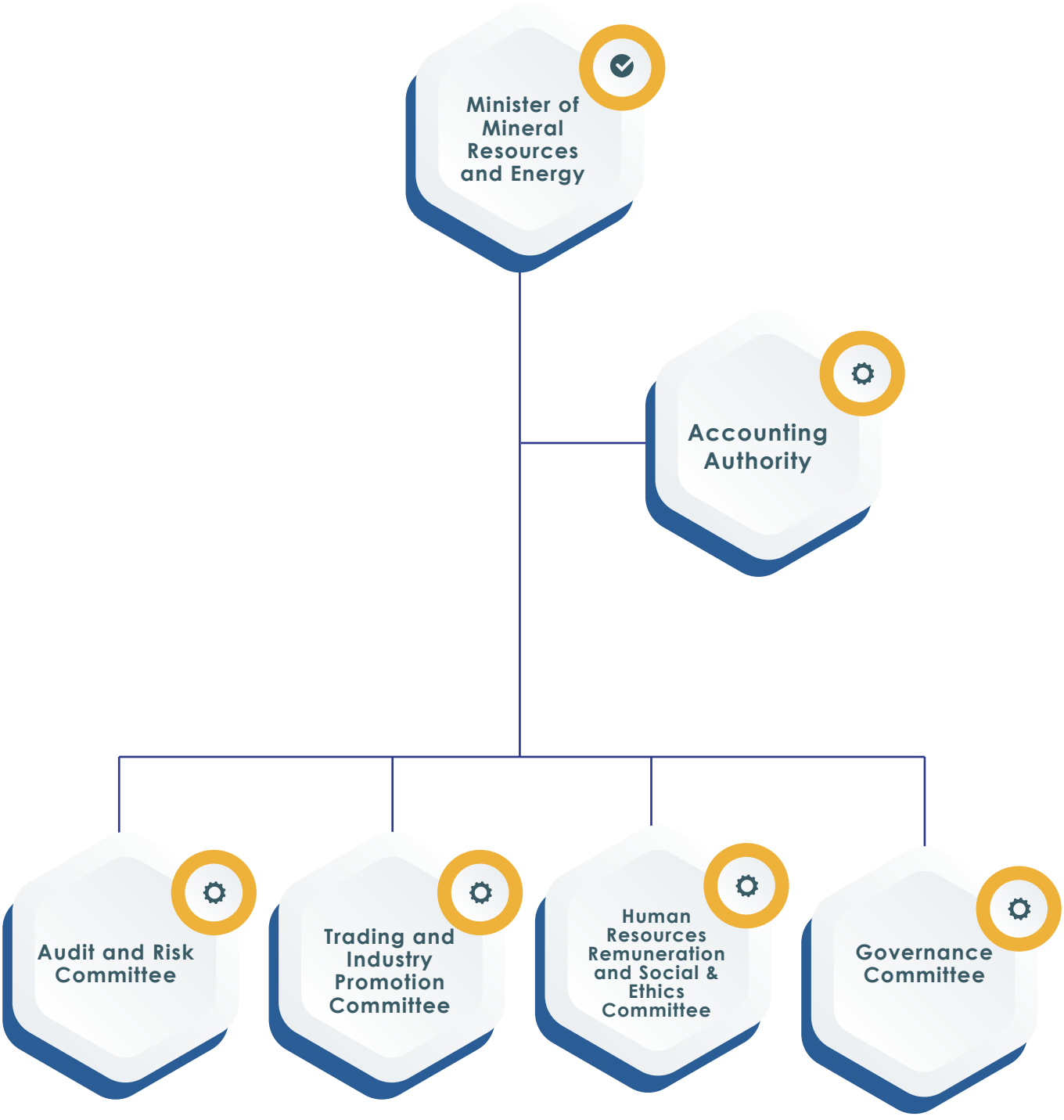
Before appointing the members of the Board, the Minister is required by the Act to appoint an independent selection panel in line with the requisite knowledge and understanding of issues concerning the diamond industry. The panel provides a recommendation to the Minister on suitable members to be appointed to the Board.

The ultimate authority to appoint and constitute the State Diamond Trader Board rests with the Minister.

The Board membership is drawn from a diverse group of stakeholders from different sectors including the diamond industry as dictated by Section 17(3) of the Act. The current Board collectively reflects a good balance of continuity, qualifications, experience, age, race and gender as fully detailed herein below

Governance Structure

Figure 2: SDT Reporting Structure



The Board

The Board is responsible for setting the strategic direction of the State Diamond Trader. Furthermore, the Board is responsible for the establishment and maintenance of an ethical corporate culture within the entity. The Board is appointed for a term of three years and the current Board tenure commenced on 1 November 2020. All Board members, except for the Chief Executive Officer, are non-executive.

Composition

The Board is composed in pursuance of the provisions of the Diamonds Act 56, 1986, as amended, and is appointed by the Minister. Membership comprises one salaried executive and 12 non-executive Board members. The State Diamond Trader Chief Executive Officer, as well as the Chief Executive Officer of the South African Diamonds and Precious Metals Regulator, are ex officio members of the Board. Board members strive for independence and to execute their fiduciary duties in the best interests of the State Diamond Trader.

Board Members

The Board has the requisite mixture of qualifications and skills for the task at hand including, but not limited to, finance, commercial, human resources, law, etc. The State Diamond Trader provides the Board with access to professional advisers should they so require external independent advisory services. Continuous training and development of Board member is undertaken in line with identified needs. Details of the mixture of qualifications and skills of individual Board members and the Executive team are provided below.

Board Members



Ms Maletlatsa Monica Ledingwane
Chairperson

Appointed: 1/11/2020

Principal Skills:
Law: Commercial Law, Governance and Business Leadership Management.

Other Leadership Positions:
Companies Tribunal, Impala Esot, Tax Board



Mr Stanley Mandla Mnguni

Chief Executive Officer

Appointed: 1/02/2018

Principal Skills:
Management and Administrator, Strategic Leadership, Corporate Governance, Human Resources, Compliance to MFMA and PFMA

Other Leadership Positions:
SADPMR Board member



Ms Mpho Sonia Mosing
Appointed: 1/11/2020

Principal Skills:
Legal, Public Management, HR Management and Business Leadership

Other Leadership Positions:
SADPMR Board member



Mr Nyiko Cecil Khosa

Appointed: 1/11/2020
(1st appointed in 2019)

Principal Skills:
Compliance, Mining and Business Leadership

Other Leadership Positions:
SADPMR CEO



Mr Gideon Edward Du Plessis

Appointed: 1/11/2020
(1st appointed in 2016)

Principal Skills:
Labour Policy and globalisation, Strategy and Business Leadership

Other Leadership Positions:
Solidarity (trade union) , Solidarity Strategy Institute, Sentinel Retirement Fund, and Gold Fields Thusano Trust



Mr Makgabo William Mabapa

Appointed: 1/11/2020
(1st appointed in 2016)

Principal Skills:
Human Resource Management and Labour Policy

Other Leadership Positions:
National Union of Mineworkers (NUM), Mineworkers Investment Trust, Royal Bafokeng Platinum LTD, NUMPROP



Mr Kagiso John Menoe

Appointed: 1/11/2020
(1st appointed in 2016)

Principal Skills:
Mining, Quality Assurance and Beneficiation Economics

Other Leadership Positions:
Director: Beneficiation Economics at DMRE



Major General Ntombizodwa Hazel Mokoena

Appointed: 1/11/2020
(1st appointed in 2012)

Principal Skills:
Policing and criminal justice, Forensic Investigation, Compliance and Money Laundering Management and Corporate Governance

Other Leadership Positions:
Directorate for Priority Crime Investigations, SADPMR Board member



Ms Suzan Mary-Ann Badanile Nyakale
Appointed: 25/08/2021

Principal Skills

Chartered Accountant, Development, Corporate and Investment Banking

Other Leadership Positions:
Member of South African Institute of Chartered Accountants ("SAICA"), Turnaround Management Association of SA ("TMA-SA"), Institute of Directors South Africa ("IoDSA")



Mr Gabatsholwe Levy Rapoo
Appointed: 1/11/2020

Principal Skills:
Mining, Business Leadership, Project Management, Mineral Regulation and Mineral Policy

Other Leadership Positions:
Rivanet Mining and Exploration (Pty) LTD



Mr Bothwell Deka

Appointed: 1/11/2020
(1st appointed in 2016)

Principal Skills:
Economics, Mercantile Law and Public Finance Management

Other Leadership Positions:
National Treasury



Ms Faith Tumelo Mokwena

Appointed: 1/11/2020

Principal Skills:
Business Administration, Mining, SMME Development and Project Management

Other Leadership Positions:
Kimberley Diamond & Jewellery Incubator (KDJI)



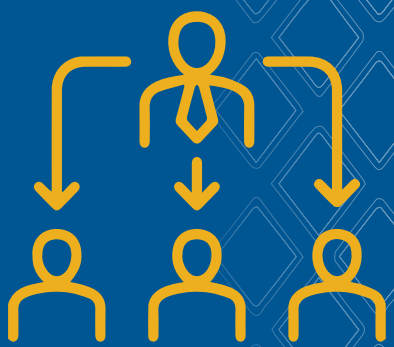
Mr Jacques Hugo
Appointed: 1/11/2020

Principal Skills:
Business Leadership, Finance, Labour and Dispute Resolution

Other Leadership Positions:
FEDUSA, Presidential Climate Change Commission, NEDLAC, Sentinel Retirement Fund



Executive Management >



Executive Management

The Executive Management Team is responsible for ensuring the implementation and execution of the State Diamond Trader strategy as approved by the Board and for the operational management of the business. By the end of the reporting period the composition of executive management was as follows:



Mr Stanley Mandla Mnguni

Chief Executive Officer

Appointed: 01/02/2018
Principal Skills:
Management and Administrator, Strategic Leadership, Corporate Governance, Human Resources, Compliance to MFMA and PFMA

Other Leadership Positions:
SADPMR Board member



Ms Nelisile Mncwango CA(SA)
Chief Financial Officer

Appointed: 01/05/2020

Principal Skills:
Registered Chartered Accountant with SAICA, Accounting and Auditing, Finance and Staff Management and Public Finance Management



Mr Sihle Mhlangu

Company Secretary and Legal Manager

Appointed: 01/03/2022

Principal Skills:
Legal, Compliance and Governance, Risk Management, Business Administration and Public Finance Management



Mr Conrad Van der Ross

Operations Manager

Appointed: 01/06/2016

Principal Skills:
Technical diamond skills, Management, global diamond industry expertise, having worked in London and Antwerp

Other Leadership Positions:
Board member of the Kimberley Diamond and Jewellery Incubator

*** Resignation by Ms Nobuble Sibeko who was the Company Secretary and Legal Manager was effected on the 31 September 2021**

Corporate Governance Best Practice

The State Diamond Trader operates within a governance framework based on the principles of accountability, transparency, ethical management, inclusiveness and fairness. The Board recognises the value of an ethical culture and its link to value creation and sustainable development. The Board has approved a manual for corporate governance that is cognisant of the said principles. The manual is reviewed annually to ensure relevance.

The State Diamond Trader is listed as a schedule 3B of the Public Finance Management Act, 1 of 1999 ("the PFMA"). Its shareholder is the government of the Republic of South Africa, represented by the Minister of DMRE who exercises executive authority on behalf of the government. The Board is the designated Accounting Authority and governs the State Diamond Trader by the laws of the Republic of South Africa, in particular the Diamonds Act 56, 1986, as amended ("the Act"), and the PFMA, read with applicable Treasury Regulations.

Significant corporate governance and regulatory developments have taken place locally and internationally which are now incorporated in the King IV Report issued in 2016. The entity strives to align with the recommended principles of corporate governance espoused in King IV to the extent possible for its environment.

Primary Responsibilities of the Board

The Board serves as the focal point and custodian for good corporate governance in the organisation. Board members recognise that good governance contributes toward creating value for the benefit of all South Africans. The Board has adopted formal terms of reference outlining its scope of authority, responsibility, and functioning. The terms of reference are reviewed annually. Certain functions are delegated to committees.

Matters of strategic importance are reserved for the Board. These include decisions affecting the overall vision, mission and objectives of the organisation, together with changes to policies and frameworks. The following sets out the main areas where material decisions are taken by the Board:

- Approval of Policies;
- Approval of the strategy, shareholder's compact, business plans and budgets and of any subsequent material changes in strategic direction or material deviations from strategies and business plan;
- Determination of the structure, composition and terms of reference of Committees and approval of all changes to the management of the organisation and the scheme of delegation;
- High-level monitoring of both financial and operational progress and performance, including an annual performance review covering the key performance indicators;
- Significant impacts on human resources and financial resources of the organisation; and

- High-Level Stakeholder interfaces such as reporting to the Minister and overall policies on communications with regulated entities, the press and the public.

