





ANNUAL REPORT 2022/2023

state diamond trader

REPUBLIC OF SOUTH AFRICA

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state diamond trader
REPUBLIC OF SOUTH AFRICA

ANNUAL REPORT 2022/2023



CONTENTS PAGE

GENERAL INFORMATION **5**

ENTITY INFORMATION 6

LIST OF ABBREVIATIONS AND ACRONYMS 7

MINISTER'S NOTE TO PARLIAMENT **8**

OVERVIEW FROM THE CHAIRPERSON AND ACTING CHIEF EXECUTIVE OFFICER **9**

CHAIRPERSON'S OVERVIEW 10

ACTING CHIEF EXECUTIVE OFFICER'S OVERVIEW 12

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF THE ACCURACY OF THE ANNUAL REPORT **15**

OUR MANDATE **17**

WHO WE ARE 18

CONSTITUTIONAL MANDATE 18

VISION 18

MISSION 18

VALUES 18

PERFORMANCE INFORMATION REPORT **19**

OPERATIONS OVERVIEW 20

PERFORMANCE AGAINST STRATEGIC OBJECTIVES 21

TRADING REPORT 25

GOVERNANCE REPORT **37**

BOARD MEMBERS 38

BOARD COMPOSITION 38

KEY MATTERS ATTENDED TO BY THE BOARD 40

PORTFOLIO COMMITTEE 40

REPORTS SUBMITTED TO THE EXECUTIVE AUTHORITY 40

GOVERNANCE STRUCTURE OF THE BOARD 41

BOARD 41



COMMITTEES OF THE BOARD 42
AUDIT AND RISK COMMITTEE 42
HUMAN RESOURCES, REMUNERATION AND SOCIAL ETHICS COMMITTEE 43
TRADING AND INDUSTRY PROMOTIONS COMMITTEE 43
GOVERNANCE COMMITTEE 43
HUMAN RESOURCES REPORT 45
ORGANOGRAM 46
EXECUTIVE MANAGEMENT TEAM 47
REMUNERATION REPORT 48
HUMAN RESOURCES STATISTICS 49
FINANCIAL REPORT 51
AUDIT AND RISK COMMITTEE REPORT 52
STATEMENT OF RESPONSIBILITY FOR FINANCIAL STATEMENTS 53
CHIEF FINANCIAL OFFICERS OVERVIEW 54
FINANCIAL PERFORMANCE 55
REPORT OF THE AUDITOR GENERAL 56
ANNUAL FINANCIAL STATEMENTS 63
NOTES OF THE FINANCIAL STATEMENT 76