The Board maintains a system of delegation within the organisation. Any delegations outside the approved framework are specifically recorded in the minutes or round-robin resolutions of the Board.

The Board has access to members of Executive Management and to all relevant information to assist in the discharge of its duties. The Board is further entitled to enlist the services of advisers as necessary from time to time at the expense of the organisation.

The Board met eight (8) times during the year under review. Attendance was recorded as follows:

Board member	Meetings Attended
Ms M.M. Ledingwane	8
Mr L. Rapoo	8
Mr J. Hugo	8
Ms M. Mosing	8
Mr C. Khosa	4
Mr W. Mabapa	4
Mr B. Deka	7
Ms S.M.B. Nyakale	7
Ms T. Mokwena	8
Mr K. Menoe	8
Mr G. Du Plessis	8
Major General N.H. Mokoena	8
Mr S.M. Mnguni	8

Table 1: Attendance of Board Meetings.

Board membership ceases in the event of a resignation, a disqualification on the grounds listed in the Act, for reasons of absence for more than two consecutive meetings without the leave of the Chairperson or at the expiration of the Board tenure.

Assurance Providers

The State Diamond Trader is audited by the Auditor General of South Africa (AGSA), in line with the Public Audit Act, 2004. Internal auditing is an outsourced function, undertaken by Rakoma & Associates until MN Chartered Accountants took over the function on 1 January 2022.

Board Committees

In terms of the Section 17(e) of the Act, the Board is empowered to establish Committees to assist in the execution of its duties and has established the following committees: the Audit and Risk Committee, the Human Resources, Remuneration and Social and Ethics Committee, the Trading and Industry Promotion Committee, and the Governance Committee. These Committees regularly met in assisting the Board to execute its functions, with the Audit and Risk Committee meeting nine (9) times, Human Resources, Remuneration, Social and Ethics Committee (6) times, Trading and Industry Promotion Committee five (5) times, and Governance Committee met twice as it was subsequently established toward the end of the year under review.

The Board is satisfied that each Committee has the necessary knowledge, skills, experience and capacity to execute its

duties effectively. Each Committee has a minimum of three members. This is a statutory requirement for the Audit and Risk Committee. Executive Management has a standing invitation to all Committee meetings.

Members of the Board are entitled to attend Committee meetings as observers. However, members attending a meeting of a Committee to which they do not belong are not entitled to remuneration for that meeting and may not participate without the consent of the Chairperson.

The Board applies its mind to all information and recommendations presented by Committees. The Board is satisfied that its Committees discharged their responsibilities during the year under review.

Audit and Risk Committee

The Audit and Risk Committee is a statutory committee of the Board appointed in terms of Section 77 of the PFMA, read with Treasury Regulation 27.1.1. It has duties assigned to it by the Board over and above its statutory duties.

Specific responsibilities, as prescribed in the terms of reference, include:

- Providing oversight in respect of the effectiveness of the organisation's finance function external and internal assurance services, and risk management
- Guiding the Board through the budgeting process
- Assuming responsibility for the integrity of the annual financial statements
- Overseeing Information technology governance

The Committee is tasked with ensuring that assurance providers assume a coordinated approach to services and the system of internal financial controls and risk management, including but not limited to the design, implementation and effectiveness of the internal financial controls through internal audit reports. The Committee is also responsible for ensuring that the State Diamond Trader implements an effective risk mitigation plan and that disclosure of risks and mitigation plans is timely and relevant to the risks.

The Committee deliberates and makes recommendations to the Board, which assumes individual and collective responsibility in the exercise of due care and skill about the affairs of the entity.

The Committee is satisfied with the quality of work produced by internal and external auditors and with the internal control environment of the organisation. The Committee is not aware of any adverse indicators that may impact the organisation. A report of the Audit and Risk Committee is also included on **pages 60-61** of this Annual Report.

Table 2: Shows the attendance of ARC Committee Meetings during the year under review.

Board Member	Meetings Attended
Ms S.M.B. Nyakale (Chairperson) effective from August 2021	9
Mr J. Hugo	9
Mr K. Menoe	8

Table 2: ARC Meeting Attendance.

Human Resources, Remuneration and Social & Ethics Committee (HR, RE and S&E)

HR, RE and S&E assist the Board with the human resources strategy and the attraction, development and retention of required staff competencies. The Committee is also entrusted with the oversight of the entity's social and ethics. It makes recommendations to the Board concerning issues entrusted to it through the approved terms of reference. The Committee has conducted its affairs in compliance with the terms of reference and has discharged its responsibilities contained therein and met six (6) times during the year under review.

Primary responsibilities of the Committee include inter alia:

- The review and recommendation of policies that result in fair, responsible and transparent remuneration and that will promote the achievement of outcomes, attract, motivate, reward and retain high-quality talent and encourage individual performance without encouraging undue risk-taking;
- The review and recommendation of performance management policies applicable to Senior Management to ensure that they are fairly rewarded for individual and joint performance towards the State Diamond Trader;
- Oversight of the establishment of a training and development policy that will promote the achievement of Outcomes and encourage individual performance; and
- The review of the social and economic developments environment, including the entity's standing in terms of the goals and objectives of applicable legislation and codes;

All the members of the Committee are non-executive and possess the requisite skills and experience to serve on the Committee. The Chairperson and all members are appointed by the Board and are Board members.

Table 3: Shows the attendance of HR, RE and S&E Committee Meetings during the year under review.

Board Member	Meetings Attended
Mr G. Du Plessis (Chairperson)	6
Ms M. Mosing	6
Major General N.H. Mokoena	6
Mr W. Mabapa	5

Table 3: HR, RE and S&E Committee Meeting Attendance.

Trading and Industry Promotion Committee

The Trading and Industry Promotion

Committee (known as the Trading Committee) ensures that State Diamond Trader operations are in line with the mandate of the organisation and the objectives set by the Board in the strategic plan. The Committee operates by the terms of reference approved by the Accounting Authority. The Committee met five (5) times during the year under review.

The Trading Committee assists the Board with trading-related activities and the promotion of the diamond beneficiation industry and is responsible for the development and implementation of trading rules and sales strategies. The Committee interlinks with other sub-committees of the Board on interrelated issues as necessary. The Trading Committee's formal terms of reference stipulate that its deliberations must take into consideration Black Economic Empowerment and equitable access to rough diamonds deliberations at all times.

Primary responsibilities of the Committee include inter alia:

- The establishment, review and monitoring of the organisation's contribution to the growth of local diamond beneficiation;
- Ensuring the existence of articulate Trading Policies and Rules for the organisation;
- Ensuring maintenance of the client base of local diamond beneficiation; and
- Reviewing and making recommendations to the Board concerning marketing policies and strategies aimed at contributing to the growth of local diamond beneficiation.

Table 4: Shows the attendance of Trading and Industry Promotion Committee Meetings during the year under review

Board Member	Meetings Attended
Mr L. Rapoo (Chairperson)	5
Ms T. Mokwena	4
Mr B. Deka	4
Mr C. Khosa	4

Table 4: Trading and Industry Promotion Committee Meeting Attendance.

Governance Committee

The Committee was established to assist the Chairperson of the Board to initiate and manage overall performance evaluations of the Chief Executive Officer. The Board extended the Governance Committee's terms of reference to include coordinating the activities of all Board Committees to avoid duplication, address issues raised by the chairpersons of the Board Committees and consider issues that have been raised to the Chairperson of the Board Committees and make recommendations to the Board on issues not allocated to a specific Committee. The Board formally adopted the revised terms of reference in January 2022 and met twice during the year under review.

The Governance Committee operates within a formal terms of reference approved by the Board. The Chairperson of the Board chairs the Committee and the Committee is further comprised of the chairpersons of the Board Committees.

Table 5: Shows the attendance of the Governance Committee Meetings during the year under review.

Board Member	Meetings Attended
Ms M.M. Ledingwane	2
Mr L. Rapoo	2
Mr G. Du Plessis	2
Ms S.M.B. Nyakale	2

Table 5: Governance Committee Meeting Attendance

Appointment and delegation to management

Chief Executive Officer (CEO) appointment and role

The Minister is responsible for the appointment of the CEO. The Minister entrusts the recruitment process to the Board, which makes recommendations to the Minister. All delegations by the Board to management are to the CEO. The CEO is assisted by the Executive Management to implement and execute the strategy approved by the Board and for the operational management of the business.

The CEO is an ex-officio member of the Board and is held accountable by the Board on the performance of Executive Management and the organisation. Every quarter, the CEO reports to the Board on the performance of the organisation against outcomes set by the Board. The CEO is a standing invitee at all Committee meetings.

The Chairperson evaluates the performance of the CEO against specific and agreed targets on an annual basis, which are reviewed by the Governance Committee and recommended to the Board.

Professional Corporate Services to the Board

The Company Secretary provides professional secretarial and corporate governance services to the Board. The Company Secretary is a full-time employee of the organisation and ensures that Board procedures, regulations and governance codes are adhered to.

The Company Secretary also serves as the Legal Manager of the State Diamond Trader. The appointment, remuneration and removal of the Company Secretary are matters reserved for the CEO in consultation with the Board. The Company Secretary has an arm's length relationship with the Board and works closely with the Chairperson to ensure the proper and effective functioning of the Board and the integrity of the Board regarding governance processes.

Ethics

The Board is committed to the highest standards of ethical behaviour and has adopted a Code of Governance and Ethics as recommended by the King IV Report on Corporate Governance as the standard against which the conduct of Board members and staff will be measured.

Strategy and Performance

The Board sets the strategic tone for the entity and works closely with Executive Management to determine the outcomes of the organisation. Annually, Executive Management presents the Annual Corporate Plan to the Board, which engages critically with Management's proposals in consideration of the entity's mandate, budget, budget-related assumptions, timeframes, targets and outcomes. Every quarter, the Board reviews performance reports against targets set. The strategy is for a five-year period at any given time. In determining the strategy, the Board evaluates the availability of resources for implementation.

Risk Governance

The Board is responsible for oversight of the risk management process and has delegated responsibilities to the Audit and Risk Committee. The Board approves a framework policy which guides the risk identification process. The risks are updated annually in line with the outcomes of the entity and risk is monitored on a quarterly basis by the ARC.

Reporting

The Board assumes responsibility for the Annual Report, including the Annual Financial Statements, assisted by the Audit and Risk Committee. The Board further assumes responsibility for statutory reporting to the Executive Authority and National Treasury. The preparation of the reporting documents is delegated to Executive Management.

Conclusion

The Board is satisfied with the organisation's governance framework and corporate governance processes. Having taken cognisance of the King IV Report on Corporate Governance, the Board has reflected on the corporate governance environment and will strive to ensure that organisational processes remain relevant and promote an ethical and transparent culture within the organisation.



Remuneration Report

Remuneration Report

The Board takes responsibility for the governance of remuneration and determines the approach to employee remuneration. The Minister of Finance takes responsibility for the determination of remuneration for Board members who are also entitled to claim for out-of-pocket expenses. Details of remuneration are available on **pages 94-95** in the Annual Financial Statements.

Our Aims for Remuneration

The aim of the Remuneration Policy and its Performance Management and Reward Policy is to ensure that the organisation attract and retain competent, well-motivated and committed employees who will support the achievement of the State Diamond Trader's mandate and objectives. Financial Performance for 2019/2020 considered together with the uncertainty in 2021 brought about by the COVID-19 pandemic resulted in the entity not being able to fully achieve these aims. However, the entity strives to ensure that its employees are fairly remunerated in line with the said Policy.

Influential Factors for Remuneration

Internal Factors

- Position accountability levels linked to the benchmarked Paterson job grading system.
- Performance Management and benefits linked to Performance Management Policy and Remuneration Policy.
- The entity's financial performance.
- Internal position growth linked to the approved organisational structure.
- Length of service period with the entity.

External Factors

- Annual cost-of-living adjustments guided by inflation rates and affordability.
- Remuneration influenced by attracting, retaining and motivating key and talented people.
- Benchmarking salary grades with similar entities within the government and the diamond sector.
- The impact of market volatility on the entity's financial performance.

Key Focus Areas for the Reporting Period

The Human Resources and Remuneration Committee focused on the following key areas in relation to remuneration during the reporting period:

- Cost-of -living adjustments.
- Performance bonuses.