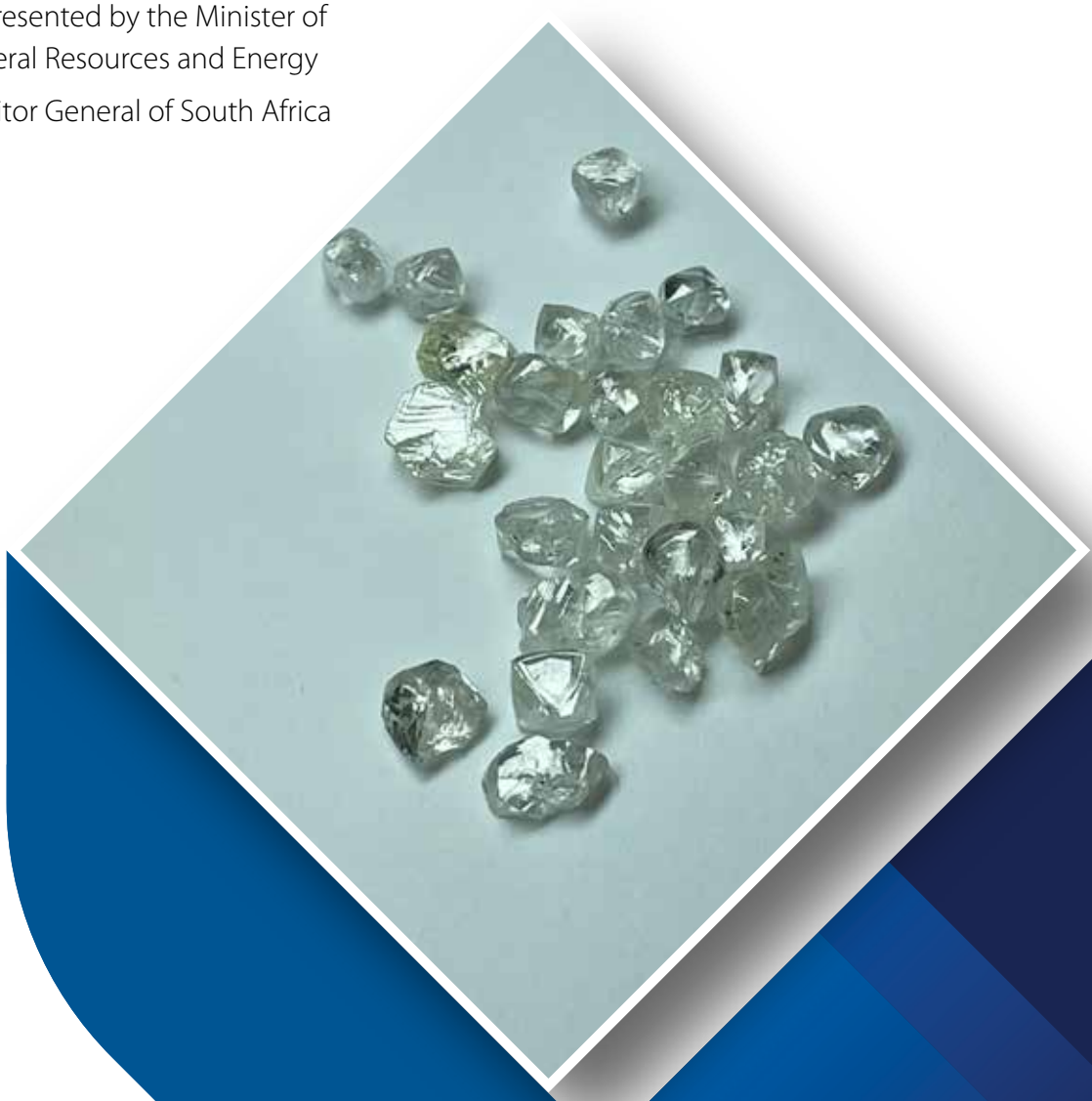


GENERAL INFORMATION

GENERAL INFORMATION

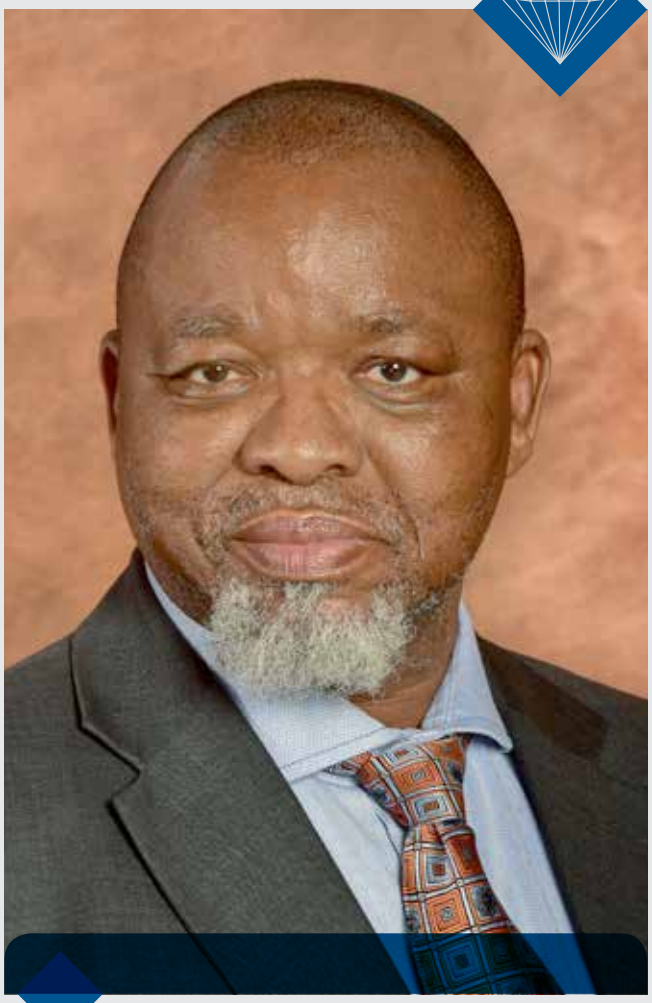
ENTITY INFORMATION

Nature of business	The State Diamond Trader is an organ 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.
Business address	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 SDT225
Instagram	statediamondtrader
Shareholder	Government of the Republic of South Africa, Represented by the Minister of Mineral Resources and Energy
External 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
BEE	Black Economic Empowerment
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGU	Cash Generating Unit
CSI	Corporate Social Investment
CSIR	Council for Scientific and Industrial Research
DBCM	De Beers Consolidated Mines
DMRE	Department of Mineral Resources and Energy
Dtic	Department of Trade, Industry and Competition
EDP	Enterprise Development Programme
EA	Executive Authority
FVLCD	Fair Value Less Cost of Disposal
HDSA	Historically Disadvantaged South Africans
HR	Human Resources
HR, RE&SE	Human Resources, Remuneration, and Social and Ethics Committee
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IDC	Industrial Development Corporation
IFRS	International Financial Reporting Standards
IFRIC	International Financial Reporting Interpretation Committee
KPCS	Kimberley Process Certification Scheme
MOU	Memorandum of Understanding
MPRDA	Mineral and Petroleum Resources Development Act, 28 of 2002, as amended
MQA	Mining Qualifications Authority
NDP	National Development Plan
OHS	Occupational Health and Safety
PAA	Public Audit Act, 25 of 2004, as amended
PFMA	Public Finance Management Act,1 of 1999, as amended
PPC	Parliamentary Portfolio Committee
R	Rand(s)
ROM	Run of Mine
SADPMR	South African Diamonds and Precious Metals Regulator
SARS	South African Revenue Services
SETA	Sector Education and Training Authority
SDT	State Diamond Trader
SMME	Small, Medium and Micro-Enterprises
SOE	State-Owned Entity
TOR	Terms of Reference
USD	United States Dollar
VAT	Value-Added Tax
VIU	Value in use
WSP	Workplace Skills Development Plan



MR S.G. MANTASHE (MP)

Minister of Mineral Resources and Energy

Honourable Speaker to Parliament

MINISTER'S NOTE TO PARLIAMENT

Annual Report of the State Diamond Trader for the year ended 31 March 2023

I have the honour in terms of section 65(1)(a) of the PFMA, Act No. 1 of 1999 (as amended), to present the Annual Report of the State Diamond Trader for the year ended 31 March 2023.

Mr. S.G. Mantashe (MP)

Minister of Mineral Resources and Energy

August 2023





OVERVIEW REPORTS

CHAIRPERSON'S OVERVIEW



MS MM LEDINGWANE
Chairperson of the Board

Introduction

It is with great pleasure that I present the annual report of the State Diamond Trader (SDT) for the year ending 31 March 2023. The SDT is a key enabler of domestic mineral beneficiation. The entity ensures equitable access of rough diamonds to local cutters and polishers and facilitates access to markets to promote polished diamonds trading on international platforms.

The first half of the year was dominated by the effects of the conflict in Europe, global economic challenges and the decrease in production levels leading to a reduction in rough diamond supply in the diamond pipeline. The constraint in supply led to an estimated 20% increase in the price of rough diamonds. The second half of the year proved even more challenging as the global inflation challenges in key consuming markets increased to unprecedented levels. In response to the inflation increases, many central banks raised interest rates. These factors resulted in the dampening of demand for polished diamonds.

High-level overview of the public entity's strategy and performance

Despite these challenging micro and macro factors, including changes in executive positions[1], I am delighted to report that SDT has delivered another successful year. The entity exceeded its expectations for all its forecasted sales and profits, achieving sales of R1,316 billion and a net profit of R38 million. In the history of SDT, in over a decade, this excellent performance is surpassed only by the entity's record performance of the past year, which performance was driven up mainly by the COVID-19 pent-up demand.

Following its suspension during the covid-19 period, the entity also re-launched its flagship, the Enterprise Development Programme (EDP) and selected five black females for the three-year programme. Graduates from the programme, are expected to have good knowledge of diamond, its cutting, polishing, and evaluation. Skills in business management are also an expected outcome of the Programme.

Strategic relations

SDT values collaboration with strategic partners. This is important for the growth of the diamond beneficiation sector. The entity has successfully collaborated with its clients and key industry

1 The contract of the previous Chief Executive Officer was nearing the end. Following a notice of the same, he secured another position before the contract term ended. The Chief Financial Officer also vacated her position.

players to unlock access to international markets. This collaboration led to SDT and its clients showcasing polished diamonds in the Singapore Gem and Jewellery show, one of the largest events in the diamond industry calendar. Participation in this event has led strong relationships between the industry and international retailers and wholesalers.