Salary Benchmarking

The State Diamond Trader engages consultants for remuneration every three years to benchmark salaries with other similar entities in the Government and Diamond sectors.



Strategic > Performance

Our Operations

The State Diamond Trader carries out its mandate of buying and selling rough diamonds and promoting equitable access to, and beneficiation of the country's diamond resources through the following functions:

Purchasing

The State Diamond Trader's purchases are initiated through a process set out in Section 59B of the Act, as follows:

- An offer is extended by diamond producers for the State Diamond Trader to inspect production mined in that cycle in accordance with Section 59B of the Diamonds Act 56, 1986, as amended, and inviting the Government Diamond Valuator to attend all its inspections.
- Producers present 100% of its production to State Diamond Trader from which the entity is eligible to select up to 10% Run of Mine as stipulated in the diamond act.
- The State Diamond Trader either accepts the reserve price and makes a purchase or negotiates further with the producer or declines the purchase.

Production (Sorting and Valuation)

The production process is concerned with the sorting, valuation and pricing of rough diamonds. Production assigns a value to each of the parcels, to unlock value and prepare the diamonds for sale to State Diamond Trader clients. The processes are undertaken by production results in the entering of the rough diamond stock into the inventory management and financial reporting application.

Client Relations

The role of the client relations is to engage with the State Diamond Trader's current and potential clientele on all matters not about the sale of rough diamonds. In this regard, the activities of the client relations unit are summarised as follows:

- Addition and removal of entries on the State Diamond Trader customer base.
- Maintenance of client records.
- Client segmentation strategy development and implementation.
- Compliance relating to licensing and SARS Certification.
- Factory visits to ensure compliance with beneficiation targets.
- Project management relating to industry and clients' development.
- Maintaining diamond industry public relations.
- Participation at external events.

Sales

Sales work closely with client relations to understand client's needs and especially their compliance status. The sales process is a function of State Diamond Trader's overall strategy, duly cognisant of its mandate as stated in the legislation. It is important to note that the entity employs the methodology of direct sales to its customers.

Sales will allocate diamonds to customers in line with its sales strategy that seeks to address the issues of transformation and considers the commercial imperative of the State Diamond Trader. The system of allocating mixes to an approved, compliant customer base is heavily dependent on what the entity has purchased.

Supporting services include:

Finance: in charge of financial planning, budgeting, financial records and reporting, asset management, management of financial risk and supply management.

Information Technology: responsible for the provision and maintenance of hardware and software as well as ICT governance, policies and procedures.

Marketing and Communications: deals with external and internal communications which include stakeholder relations, media relations and marketing.

Human Resources: deals with human resources issues including recruitment of

personnel, training and development, employee benefits, employee wellness, labour relations and others.

Legal and Secretariat: responsible for the Board secretariat and related matters, legal compliance, and litigation.

Performance Environment

In 2007, the Government created the State Diamond Trader as a vehicle to address certain failures that existed in the diamond beneficiation industry relating to transformed and/or to be inclusiveness. The legislative mandate of the entity is to provide equitable access to and promote local beneficiation of the countries' diamonds. The Act in Section 59B supports this mandate by, amongst other things, enabling the entity to purchase up to 10% of the total run-of-mine (ROM) production from local producers in the country and provides for the entity to source rough diamonds from other diamond producing countries in support of a sustainable diamond beneficiation industry.

Purchasing of Rough of Diamonds

State Diamond Trader purchased 7% by value of the rough diamonds inspected and 6% by carats/volume. The entity benefitted from the upward trend experienced during the peak of the market and continues to capitalise on the utilisation of the special purchasing agreements it has in place with some producers. The State Diamond Trader inspected goods from 13 producers in the 2021/2022 financial year which translated to 8% more inspected in carats in comparison to the 2020/2021 financial year and 34% more in value. The increased value is directly linked to the continued increase of rough prices. As such the entity inspected 169 productions, of which 154(91%) were purchased at an amount of R1, 3 billion. The average price of the goods inspected increased by 24%. State Diamond Trader purchased 600,179.18 carats in the 2021/2022 financial year in comparison to 268,147.46 carats purchased in the 2020/2021 financial year, which increased by 124%.

Local supply of rough diamonds

The State Diamond Trader ended the quarter with 89 registered clients that are segmented into Growth & Transformation; Incubation Growth and Transformation; Equitable Access (Small, Medium, and Large), and Niche (Small, Medium, and Large) segments. Sales were made to 39 clients for an amount of R1,4 billion. The State Diamond Trader sold more by carats and value in comparison to the 2020/2021 financial year. An increase of 113% in carats and 189% by value is noticeable compared to 2020/2021.

Suitability refers to diamonds weighing 1.00 carat and above gem quality that is deemed economically viable to be manufactured. The percentage of suitable diamonds for beneficiation remained the same as the previous financial year, with 19% by volume and 75% by value deemed suitable.

Global influence

The global diamond market surpassed industry expectations post the relaxation of Covid 19 regulations in mid-2020. The period during this financial year saw the diamond market maintaining a better-than-expected healthy trading environment right through the year. There was good demand for all categories of rough diamonds, and buyers were willing to pay a premium to either win or secure the goods. The hard lockdowns that took place in different countries created a vacuum that led to all inventories that were kept in safes to be sold and thus increased the scarcity of rough diamonds.

The demand for rough diamonds influenced prices drastically in an upward trend, leading to the continued increase of the polish price list. Leading producers increased rough diamond prices on average between 20% and 30% throughout the year because of the continued shortages in supply. In general, the year could only be described as exceptional, the likes the diamond industry has not experienced in a very long while resulting in seasons of the year that are traditionally seen as the slowest in the industry reacting differently. Polished demand from retailers and jewellery manufacturers across Asia and the USA remained robust, as all players in the pipeline continued to search for enough goods to fill orders.

It was only at the end of the financial year when the market began softening due to price corrections of rough diamonds being experienced in all centers, an embargo on Russian diamonds and generally a correction in rough diamond prices in the different centers. The outcome and effects of the embargo on Russian diamonds are yet to be experienced. Rough trading maintained its demand throughout the year and yielded even better results as expected.

It is forecasted that market sentiments are expected to be mixed since the industry has performed very well for the past two years amidst the rising prices of rough diamonds. Speculations and cautiousness are the tones within the market. The US market is recording an economic slowdown and concerns of increased inflation worries, while Asian regions are continuing to battle with heavy Covid-19 restrictions. Concerns are rife regarding the impact of the Russia/ Ukraine war on the diamond industry

Performance Against Outcomes

The mandate of the entity is implemented through 5 outcomes and in terms of the Annual Performance Plan the entity had 17 strategic targets. Below is the table to show the outcomes of the overall entity performance:

Table 6: Table to show the outcomes of the overall entity performance:

Targets	Status
Achieved	15
Not Achieved	2
Total	17

Performance Against Outcomes

Outcome 1: A transformed and inclusive diamond beneficiation industry that ensures an increased black ownership and participation in the sector.

Outcome Indicator	Planned Annual Target	Actual Achievement	Deviation From Planned Target	Comments
To grow and transform the diamond industry.	To purchased 4.5% of rough diamonds inspected by value.	**Achieved**. Purchased 7.0%.	The target was exceeded by 2.5%.	The target was exceeded due to the continued increase in demand for rough diamonds.
	Rough diamonds to the value of R65,000,000 sold to HDSA.	**Achieved.** R223,449,930.96 was sold to HDSA.	The target was exceeded by R158,449,930.96 sold to HDSA.	The target was exceeded due to the continued increase in demand resulting in increases in prices for rough diamonds.
	To supply 148,234 carats of rough diamonds to clients.	**Achieved**. 598,361.99 carats were supplied.	The target was exceeded by 450,127.99 carats.	The target was exceeded due to an increase in the demand for rough diamonds.

Outcome 2: A capable workforce and developmental Industry

Outcome Indicator	Planned Annual Target	Actual Achievement	Deviation From Planned Target	Comments
Contribute to training and skills development.	WSP compliance report submitted to SETA.	**Achieved:** The WSP compliance report was submitted to SETA.	N/A	N/A
	Training of 8 Employees.	**Achieved:** 9 employees were trained.	The target was exceeded by one additional employee trained.	A sufficient budget permitted extra personnel for training.
	2 Employee members granted bursaries.	**Achieved:** 2 Bursaries were granted to employees.	N/A	N/A

Outcome 3: A knowledge-based and innovative organisation.

Outcome Indicator	Planned Annual Target	Actual Achievement	Deviation From Planned Target	Comments
Collaboration in promoting and investing in research and innovation for sustainable development of the diamond beneficiation industry.	2 producers added.	**Not Achieved:** Letters were sent to 2 (two) non-compliant producers, however there was no response received.	The State Diamond Trader was not able to add producers to its compliance list.	Further engagement with the Shareholder and the SADPMR to be pursued regarding non-compliant producers.

Outcome 4: Improved corporative performance, accountability and transparency.

Outcome Indicator	Planned Annual Target	Actual Achievement	Deviation From Planned Target	Comments
Promote good corporative governance and improve internal process and procedures.	Benchmarking exercise conducted.	**Achieved**: The Benchmarking exercise was conducted.	N/A	N/A
	Review of the integrated marketing and communications strategy.	**Achieved:** The Integrated Marketing and Communications strategy was reviewed.	N/A	N/A
	To revise the Corporate Governance Manual.	**Achieved:** The Corporate Governance Manual was revised.	N/A	N/A
	To revise and strengthen the delegation register	**Achieved:** The Delegation register was revised and strengthen.	N/A	N/A
	To submit 4 Quarterly PFMA checklist to Audit and Risk Committee.	**Achieved:** 4 Quarterly PFMA checklists were submitted to the Audit and Risk Committee.	N/A	N/A
	To review the Fraud and Prevention Policy and Plan.	**Achieved:** The Fraud and Prevention Policy and Plan was reviewed.	N/A	N/A

Outcome 5: A financially viable and sustainable entity.

Outcome Indicator	Planned Annual Target	Actual Achievement	Deviation From Planned Target	Comments
To provide strategic financial support and management to ensure sustainability of the entity.	Access to credit facility.	**Not Achieved:** Application not concluded on time.	The SDT was not able to obtain credit facility during the financial period as the Business Plan was approved in January 2022.	The re-application process for the credit facility was only submitted in March 2022.
	Unqualified Audit opinion. (Clean audit).	**Achieved:** Unqualified audit opinion with no material findings.	N/A	N/A
	100% Implementation of an annual risk based on internal audit management plan.	**Achieved:** 100% implementation of annual risk based on internal audit management plan.	N/A	N/A
	Approved ICT Strategy.	**Achieved:** The ICT Strategy was approved.	N/A	N/A



Operational Performance >

State Diamond Trader Trading Report 2021/2022

Year on year comparison of inspections, purchases, and sales

State Diamond Trader Trading Performance

	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
State Diamond Trader Inspections US$	1,216,804,132	1,148,204,471	767,903,936	972,178,205	1,299,242,147
Carats inspected	1012,744	9,873,078	7,126,213	8,666.911	9,374,383
US$ per carat	122	116	108	112	139
No. of producers	16	15	15	14	13
No. of Inspections conducted	126	214	242	164	170
State Diamond Trader Purchases ZAR *	742,336,248	606,118,802	225,635,973	650,059,616	1,352,263,953
% Purchased	5%	4%	2%	3%	7%
Carats	116,880	132,516	32,322	268,147	600,179
No. of purchases	67	124	67	71	117
State Diamond Trader Sales ZAR	769,096,151	624,878,531	230,992,152	683,908,930	1,442,748,460
GM	27	21	5	21	73
GM%	4%	3%	2%	3%	5%
Carats	116,351	132,940	32,866	268,061	600,670
No. of clients sold to	42	50	35	30	39
State Diamond Trader Sales ZAR (as of 31/03)	18	18	18	4	.....
Average Of Stock(Days)	>800	>800	>800	>900	.....

*** Purchases exclude shipping costs.**

Table 7: Describes the Trading Summary and Annual Comparison.

During the period under review, the following comparison can be deduced in comparison to previous financial year:

- The value of purchases increased to R1,352 billion (108%) as compared to the value of R650 million in the previous financial year.
- The volume purchased increased to 600,179 carats compared to the volume of 268,147 carats purchased made in 2020/2021.
- The number of purchases made in 2021/2022 increased to 117 compared to 71 in the last financial year.
- The sales increased to R1,443 billion (109%) increase compared to R684 million in the 2020/2021 financial year.
- The increases indicated above are directly driven by the increased demand for rough diamonds, polished diamonds, and strong consumer confidence.

Summary and Budget Comparison 2021/2022

		YTD Tables
Purchases	Budget	R698,400,000
	Actual	R1,352,263,953
	Diff	R653,863,953
	Diff%	94%
Sales	Budget	R722,844,000
	Actual	R1,442,748,460
	Diff	R719,904,460
	Diff%	98%
Gross Margin	Budget	R24,444,000
	Actual	R84,677,598
	Diff	R49,026,670
	Diff%	201%

Table 8: Indicates the Summary and Budget Comparison 2021/2022

The State Diamond Trader was able to exceed its budgeted purchases by **R654 million** by purchasing rough diamonds to the value of **R1,352 billion**. The entity exceeded sales by **R719,9 million** by achieving a sales value of **R1,443 billion** and achieving a gross margin of **R84,6 million**.

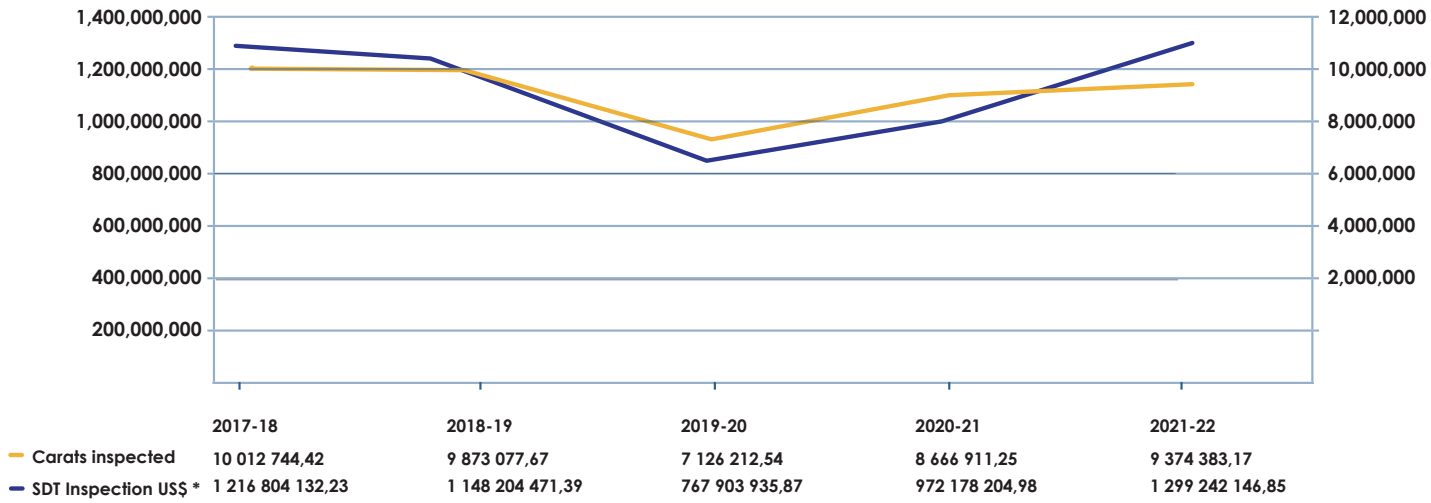
- It should be noted that the Purchasing figures relate only to all purchases made during the 2021/2022 financial year period.
- The Sales figures, however, include the sale of the old stock which amounted to **R 3,1 million.**
- The Gross margin considers the profit and loss that was made from all trading activities inclusive of the old stock.

Rough Diamond Markets

South African Diamond Production – State Diamond Trader Inspections 2021/2022

Trading activity at the State Diamond Trader is determined by the quantity, and quality of rough diamonds produced in the country and offered to the State Diamond Trader in terms of legislation, with the legislation indicating that the entity can purchase up to 10% by either value or volume.

State Diamond Trader 5 year Inspections (2017 - 2022)



	2017-18	2018-19	2019-20	2020-21	2021-22
Carats inspected	10 012 744,42	9 873 077,67	7 126 212,54	8 666 911,25	9 374 383,17
SDT Inspection US$ *	1 216 804 132,23	1 148 204 471,39	767 903 935,87	972 178 204,98	1 299 242 146,85

Graph 1: South African Diamond Production – State Diamond Trader Inspections 2021/2022

Graph 1: hereinabove indicates an increase of both carats (volume) and value inspected by 8.16% and 33.64% respectively presented to State Diamond Trader by 13 producers. There was an increase of 24% in the average price per carat

State Diamond Trader Purchases 2021/2022

The State Diamond Trader purchased rough diamonds from 13 producers; the following is a list of those producers that are compliant with legislation:

1. De Beers Consolidated Mines Propriety Limited
2. Petra Diamonds Southern Africa (Pty)Ltd
3. Ekapa Resources (Pty)Ltd
4. Belton Park 127 (Pty) Ltd
5. Rooipoort Developments (Pty) Ltd
6. Alexkor SOC Limited
7. Jagersfontein Developments (Pty) Ltd
8. Namakwa Diamonds Holdings (Pty) Ltd
9. Kareevlei Mining (Pty) Ltd
10. African Minerals Star (Pty) Ltd
11. Moonstone Diamond Marketing (Pty) Ltd
12. DMI Minerals South Africa (Pty) Ltd
13. Helam Mining (Pty) Ltd

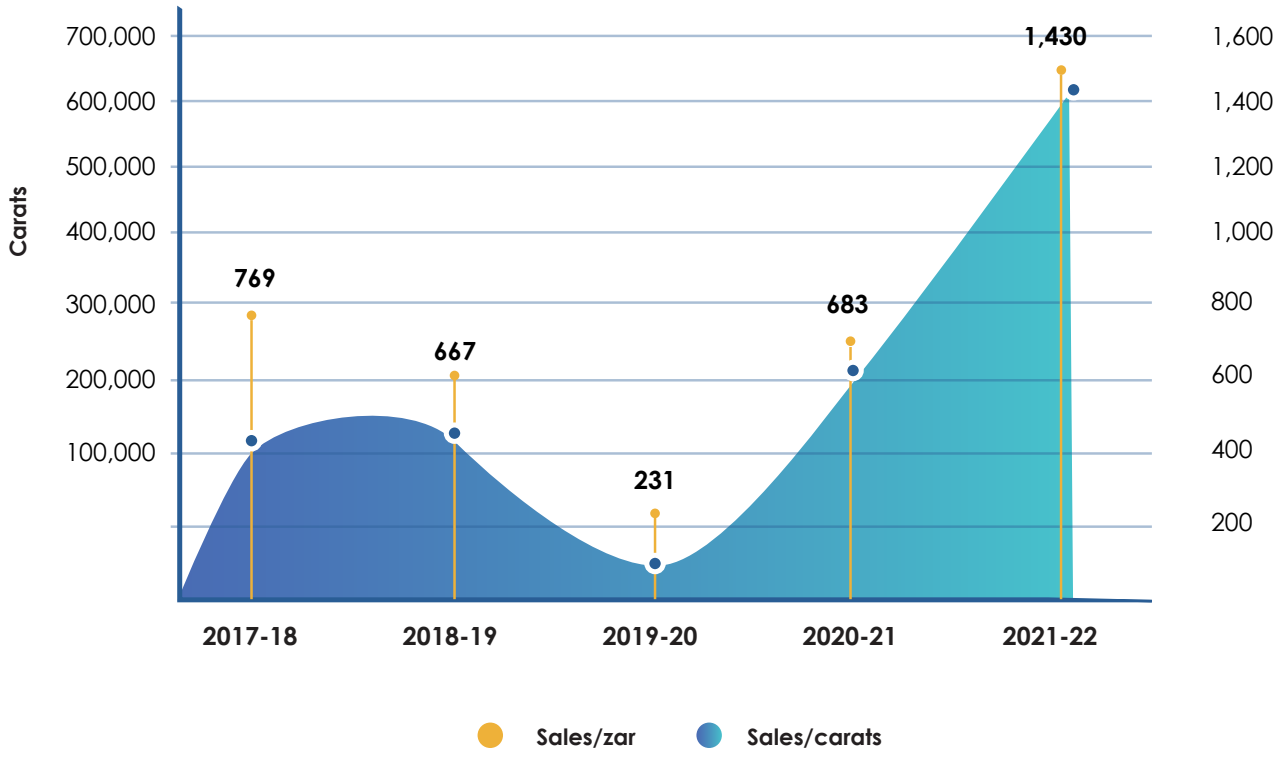
The average price of diamonds purchased by the State Diamond Trader was US$153 per carat overall, the average price reflects that the entity purchased more run of mine productions for the year, as the trading environment remained robust and is contributed by the following factors:

- Low inventory levels in the pipeline created a healthy environment with good demand for rough diamonds in the market as wholesalers and retailers needed polished diamonds to replenish their stock.
- The continued healthy demand for rough, polished, and diamond jewellery contributed to the whole diamond pipeline experiencing a profitability trend through the whole diamond pipeline
- The execution of the sales strategy in providing flexibility of either purchasing and selling on pre-finance or through the primary methodology contributed to the effective positive outcome
- The good stakeholder relationship with producers accommodating and provided flexibility to the entity to mitigate the volatility of the diamond market
- State Diamond Trader's clients also diversified its businesses, which meant that they manufactured what they deemed suitable and would be able to trade those diamonds deemed non-suitable for beneficiation.

The State Diamond Trader is currently permitted to purchase up to 10% run of mine of South African diamond production by carats and value to meet its objectives in terms of supporting local beneficiation. However, during this financial year, the entity was able to purchase 6% by carats and 7% by value of the rough diamonds it inspected. This was a definitive improvement from the previous financial year. Although improvement in the purchased percentage of what was inspected by the entity, the following challenges remain prevalent:

- The quantity and quality of goods not preferred for beneficiation within South African Run of Mine productions.
- The pricing methodologies of certain producers' selections are at times placed outside of the State Diamond Trader's capability to operate commercially.
- The State Diamond Trader's legislated position as "price-taker", in the processes involved inclusive inspections and purchasing of diamonds from the producers.

State Diamond Trader Sales from 2017/2018 to 2021/2022



Graph 2: State Diamond Trader Sales 2021/2022

Graph 2 indicates that the sales by value and carats/volume drastically increased compared to the previous financial year. Sales increased by R747 million to the value of R1,4 billion compared to the previous financial year's sales of R683 million, the gross margin percentage increased from 3% achieved in 2020/2021 to 5,9% for 2021/2022 which translated into the gross margin increasing by R62,5 million to R84,6 million and the carats sold increased by 332,609carats to a total of 600,670 carats.

- The State Diamond Trader sold rough diamonds to 39 clients, which is an increase compared to the number sold in the previous financial year of 30 clients that purchased. Of the 39 clients sold to, 24 of these clients were 100% black-owned clients. The following should be noted:
- The Top 5 clients that purchased accounted for >50% of the total sales and amongst these clients there is 1 client that is 100% black-owned
- The Top 10 clients that purchased accounted for > 50% of the total sales and amongst these clients there are 3 clients that are 100% black-owned and

1 client with 51% black ownership

- The Top 15 clients that purchased accounted for > 50% of the total sales and amongst these clients there are 7 clients that are 100% black-owned and 1 client with 51% black ownership
- In the Top 20 clients that purchased accounted for > 50% of the total sales and of these clients there are 12 clients that are 100% black-owned and 1 client with 51% black ownership.

It is noticeable that to increase the number of black-owned companies in the top tiers it remains imperative that access to finance and markets for these entities is still required to ensure that transformation within the diamond industry is effective.

Sales by Client Segment 2021/2022

State Diamond Trader reviewed its previous segmentation and decided to further expand the segmentation by segmenting its clients into small, medium, and large for the sole purpose of improving its offering to its clients more effectively.

Segments	No. of clients	Carats	ZAR Sales*	% of Sales (ZAR)
Equitable Access Small	14	10,241	69,537,059	5%
Equitable Access Medium	1	1,589	9,856,642	0%
Equitable Access Large	4	198,369	419,247,169	33%
Growth & Transformation	5	6,975	60,819,589	1%
Growth & Transformation Incubation	3	26,323	72,251,633	4%
Niche Small	2	1,957	32,475,770	0%
Niche Medium	2	270	5,274,735	0%
Niche Large	6	352,637	755,189,505	59%
Other	2	2,308	5,973,075	0%
	39	600,670	1,430,625,177	

*** ZAR Sales exclude foreign exchange loss.**

Table 9: Sales by Client Segment 2021/2022

Table 8 provides details of the volume and value purchased by the different segments and indicates the percentage it contributed against the total sales. The limited to no financial assistance for black-owned companies has an impact on their buying power and has forced most of these companies to partner with larger companies to conclude partnerships in the acquisition of rough diamonds and profit-sharing in the sales of polished diamonds.