SDT has also formalised its collaboration with the Council for Scientific Industry Research (CSIR) by signing an MoU at the sidelines of the Mining Indaba in the last quarter of the 2022/23 financial year. This MoU provides the framework within which various stakeholders can, inter alia, investigate ways to increase the range of rough diamonds that can be economically beneficiated locally and potentially increase employment opportunities.

Strategic focus over the medium to long-term period

The stagnating global economy together with historically high inflation rates present an unfavourable operating environment for the SDT. The current build-up in polished diamond inventory within the diamond pipeline and the drop in prices for both polished and rough diamonds could lead to lower revenue and profit margins for SDT. To counter the negative impact, the entity is considering extending sourcing of diamonds beyond South Africa's jurisdiction and identifying other growth opportunities.

Appreciation

It has been an immeasurable pleasure, an honour and a great privilege to serve the Minister of Mineral Resources and Energy (DMRE) for the past three years. On behalf of the Board, I sincerely thank, Minister Gwede Mantashe for the trust he showed in appointing us to the Board and for his abiding support and guidance. From my colleagues, the members of the Board, I encountered the best evidence of collegiality, support and professionalism displayed at governance committee and Board level. For these and more I am grateful.

The SDT owes its sterling performance to various other stakeholders. These include the producers and the clients of SDT. The Board expresses its deepest appreciation to the entire past and current staff and management of the SDT. In particular the Board conveys its gratitude to the Acting Chief Executive Officer, Mr Kagiso Menoe who has twice come to the rescue of the SDT. There is no doubt that this strategic and valuable state entity, the SDT, is well poised for even better achievement in future.



Ms Maletlatsa Monica Ledingwane
Chairperson of the Board
Date: 31 August 2023

ACTING CHIEF EXECUTIVE OFFICER'S OVERVIEW



MR KJ MENOE
Acting Chief Executive Officer

For the financial year ending on March 31, 2023, the State Diamond Trader has once again delivered exceptional results. These results are a testament to the hard work, innovation, and commitment of the SDT staff. These outcomes were achieved in the midst of a post-COVID-19 economic climate that has been difficult to anticipate due to numerous unforeseeable events that have impacted the supply of rough diamonds and the demand for polished diamonds. As the Chairperson of SDT points out in her foreword, the second half of the year saw a downturn due to escalating inflation rates and sluggish economic growth in key polished diamond markets.

Operational and Financial Review

The impact of the abovementioned decline are reflected in the entity's outcomes, which exhibited lower purchases, sales, and profits compared to 2021/22. The following are the highlights of the SDT's annual operational performance:

- Purchases of a total of 492 118 carats to the value of R1,269 billion. .
- Sales of a total of 488 718 carats valued at R1,316 billion revenue.

Comparatively, this SDT's sales revenue is down 8% from the R1.4 billion revenue in 2021/22. The net profit also decreased from R53 million in 2021/22 to R38 million.

Despite the above-mentioned decline from last year, the entity's financial position remained strong, with cash and cash equivalents slightly increasing from R101 million in the 2021/22 financial year to R114 million in the 2022/23 financial year. Nonetheless, despite two consecutive exceptional financial years, the entity remains committed to cost-effective expenditure.

Performance Information

The entity had 27 planned targets for the year under review; 24 targets were achieved, and 3 were not achieved. In total, the entity achieved 89% of its planned annual target.

Summary of the Annual Targets Not Achieved

OUTCOME INDICATOR	PLANNED ANNUAL TARGET	DEVIATION FROM PLANNED TARGET	CORRECTIVE MEASURE
Collaboration in promoting and investing in research and innovation for sustainable development of the diamond beneficiation industry.	To improve security risk management	The target did not meet the SMART criteria.	Management will ensure that all targets meet the SMART criteria going forward.
To provide strategic financial support and management to ensure the sustainability of the entity	Unqualified audit opinion. (clean audit).	A material finding relating to the SMART criteria was identified on the Performance information.	The material finding will be addressed next year financial year.
	100% implementation of targets on the ICT strategy	The entity did not implement 23% of the ICT targets due to capacity constraints.	The outstanding targets will be implemented during the next financial year.