It is noticeable that the Niche and Large/ Medium/Small Beneficiator's contribution

to the total sales decreased from 81% in the previous financial year to 59% of the total sales value in 2021/2022. This is a clear indication of more partnerships sales taking place as an outcome of State Diamond Trader's focused sales to HDSA clients.

Sales by suitability

2021-22	Carats	ZAR Sales*	% of Sales (ZAR)	% of total Value
Suitable for beneficiation	96,047	1,097,345,488	19%	75%
Not Suitable for beneficiation	504,623	333,279,689	81%	25%
	600,670	1,430,625,177		

*** ZAR Sales exclude foreign exchange loss.**

Table 10: Sales by suitability

Sales of rough diamonds that are deemed suitable for beneficiation remained constant by both volume (19%) and value (75%) when compared to the previous financial year. This indicates the consistent acquisitions of smaller sizes and cheaper quality diamonds that are found in Run of Mine productions.

State Diamond Trader Registered clients

The purpose of registering clients is firstly to ensure compliance with the laws of the country regarding the holding of a valid beneficiation licence and the South African Revenue Services Tax Clearance Certificate. Secondly, to ensure effective management of the growth of State Diamond Trader's registered clients. The 2021/2022 financial year saw the addition of 14 new clients registered with the entity. During this financial year, State Diamond Trader found cause to remove three clients from its list due to various reasons.

The State Diamond Trader segments its clients in the following manner:

Growth and Transformation – Black-owned companies are given preferential allocation to support business growth.

Equitable Access – Small/medium/large HDSA owned beneficiating companies that have yet to develop or are in the process of developing their business models that will lead to growth.

Niche Beneficiators – Large/medium and small, non-HDSA owned beneficiating companies that can purchase a large and wider range of quantities of rough diamonds.

Other – Not listed as a registered client sold to on approval of the Chief Executive Officer.

It should be noted that this was reviewed to expand the segmentation further by separating small, medium, and large clients within each segment.

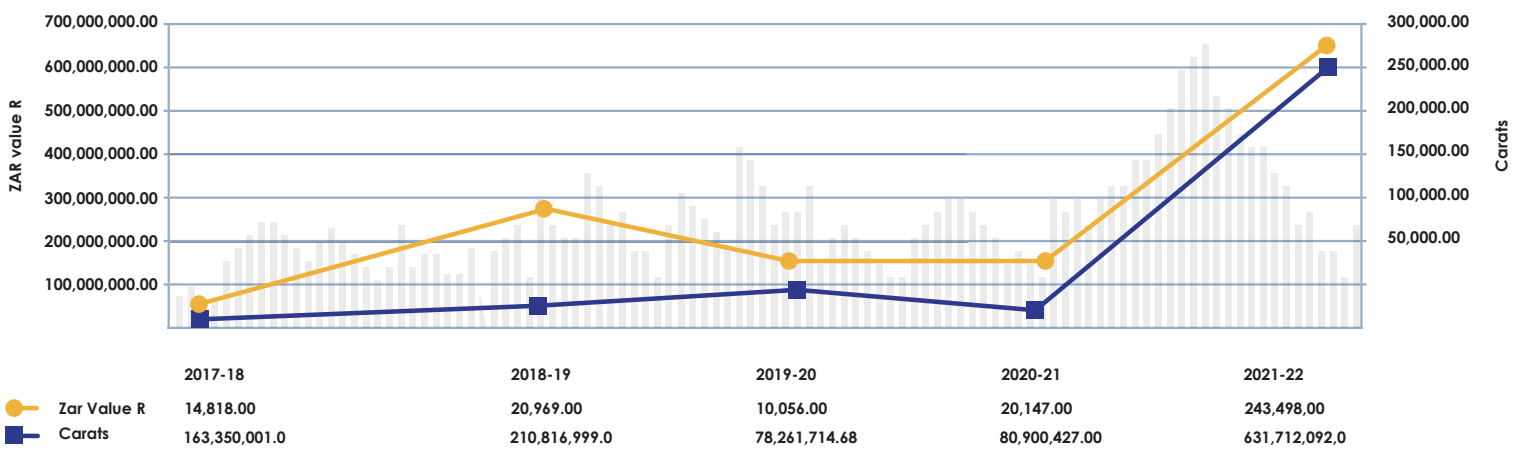
The entity ended the financial year with 89 registered clients, which is the same as the previous financial year and these clients are segmented within the following segments:

Growth & Transformation	**05**
Incubation Growth and Transformation	**03**
Equitable Access Small	**49**
Equitable Access Medium	**03**
Equitable Access Large	**04**
Niche Small	**11**
Niche Medium	**07**
Niche Large	**07**

Diamond and Beneficiation Industry Development Programmes

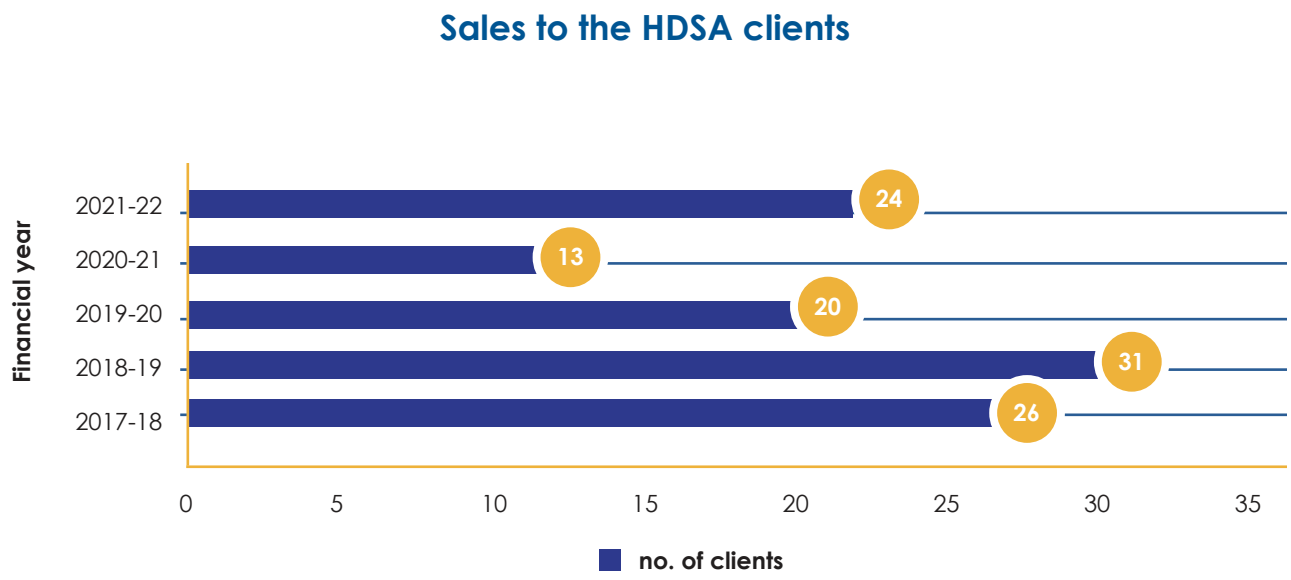
One of State Diamond Trader's outcomes is to promote the growth of the diamond beneficiation industry through various platforms.

Graph 3: Annual sales to Historically Disadvantaged South Africans



Graph 3 indicates the sales trends regarding the number of HDSA clients sold since the entity's inception.

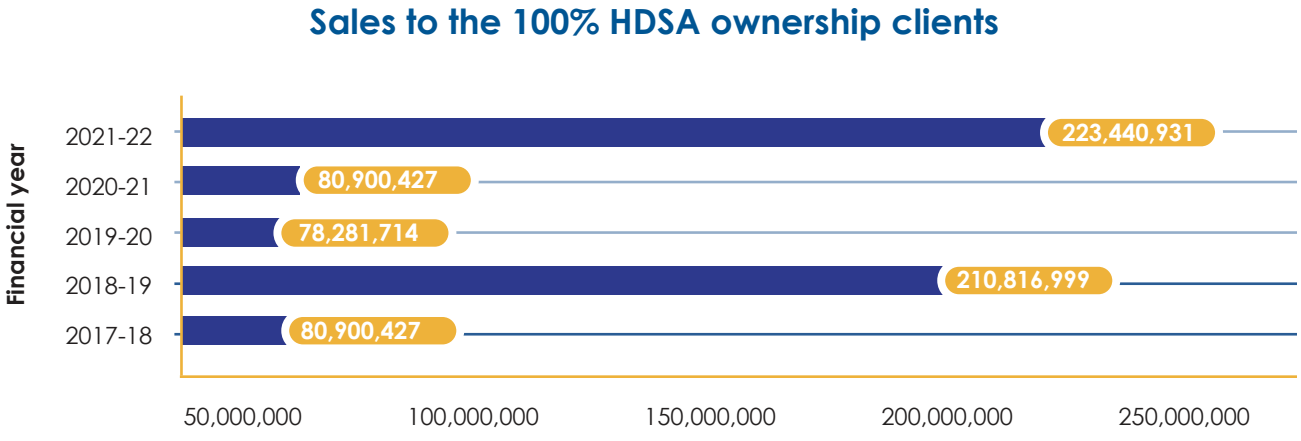
Graph 4: Sales to the number of HDSA



Graph 4 indicates the Sales to the number of HDSA clients increased to 23 for 2021/2022 compared to the 13 HDSA clients sold to in the previous financial year.

Sales to HDSA inclusive of 51% black ownership.

Graph 5: Value that was sold to HDSA clients



Graph 5 indicates the Value that was sold to HDSA clients

In respect of the value that was sold to 100% owned HDSA clients, it is noticeable that there has been an increase in the sales value from R81 million in 2020/2021 to the R223 million that was sold in the 2021/2022 financial year. This equates to an increased sales value of R142 million. The carats/volume sold also increased from 20,146.58 carats in 2020/2021 to 45,710.32 carats that were sold this financial year. The breakdown of sales is as follows:

1. Sales to companies with 100% HDSA ownership increased to R223 million of the annual sales value in comparison to R81 million in 2020/2021.
2. Sales to companies with 51% black ownership increased to R408 million in this financial year compared to R26 million in 2020/2021

Annual sales and development of the Growth and Transformation segment

The Growth and Transformation segment comprises five clients and includes a sub-segment called the Growth and Transformation Incubation which comprises three clients. Clients within this sub-segment are groomed for progression into the Growth and Transformation segment.

Clients have to identify markets for polished diamonds and have shown continuous willingness to participate in all State Diamond Trader's initiatives. It is important to indicate that these clients' main source of rough supply is the State Diamond Trader, but some do purchase from other sources i.e. producers, accredited local tender houses and dealers.

Table 11: Sales to the Growth and Transformation segment for the 2021/2022 financial year in comparison to the previous financial year.

	2020/2021	2021/2022
No. Of clients sold to	7	8
Sales value	R78,463,755,73	R133,071,222,48
Sales carats/Volume	19,990,46	33,298,32

It should be noted that the value sold to these clients increased by R55 million, and the carats/volume increased by 13,307.86 carats increasing the number of HDSA clients.

Facilitating access to local and International Markets

To promote and grow the industry the entity reviewed the Marketing and Communications strategy to align it to the outcomes. The division continues to increase the visibility of the entity focusing on Stakeholder Relations; Exhibitions and social media; Media Relations; combining Brand and Reputation Management.

With the impact of the Covid-19 pandemic, many local and international shows were cancelled, and continue to use technologies such as virtual platforms. The entity will continue to access the international market in the coming financial year seeing that more countries have resumed business and trade fairs are starting to take shape again.

Penetrating Local Markets

The State Diamond Trader participated in the virtual 10th Annual Proudly South Africa's buy local Summit. We continue to create awareness and promote the diamond industry by participating in various platforms and conducting conducive stakeholder relations.

Stakeholder management

During the 2021/2022 financial year, the entity also focused on Stakeholder management, and some of the meetings were held virtually. The following engagements took place:

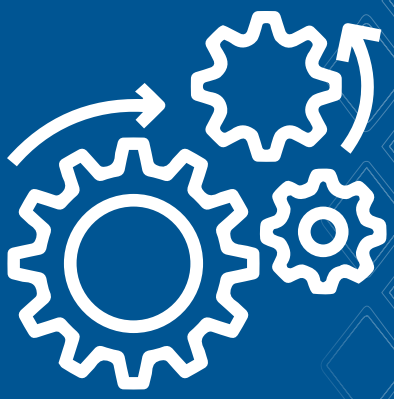
Engagements held 2021/2022	Overview
Clients Stakeholder engagement	The entity continues to have engagements with Clients providing updates on developments of the entity and industry.
Collaboration engagement with the Council of Scientific and Industrial Research (CSIR)	The engagement with CSIR to discuss the proposed roadmap that will revitalize the Diamond Mining Industry in respect of technology.
Department of Mineral Resources and Energy (DMRE) Investment Conferences	The entity participated in the Provincial Mining Investment Conferences in Limpopo, Northwest, and in Northern Cape.
Engagement with the Department of Small Business Development	The entity engaged the Department of Small Business Development as part of resource mobilization for clients.
Engagement with Tshwane University of Technology	The entity engaged with the University as an introductive meeting for future collaborations.
Mintek workshop	The workshop highlighted the application of Mintek technologies which promotes responsible minerals processing.

Engagements with SA Mining Publication	The engagement was held with SA Mining publications as part of building good media relations. From the session, an article was published in the Feb/March publication
South African Diamond Producers Organisation (SADPO) Engagement	The entity continued its engagement with SADPO to discuss issues and concerns regarding SADPO's members not complying with legislation.
Stakeholder engagement with the DMRE	Engagement continues to take place with the DMRE as the entity's Shareholder regarding guidance and support to the mandate of the entity.
Quarterly Engagement with De Beers Group	The entity continues to have quarterly meetings with De Beers Group to create a platform to collaborate in promoting the diamond Industry.

Engaging with our key stakeholders is an important and continuous effort to strengthen relationships to achieve a common vision. The entity continues to conduct consultative programs with its clients and government entities to build and enhance relationships. The entity remains consistent by participating in shareholders' virtual engagements to stay abreast with any new developments. In terms of social media, the State Diamond Trader participates extensively and continues to promote the activities within the sector.



BBBEE Report



Broad-Based Black Economic Empowerment (BBBEE) compliance performance information

The information below is presented to comply with the broad-based black economic empowerment (BBBEE) requirements of the BBBEE Act of 2013 determined by the Department of Trade, Industry and Competition.

Has the Public Entity / Organ of State applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) with regards to the following:

Criteria	Response Yes/No	Comments
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law	**No**	Not applicable
Developing and implementing a preferential procurement policy	**Yes**	The entity has an SCM policy that takes into consideration BBBEE compliance
Determining qualification criteria for the sale of state-owned enterprises	**No**	Not Applicable
Developing criteria for entering into partnerships with the private sector	**No**	Not Applicable
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment	**No**	Not Applicable



Financial > Performance



Audit And Risk Committee Report

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

The Audit and Risk Committee is established in terms of Section 77 of the PFMA, read with Treasury Regulation 27. Its objective is to assist the Board to maintain an effective, efficient and transparent system of financial, risk management and internal control. The Committee has adopted formal terms of reference approved by the Board.

Audit and Risk Committee's Terms of Reference

The Audit and Risk Committee functions under formal terms of reference approved by the Board. The Committee has conducted its affairs in compliance with the terms of reference and has discharged its responsibilities contained therein.

Role and responsibilities

The Audit and Risk Committee's role includes statutory duties, as well as further responsibilities assigned to it by the Board. The Audit and Risk Committee is satisfied by the level of execution of its duties during the year under review. As stipulated in the term of reference, the Committee was able to ensure the following amongst others:

- Sufficient internal controls
- Good financial reporting and management
- Reviewed the annual Financial Statement

External auditors and independence

The Audit and Risk Committee is satisfied that the external auditor, appointed in terms of the Public Audit Act, Act No. 25 of 2004, is independent. The Committee, in consultation with management, considered and supported the audit strategy and budget for the year under review. Officials from the office of the Auditor-General are invited to attend all Audit and Risk Committee meetings and attended all meetings of the Committee during the year under review.

Financial Statements and Accounting Practices

The Audit and Risk Committee has reviewed the accounting policies and financial statements of the State Diamond Trader and is satisfied that they are appropriate and comply with International Financial Reporting Standards (IFRS).

Internal controls

The Audit and Risk Committee oversaw the internal audit process in terms of which the effectiveness of the entity's system of internal control and risk assessments, including internal financial controls, was assessed. Any weaknesses identified during the year under review and proposed recommendations to improve internal

controls and implementation thereof is monitored by the Committee.

Governance of risk

The Board has assigned oversight of the State Diamond Trader's risk management function to the Audit and Risk Committee. The Committee has an oversight role in respect of the entity's Risk Register, financial reporting risks, internal controls, fraud risk, and information technology risk.

Internal Audit

The Audit and Risk Committee is responsible for ensuring that the entity's internal audit function is independent and able to discharge its duties. Furthermore, the Committee oversees cooperation between the internal and external auditors and serves as a link between the Board and these assurance functions. The internal audit function reports to the Committee and is responsible for reviewing and providing assurance on the adequacy of the internal control environment across the entity's operations.

Going Concern

The annual financial statements were prepared on a going-concern basis, and the Committee is satisfied that the entity is financially sound and has adequate resources to continue operating for the foreseeable future.

Conclusion

I wish to express my appreciation to the Board and the members of the Audit and Risk Committee for their support and contributions during the year, as well as to the CEO during the year under review. Furthermore, I wish to express my appreciation to external and internal auditors for their contribution to ensuring that our reports are audited in a fair and professional manner.



Chairperson of the Audit and Risk Committee

Ms S.M.B Nyakale
August 2022

Statement of responsibility for financial statements

Statement of responsibility by the directors, who constitute the Accounting Authority of the State Diamond Trader for the year ended 31 March 2022

The Board is required by the Public Finance Management Act 1 of 1999 (PFMA) to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report.

The Board has a responsibility to ensure that the financial statements fairly represent the affairs of the State Diamond Trader as of the end of the financial year and that the results of operations and cash flows are in conformity with the International Financial Reporting Standard (IFRS) and are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Board is satisfied that the financial statements presented herein represent the state of affairs of the State Diamond Trader, its financial results, its performance against predetermined objectives, and its financial position at the end of the financial year. Furthermore, the Board is satisfied that the results of operations and cash flows are in conformity with International Financial Reporting Standard (IFRS) and are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Board establishes policies and sets of standards that are designed to provide reasonable assurance against material misstatements and losses. This enables the Board to execute its responsibilities as required. The State Diamond Trader maintains internal financial controls, thereby providing assurance regarding the management and maintenance of its assets and the integrity of its financial records. The internal policies are underpinned by its policy framework and outcomes, which provide strategic direction to management on the expected performance and outcomes. These are regularly reviewed to ensure compliance and relevance. The financial statements that appear hereunder were approved by the Accounting Authority in August 2022 and are signed on its behalf by:



Ms S.M.B. Nyakale
Chairperson of the Audit and Risk Committee

Ms MM Ledingwane
Chairperson of the board

Chief Financial Officer's Overview



Ms. N. Mncwango
Chief Financial Officer

The State Diamond Trader is a government enterprise that generates its revenue through trading rough diamonds which is influenced by global economic activities. The State Diamond Trader does not receive funding from the State and as such depends on margins derived from the sale of rough diamonds.

Financial Performance

The diamond market has been at its peak throughout the 2021-2022 financial period and maintained a healthy trading environment. The demand for all categories of rough diamonds has been evident, and buyers were willing to pay a premium for the rough diamonds.

State Diamond Trader had generated a profit of R52,6 million compared to R1,2 million during the 2020/2021 financial year.

Revenue increased by R760 million to R1, 4 43 billion (FY 2021: R683 million). The increase is mainly attributable to favourable market conditions experienced by the diamond mining industry.

Total expenditure increased to R33,4 million from R21,7 million during 2021/2022. The increase is due to the foreign currency transaction recognised in the Statement of financial performance as required by IAS 21 and IFRIC 22.

Cash Flow

Cash and cash equivalents have increased from R39, 8 million in 2020/2021 to R100, 9 million during 2021/2022 due to sales of rough diamonds.

Going Concern

The Annual Financial Statements have been prepared on a going concern basis. There are no pending legal proceedings which have had or may have a material effect on the financial position of the entity.

Events after the Reporting Date

There have been no facts or circumstances of a material nature that have arisen between the financial year-end and the date of this report.



Ms N. Mncwango
Chief Financial Officer

July 2022



Report of the Auditor-General >

Auditor-General Report

Report of the auditor-general to Parliament on State Diamond Trader

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the State Diamond Trader set out on **pages 70 to 98** which comprise the statement of financial position as at 31 March 2022, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the State Diamond Trader as at 31 March 2022, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and the Diamonds Amendment Act 29 of 2005 (DAA).

Basis for opinion

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

Responsibilities of the accounting authority for the financial statements

6. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the IFRS and the requirements of the

PFMA and the DAA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

7. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

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

Report on the audit of the annual performance report

Introduction and scope

10. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for the selected outcome presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
11. My procedures address the usefulness and reliability of the reported performance information, which must be based on the public entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected outcome presented in the public entity's annual performance report for the year ended 31 March 2022:

Outcome	Pages in the annual performance report
OUTCOME 1: A transformed and inclusive diamond beneficiation industry that ensures increased black ownership and participation in the sector.	Page 40

13. I performed procedures to determine whether the reported performance information was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. I did not identify any material findings on the usefulness and reliability of the reported performance information for this outcome:

- **OUTCOME 1**: A transformed and inclusive diamond beneficiation industry that ensures increased black ownership and participation in the sector

Report on the audit of compliance with legislation

Introduction and scope

15. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the public entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
16. I did not identify any material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

Other information

17. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and the selected outcome presented in the annual performance report that have been specifically reported in this auditor's report.
18. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.

19. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected outcome presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
20. If, based on the work I have performed on the other information that I obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

21. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. I did not identify any significant deficiencies in internal control.

Auditor - General

Johannesburg
31 July 2022

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

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

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority
- Conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the State Diamond Trader to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.



State Diamond Trader

Annual Financial Statements

2021/2022

Annual Financial Statements

Statement Of Financial Position As At 31 March 2022

Assets	Notes	2022	2021
		R	R
Non-current assets		**13 099 850**	**622 691**
Property and equipment	6	2 126 300	342 975
Right of Use Asset	7	10 973 550	279 716
Current assets		**101 666 792**	**45 494 579**
Inventory	8	0	4 926 828
Trade and other receivables	9	690 100	709 283
Cash and cash equivalents	10	100 976 692	39 858 468
Total Assets		**114 766 642**	**46 117 270**
Equity and Liabilities			
Equity		**95 182 889**	**42 505 886**
Retained income		95 182 889	42 505 886
Non-current liabilities		**11 515 079**	
Lease liabilities	11	11 515 079	
Current liabilities		**8 068 673**	**3 611 383**
Trade and other payables	12	7 165 170	2 731 066
Incentive bonus provision	13	903 503	880 318
Total equity and liabilities		**114 766 642**	**46 117 270**

Statement of profit or loss and other comprehensive income for the year ended 31 March 2022

	Notes	2022	2021
		R	R
Revenue	14	1 442 748 460	683 908 930
Cost of sales	15	(1 358 070 862)	(661 824 416)
Gross profit		**84 677 598**	**22 084 514**
Other income	16	149 082	58 004
Administrative expenses	17	(33 433 663)	(21 776 039)
Profit/(Loss) from operating activities		**51 393 017**	**366 478**
Finance income	18	1 902 308	930 540
Finance expenses	19	(618 322)	(35 051)
Profit/(Loss) for the period		**52 677 003**	**1 261 967**
Total comprehensive income/(Loss)		**52 677 003**	**1 261 967**

Statement of changes in equity for the year ended 31 March 2022

	Notes	Retained Income
		R
Balance at 31 March 2020 Restated		41 220 655
Prior period error		23 264
Balance at 31 March 2020 Restated		41 243 919
Profit for the year		1 261 967
Balance at 31 March 2021		42 505 886
Profit for the year		52 677 003
Balance at 31 March 2022		95 182 889

Statement of cash flows for the year ended 31 March 2022

Cash flows from Operating activities	Notes	2022 R	2021 R
Cash generated by operations	20	62 273 132	15 373 658
Interest paid		(618 322)	(35 051)
Interest received		1 799 965	949 854
Net cash inflow (outflow) from operations		63 454 775	16 288 461
Cash flows from investing activities			
Acquisition of assets		(2 088 276)	0
Disposal of assets		24 678	
Net cash outflow from investing activities		(2 063 598)	(66 020)
Cash flows from financing activities			
Repayment of lease liabilities		(272 953)	(590 140)
Net cash outflow from financing activities		(272 953)	(590 140)
Net increase/(decrease) in cash and cash equivalents		61 118 224	15 632 301
Cash and cash equivalents at the beginning of the period		39 858 468	24 226 165
Cash and cash equivalents at the end of the period		**100 976 692**	**39 858 468**

Notes to the financial statements for the year ended 31 March 2022

1. REPORTING ENTITY

The State Diamond Trader is domiciled in South Africa. The address of the State Diamond Trader's registered office is OR Tambo International Airport Special Economic Zone Precinct 1, Cnr Bonaero Drive and Elgin Road, ACSA Precinct,1619. The State Diamond Trader is primarily involved in the purchase and sale of rough diamonds for purposes of local beneficiation.

2. BASIS OF PREPARATION

a) Statement of compliance

The financial statements have been prepared in accordance with, and comply with, the International Financial Reporting Standards (IFRS) and the PFMA.

b) Basis of measurement

The financial statements have been prepared in accordance with the going-concern basis. Management has assessed that it has a reasonable expectation that the entity has adequate resources to continue in operational existence for the 12 months from the date of approval of these financial statements. Therefore, management continues to adopt the going concern basis of accounting in preparing these financial statements

c) Presentation currency

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

d) Use of estimates and judgements

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 Revenue from contracts with customers

a) Revenue

The entity generates revenue from rough diamonds sales.

b) Contracts with Customers

The entity has no written contracts with its customers. Contracts with customers are implied by its customary business practices.

The entity accounts for contracts with its customers when the following criteria are met:

- The State Diamond Trader and the customer have approved the contract orally and in accordance with the customary business practices (Mazal).
- The entity can identify each party's rights regarding the rough diamonds to be transferred.
- The entity can identify the payment terms for the rough diamonds to be transferred. Sales of rough diamonds are on a cash basis.
- The contract has commercial substance (i.e., the risk, timing or amount of the entity's future cash flow is expected to change as a result of the contract.
- It is probable that the entity will collect the consideration to which it will be entitled in exchange for the rough diamonds.

c) Performance Obligation

At inception of each sales transaction the State Diamond Trader identifies its performance obligation. The performance obligation is the transfer of rough diamonds to a customer.

d) The Transaction Price

The price of rough diamonds is determined as the amount of consideration that the State Diamond Trader expects to receive in exchange for transferring the promised rough diamonds to a customer. The amount of the consideration is fixed and there are no variations.

The entity's contracts with its customers do not have a significant financing component as customers pay before collecting rough diamonds.

e) Allocation of the transaction price to the performance obligation

The State Diamond Trader allocates the price of diamonds to a single performance obligation namely transfer of rough diamonds to a customer. This allocation is based on the stand-alone selling price of rough diamonds determined through the technical evaluation process mentioned in (b) above.

f) Revenue recognition

The entity recognizes revenue at a point in time when it satisfies the performance obligation by transferring the promised rough diamonds to a customer. This is determined as the point at which the customer obtains control of the rough diamonds. When the customer collects the rough diamonds, she/he becomes the rightful owner of the diamonds. A document known as the Broker's Note is signed by both the State Diamond Trader and the customer to indicate the transfer of control of rough diamonds to the customer.

g) Contract Liability (Income Received in Advance)

The entity recognizes a contract liability when it receives a consideration for rough diamonds from a customer before control of rough diamonds is transferred to a customer.

h) Assets recognized for costs to fulfil contracts

The State Diamond Trader does not recognize the costs incurred to fulfil its contracts as they do not meet some of the following requirements:

- The costs directly relate to a contract or to an anticipated contract that the entity can specifically identify.
- The costs generate or enhance resources of the entity that will be used in satisfying performance obligations in the future and
- Costs are expected to be recovered.

i) Critical estimates and judgements

Management has assessed the point of transfer of control of rough diamonds based on its understanding of the critical terms and conditions of sale. This assessment has concluded that control is transferred at the point of collection of rough diamonds by the customer and when the Broker's note is signed by both parties. This is due to management being of the view that at this point the customer has obtained physical possession of the goods and accepted the risks and rewards associated therewith. At this point the customer has the ability to direct the use of rough diamonds and has the ability to receive the benefits from the diamonds. This is the point at which the customer is able to beneficiate the rough diamonds through a process of manufacture in order to generate a higher sales value from the finished product.

Accounting for inventory involves the use of estimates, particularly related to the measurement and valuation of inventory on hand. Critical estimates include expected market conditions, rough diamond prices, expected demand, the USD exchange rate to the Rand. Estimates used are periodically reassessed by the State Diamond Trader considering technical analysis and historical performance. Changes in estimates are adjusted for on a prospective basis.

The entity determines the price of diamonds through a technical evaluation process that considers the unique characteristics of the diamonds to be sold, expected calculation of the polished outcome, demand, market sentiments, macro-economic factors, the USD/Rand exchange rate, diamond pricing models and expected margins.

3.2 Cost of Sales

- State Diamond Trader recognizes the carrying amount of inventory as an expense when it is sold, in the period in which the related revenue is recognised.
- The amount of any write down of inventory to net realizable value is recognized as an expense in the period that the write down occurs.
- The amount of any reversal of a write down of inventory, arising from an increase in net realizable value is recognized as a reduction in the amount of inventory recognized as an expense in the period in which the reversal occurs.

3.3 Expenditure

Expenditure is a payment or the incurrence of a liability in exchange of goods and services that is measured at the cost.

3.4 Finance Income and Expense

- Finance income comprises interest income on bank balances. Interest is accrued on a time proportionate basis using the effective interest rate method.
- Finance expense comprises interest expense on borrowings and changes in the cost of financial liabilities at amortised costs. All borrowing costs are recognised in profit or loss using the effective interest rate method.

3.5 Inventories

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

State Diamond Trader use specification identification of cost for each rough diamond based on its identification characteristics i.e. colour, clarity, cut and carat weight.

3.6 Property and equipment

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

- It is probable that the future economic benefits associated with the item will flow to the State Diamond Trader; and
- The cost of the item can be measured reliably.

All property and equipment are stated at historical cost less accumulated

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

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

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

Asset category	Depreciation rate
Furniture and fittings	10%
Computer hardware	20%-33%
Security equipment	10%
Diamond equipment	10%
Leasehold improvements	10%
Right of use asset	10%

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

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

Impairment of non-current assets

Recognition and measurement

Impairment tests for all assets are performed when there is an indication of impairment. If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired, and an impairment loss is charged to the income statement to reduce the carrying amount in the balance sheet to its recoverable amount. Previously impaired assets are reviewed for possible reversal of previous impairment at each reporting date. Impairment reversal cannot exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset.

How recoverable amount is calculated

The recoverable amount is the higher of an asset's fair value less cost of disposal (FVLCD) and its value in use (VIU).

Valuation methods

Fair value less cost of disposal

FVLCD is an estimate of the amount that a market participant would pay for an asset

or Cash Generating Unit (CGU), less the cost of disposal. FVLCD for the entity's assets is generally determined using independent market assumptions to calculate the present value of the estimated future cash flows expected to arise from the continued use of the asset, including the anticipated cash flow effects of any capital expenditure to enhance production or reduce cost, and its eventual disposal where a market participant may take a consistent view. Cash flows are discounted using an appropriate post-tax market discount rate to arrive at a net present value of the asset, which is compared against the asset's carrying value. FVLCD may also take into consideration other market-based indicators of fair value.

Value in use

VIU is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and its eventual disposal. VIU is determined by applying assumptions specific to the entity's continued use and cannot consider future development. These assumptions are different to those used in calculating FVLCD and consequently the VIU calculation is likely to give a different result (usually lower) to a FVLCD calculation.

3.7 Financial instruments

Financial instruments carried on the financial position include cash and cash equivalents, trade and other receivables and trade and other payables.

Classification

Financial instruments are measured at fair value.

Recognition

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

Measurement

Financial instruments are initially measured at fair value and where applicable, adjusted for transaction costs.

These financial instruments are subsequent measured as follows:

- **Cash and cash equivalents**

  Cash comprises cash balances with banks. Cash and cash equivalents 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 measured at fair value and subsequently measured at amortised cost.

- **Trade and other receivables**

  State Diamond Trader initially measures trade and other receivables at fair value and after initial recognition the entity measures a financial asset at amortised cost.

- **Trade and other payables**

  The State Diamond Trader will initially measure financial liabilities at fair value. After initial recognition, the entity measures a financial liability at amortised cost. These are subject to normal trade credit terms and relatively short payment cycles.

3.8 Impairment of Trade and Other Receivables

- As per IFRS 9, the State Diamond Trader has elected to use a simplified approach to determine expected credit losses for trade receivables that do not contain a significant financing component. In terms of the simplified approach, the entity recognises a loss allowance equal to the lifetime expected credit losses on every reporting date.
- These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. The entity uses its historical experience, external indicators, and forward-looking information to calculate the expected credit losses using a provision matrix.
- There were no expected credit losses in the current year

Derecognition

The State Diamond Trader derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset, and the transfer qualifies for de-recognition in accordance with IFRS 9.

The State Diamond Trader 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.

3.9 Leases

Measurement and Recognition

The State Diamond Trader recognises a right-of-use asset and lease liability on the balance sheet date. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability.

The entity depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

At transition, lease liabilities were measured at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the incremental borrowing rate.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest.

On the statement of financial position, right-of-use assets have been included in

property and equipment and short-term lease liabilities have been included in Trade and other payables. The Lease liability will mature in 10 years.

On transition to IFRS 16(Leases) the incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was prime rate plus 2%.

3.10 Employee benefits

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

3.11 Income tax

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

3.12 Related parties

The State Diamond Trader operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the constitutional independence of all three spheres of government in South Africa, only parties within the national sphere of government will be related parties.

Related parties also include key management personnel, who are persons having authority and responsibility for planning, directing, and controlling the activities of the State Diamond Trader, directly or indirectly, including any members of the accounting authority of the State Diamond Trader.

3.13. Accounting estimates and judgements

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

- **Estimates of residual values and useful lives**

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

- **Provisions, Contingent liabilities, and Contingent assets**.

Provisions are recognised when the State Diamond Trader has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the Statement of Financial Performance. Contingent assets and contingent liabilities are not recognised on the Statement of Financial Position.

- **Contingent liabilities**

Contingent liability is a condition or circumstance at the end of the reporting period of which the eventual result will only be confirmed upon the occurrence or non-occurrence of one or more uncertain future events that are beyond the control of the entity. 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.

- **Contingent Assets**

Contingent asset is a possible asset that arises from the past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

3.14 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.

Fruitless and wasteful expenditure means expenditure that was made in vain and would 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.

3.15 Un-recognised Commitments

Un-recognised commitments arise when the State Diamond Trader has ordered goods/ services in the normal course of business but for which no delivery has taken place and the contract has been approved and awarded at the reporting date.

4. FINANCIAL RISK MANAGEMENT

4.1 Overview

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

- Liquidity risk,
- Currency risk, and
- Market risk.

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

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

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

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

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

4.2 Liquidity risk

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

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

4.3 Market risk

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

4.4 Currency risk

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

4.5 Market risk-sensitivity analysis

Currency Risk

State Diamond Trader is exposed to exchange rate risks as the industry it operates in as a standard is trading and negotiated in US Dollar and the company is a rand-based entity. State Diamond Trader manages this fluctuation of the exchange rate by selling at the rate at which it concluded purchases of rough diamonds from producers.

Liquidity Risk

Although State Diamond Trader is based in South Africa, the industry that is its core, the trading of rough diamonds is a global industry phenomenon, that is impacted both positively and negatively by various factors, the demand of rough diamonds being one of them. The entity is depended on the profit it can derive from the sale of rough diamonds, which is influence by the demand for rough diamonds. For this period based on factors of strong demand polish and shortage of rough diamonds within the diamond pipeline has led to an increase in demand for rough diamonds.

4.6 Capital management

The State Diamond Trader is a government business enterprise and does not have any share capital. The State Diamond Trader is not funded by government and the Accounting Authority monitors gross profit margins and operating expenditure to ensure that the State Diamond Trader generates sufficient profit from its operations to cover operating expenses.

4.7 Financial Assets and Liabilities

Financial Assets	31 March 2022	31 March 2021
	R	R
Cash and cash equivalents	100 976 692	39 858 468
Trade and receivable	377 445	14 936

Financial Liabilities	31 March 2022	31 March 2021
	R	R
Trade and other payable	2 701 849	606 221
Lease Liabilities	11 661 130	280 754

5. Accounting Policies, Changes in Accounting Estimates and Errors

a) accounting policies are the specific principles, bases, conventions, rules and practices applied by the State Diamond Trader in preparing and presenting financial statements.

b) A change in in accounting estimate is an adjustment of the carrying amount of an asset or liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and accordingly are not corrections of errors.

c) Prior Period errors are omissions from, and misstatements in the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of reliable information that was available and could be reasonably be expected to have obtained and taken into account in preparing the financial statements. This will be disclosed as a specific note in the financial statements.

At the date of authorisation of these financial statements, the following standards were in issue but not yet effective:

Standard or Interpretation	Effective Date	Expected Impact
IAS 1 Presentation of Financial Statements	1 January 2023	Impacting on SDT
IAS 8 Accounting policies, Changes in Accounting Estimates and Errors	1 January 2023	Impacting on SDT
IFRS 17 Insurance Contracts	1 January 2023	No impact

Year ended 31 March 2022	Leasehold Improvements	Furniture and Fittings	Security Equipment	Computer Equipment	Diamond Equipment	Total
	R	R	R	R	R	R
Opening Net carrying amount	**10 237**	**83 368**	**44 676**	**85 418**	**119 276**	**342,976**
Gross carrying amount	14 800	627 047	570 426	509 007	510 320	2,231,601
Accumulated depreciation	(4 563)	(543 679)	(525 751)	(423 589)	(391 044)	(1 888 625)
Additions	352 649	45 370	351 113	371 829	967 315	2 088 276
Depreciation	(21 714)	(38 412)	(28 985)	(82 035)	(109 102)	(280 248)
Disposal Net Carrying Amount	(8 757)	(453)	(15 467)	(0)	(1)	(24 678)
Gross carrying amount	(14 800)	(60 850)	(525 751)	(330 654)	(26)	(961 422)
Accumulated depreciation	6 043	60 397	539 625	330 654	25	936 744
Closing Net Carrying Amount	**332 415**	**89 847**	**351 337**	**375 212**	**977 488**	**2 126 300**
Gross Carrying Amount	352 649	611 541	366 447	550 183	1 477 609	3 358 429
Accumulated Depreciation	(20 234)	(521 694)	(15 110)	(174 970)	(500 121)	(1 232 948)

6. PROPERTY AND EQUIPMENT

Year ended 31 March 2021	Leasehold Improvements	Furniture and Fittings	Security Equipment	Computer Equipment	Diamond Equipment	Total
	R	R	R	R	R	R
Opening net carrying amount	**11 717**	**124 538**	**93 151**	**177 514**	**121 128**	**528 049**
Gross carrying amount	14 800	639 384	554 075	558 035	469 421	2 235 715
Accumulated depreciation	(3 083)	(514 846)	(460 923)	(380 521)	(348 293)	(1 707 666)
Additions/Adjustment	-	(12 336)	16 352	(49 028)	40 899	(4 114)
Depreciation	(1 480)	(49 873)	(57 042)	(119 859)	(46 103)	(274 357)
Adjustment		21 040	(7 785)	76 791	3 352	93 398
Closing net carrying amount	**10 237**	**83 368**	**44 676**	**85 418**	**119 276**	**342 975**
Gross carrying amount	14 800	627 047	570 427	509 007	510 320	2 231 606
Accumulated depreciation	(4 563)	(543,679)	(525 751)	(423 589)	(391 044)	(1 888 625)

7. Right of Use Asset

Year ended March 2022	
Opening net carrying amount	**279 716**
Gross carrying amount	1 452 039
Accumulated depreciation	(1 172 323)
Additions	11 653 329
Depreciation	(959 494)
Closing net carrying amount	**10 973 551**
Gross carrying amount	13 105 368
Accumulated depreciation	(2 131 817)

Year ended March 2021	
Opening net carrying amount	**523 471**
Gross carrying amount	1 116 380
Accumulated depreciation	(592 909)
Additions	335 659
Depreciation	(579 414)
Closing net carrying amount	**279 716**
Gross carrying amount	1 452 039
Accumulated depreciation	(1 172 323)

	2022 R	2021 R
8. INVENTORY	**-**	**4 926 828**
Finished goods: rough diamonds	-	5 872 142
Write down of inventory to net realisable value	-	(945 314)

Inventory is stated at the lower of cost and net realisable value. Inventory relates to rough diamonds on hand at year-end.

9. TRADE AND OTHER RECEIVABLES

	690 100	**709 283**
Prepayments	312 655	694 347
Other receivables	265 467	5 300
Accrued interest	111 978	9 636

10. CASH AND CASH EQUIVALENTS

	100 976 692	**39 858 468**
FNB operational accounts	69 757 831	7 134 532
Petty cash	3 000	3 000
FNB call accounts	28 461 978	30 051 992
Standard Bank call account	2 753 883	2 668 944

11. LEASE LIABILITIES

Non-current lease liabilities are as follows:

Short term portion	512 291	0
Long term portion	11 002 788	0
Total	11 515 079	0

Amounts recognised in the statement of comprehensive income:		
Interest on lease liabilities	618 322	0
Amounts recognised in the statement of cash flows:		
Total cash outflow for leases/ Repayments	272 953	0

12. TRADE AND OTHER PAYABLES	**7 165 172**	**2 731 066**
Accrued expenses	392 875	167 805
Creditors	2 308 974	438 416
Leave accrual	1 028 559	1 058 935
VAT Payable	3 288 713	785 156
Lease Liability	146 051	280 754

13. INCENTIVE BONUS	903 503	880 318
Opening balance	880 318	0
Amount paid	(705 539)	0
Adjustment	728 724	880 318

The provision has been calculated by multiplying the total cost to company by 7% taking into account the fact that actual bonus paid had never been over 7% in the prior years

14. REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from sale of rough diamonds	**1 442 748 460**	**683 908 930**

15. COST OF SALES	1 358 070 862	661 824 416
Opening inventory	4 926 828	16 810 476
Purchases	1 352 267 629	650 059 616
Security and transport costs	876 405	826 466
Less: Carrying amount of inventory	-	(5 872 142)

16. OTHER INCOME

Other income	149 082	58 004

17. PROFIT/(LOSS) FROM OPERATING ACTIVITIES IS STATED AFTER ACCOUNTING FOR THE FOLLOWING ADMINISTRATIVE COSTS:

Audit Fees	1 359 826	1 241 918
Board Fees	704 948	311 415
Bank Charges	19 609	23 008
ICT services	976 906	581 449
Depreciation	1 239 742	853 771
Employee Benefits	13 635 901	14 167 177
General Expenses	1 014 981	407 681
Insurance	247 114	307 006
Stock write-down		945 314
Legal Services	9 000	455 153
Marketing & Advertising	264 697	134 858
Postage, Printing & Delivery	49 641	72 293
Repairs & Maintenance	20 391	83 138
Office Supplies	182 013	19 221
Security & Cleaning	330 941	413 590
Travelling	663 960	242 804
Telephone	111 427	72 370
Training and Development	119 744	204 988
Foreign Exchange Loss	12 123 283	977 298
Water & Electricity	359 539	261 589
TOTAL	**33 433 663**	**21 776 039**

18. FINANCE INCOME

Interest received	**1 902 308**	**930 540**

19. FINANCE EXPENSES

	618 322	**35 051**
Interest on lease liability	**618 322**	**35 051**

20. CASH GENERATED FROM OPERATIONS

Net income / (loss) before taxation	**52 677 003**	**1 261 967**
Adjusted for:		
- Depreciation	1 239 742	853 771
- Interest expense	618 322	35 051
- Interest received	(1 799 965)	(949 854)
- Prior period error		
Adjusted net loss before taxation	**52 735 102**	**1 200 935**
Changes in working capital:	**9 538 030**	**14 172 723**
- Decrease/(increase) in trade and other receivables	19 183	657 498
- Decrease/(increase) in inventory	4 926 828	11 883 648
- (Decrease)/ increase in trade and other payables	4 592 020	1 631 577
Cash utilised for operations	**62 273 132**	**15 373 658**

21. RELATED PARTIES

The State Diamond Trader is wholly owned by the National Government of the Republic of South Africa represented by the Minister of Mineral Resources and Energy. The State Diamond Trader is a Schedule 3B public entity in terms of the PFMA. 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.

22. REMUNERATION

	2022	2021
Mr SM Mnguni	2 067 304	2 036 751
Ms N Mncwango (from 1 May 2020)	1 511 310	1 265 000
Mr C van der Ross	1 683 073	1 551 428
Ms N Sibeko (until September 2021)	750 513	1 108 214
Mr S Mhlangu (from 1 March 2022)	94 937	-
Ms S Madolo (Acting CFO until 31 July 2020)		101 785
	6 107 135	**6 063 178**

Executive Management

The following are executive management members of the State Diamond Trader.

Mr SM Mnguni
Ms N Mncwango
Mr S Mhlangu
Mr C van der Ross

NON-EXECUTIVE MEMBERS (BOARD FEES)	2022 R	2021 R
Mr J Hugo (from 1 November 2020)	132 910	59 232
Mr GL Rapoo (from 1 November 2020)	132 414	62 286
Ms T Mokwena (from 1 November 2020)	85 684	34 132
Mr G du Plessis (from 1 November 2020)	153 182	57 668
Mr W Mabapa (from 1 November 2020)	63 434	34 832
Ms M Mosing (from 1 November 2020)	113 324	55 350
Total	**680 948**	**303 500**

NON-EXECUTIVE MEMBERS (Reimbursement i.e. Travel claims and Data allowance)		
Ms MM Ledingwane (from 1 November 2020)	17 881	5 265
Ms SMB Nyakale (from 1 November 2020)	9 000	2 650
Total	**26 881**	**7 915**

The following non-executive members of the Accounting Authority are either public servants as defined in the Public Service Act, or are executives at state-owned entities and therefore do not receive board fees from the State Diamond Trader:

Major-General NH Mokoena
Mr C Khosa
Mr K Menoe
Mr B Deka
*Ms MM Ledingwane (Chairperson)
*Ms SMB Nyakale

***Board members were only paid data allowance and/or travel claims.**

23. SUBSEQUENT EVENTS

There were no subsequent events identified for reporting purposes.

24. SEGMENT REPORTING

IFRS 8: Operating Segments sets out requirements for disclosure of information about an entity's operating segments and about the entity's products and services, the geographical areas in which it operates, and its major customers. An operating segment is a component of an entity:

a. That engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity).
b. Whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
c. For which discrete financial information is available.

The requirements of the IFRS are based on the information about the components of the entity that management uses to make decisions about operating matters. The IFRS requires identification of operating segments on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance.

The State Diamond Trader generates its revenue from the sale of rough diamonds, and it operates in one geographic area, that is, Johannesburg. Hence its revenue and expenses are not divided into segments; as a result, no segmental reporting is done in the financial statements.

25. CONTINGENT LIABILITIES

The State Diamond Trader is not aware of any contingent liabilities that existed as at 31 March 2022.

26. CONTINGENT ASSET

The State Diamond Trader is not aware of any contingent asset that existed as at 31 March 2022.

27. IRREGULAR, WASTEFUL & FRUITLESS EXPENDITURE

27.1 Details of Irregular Expenditure

Reconciliation of Irregular Expenditure	2022 R	2021 R
Opening Balance	2 698 584	4 096 940
Add: Irregular expenditure relating to current year		98 593
Add: Irregular expenditure relating to prior year (Discovered in the current year)	-	-
Less: Irregular expenditure relating to prior year	-	-
Less: amounts condoned	(1 452 474)	(1 496 949)
Less: Amounts recovered	-	-
Less: Amounts not recoverable (not condoned)	-	-
Irregular expenditure awaiting condonation	1 246 110	2 698 584

Analysis of Irregular Expenditure per age classification	2022 R	2021 R
Current Year	-	98 593
Prior Year	1 246 110	2 599 991
Total	**1 246 110**	**2 698 584**

Incident	Disciplinary Steps taken/ criminal proceedings	2022 R	Incident	Disciplinary Steps taken/ criminal proceedings	2021 R
			Minimum quotes not obtained as per SCM policy	No	98 593

28. Commitments

28.1 Unrecognised Commitments

	2022 R	2021 R
Unrecognised commitments	**4 954 061**	**616 455**

Unrecognised Commitments relates to items that have been contracted for but not provided for.

28.2 Lease commitments

Lease commitments	2022 R	2021 R
Within one year	1 214 996	312 058
In second to fifth year inclusive	8 978 864	62 603
In sixth to tenth year inclusive	8 111 963	0
	18 305 823	**374 661**

Lease commitments represent rental payable by the State Diamond Trader for its equipment and office premises.



State Diamond Trader

Annual Report 2021/2022

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