Supply of Rough Diamonds and Transformation

In support of the Government's priority to create employment and transform the economy, the entity has supplied its clients with rough diamonds for local diamond beneficiation. This supply of rough diamonds is done with a particular focus on Historically Disadvantaged South Africans (HDSA). However, a lack of funding limits HDSA clients' ability to buy rough diamonds regularly and impedes these clients growth as the beneficiation sector is capital-intensive. Despite this, HDSA clients accounted for 69% of sales, a sharp increase compared with 16% in the previous financial year.

Enterprise Development and Beneficiation

In her foreword, the Chairperson of the Board alluded to the entity's innovative Enterprise Development Programme (EDP). This is intended to attract youth to enter the diamond industry. The programme mainly targets HDSA youth to drive the transformation of the sector. The programme commenced in 2015 and continued until 2020. During this time, 27 participants were recruited, with 90% of the recruits remaining in the diamond industry. At the hight of COVID-19, the entity decided to halt the programme and conduct an assessment to identify improvement areas. In 2022, the entity resolved to revive the programme, and five new participants were recruited for three years, during which they will undergo extensive holistic training in the diamond industry. Utilising profit from trading activities, the entity has committed R5 million in funds for the next three years towards the Programme.

The entity's MOU entered into with CSIR mentioned in the Chairpersons forward above, will form the basis of a research programme focusing on diamond manufacturing equipment and expanding the range of rough diamonds considered uneconomical to beneficiate in South Africa. This aligns with the country's beneficiation vision, which centres on value addition to minerals and seeks to promote domestic manufacturing of equipment used in the mineral value chain.

2022/2023 External Audit

The audit opinion for the year under review 2022/23 is unqualified with findings, demonstrating our commitment to good governance. The SDT is pleased to report that the Annual Financial Statements audits, resulted in a clean audit with no material misstatements. However, regrettably, with regard to Performance Information, a material misstatement was identified. This related to a target in the Annual Performance Plan that did not align with the SMART (Specific, Measurable, Achievable, and Time-Bound) criteria. Management will proactively implement robust processes and stringent controls to effectively address the issues highlighted by the auditors pertaining to Performance Information.

Human Resources

Employee training and development is one of the important focus areas for SDT. During the year under review, the entity awarded four bursaries to its employees and critical training was provided in identified critical areas for all employees.

The entity had two resignations at the executive level, with both the Chief Executive Officer and the Chief Financial Officer resigning in the second quarter of the financial year. The departure of the CEO was however anticipated as his contract was due to expire in February 2023. Recruitment for this position had already begun at the time of resignation. Unfortunately the process had various set-backs and is delayed. The position of the Chief Financial Officer was successfully filled by the appointment of Ms Somikazi Hlumela Madolo, who joined the entity on 1 December 2022 and has already proved a valuable addition to the team

I would like to thank both the former CEO and CFO for their leadership and hard work. Through the Executive Authority's quick reaction, with the Shareholder's assistance, the entity experienced minimal disruption of its business operations.. My sincere gratitude to the Board and the DMRE, for their agility in ensuring that the position was filled.

Governance, Fraud and Risk

The entity has zero tolerance for fraud and corruption, and as a result, a fraud hotline was established during the year under review for prevention purposes. A reputational risk has emerged for the entity through media publications alleging some clients were involved in illicit financial activities. The SDT will continue to monitor this development and develop requisite interventions to ameliorate the impact of this risk, if any, on the entity.

Conclusion

I would like to thank Board members for their vital role in providing guidance, oversight, and support. My sincere gratitude to the Minister of Mineral Resources and Energy, Mr Gwede Mantashe, the Board and the Director General of the Department of Mineral Resources and Energy, Mr J Mbele, for entrusting the entity to my leadership during this acting period. My profound appreciation goes to the management and staff for their unwavering commitment to the growth and success of the entity. To our stakeholders, compliant producers, clients, and other State-Owned Entities (SOE) for your continued support. Finally, the entity is indebted to the Shareholder (DMRE) for their continued guidance and support.



Mr KJ Menoe
Acting Chief Executive Officer
Date: 31 August 2023

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF THE ACCURACY OF THE ANNUAL REPORT

The Annual Report for the financial year ended 31 March 2023 presents all information and amounts that are consistent with the audited annual financial statements, as verified by the Auditor-General.

Independent external auditors were appointed to provide an unbiased opinion on the annual financial statements.

In our assessment, the Annual Report provides a fair and accurate representation of the entity's operations, performance information, human resources information, and financial affairs for the financial year ending 31 March 2023.

Signature of Acting Chief Executive Officer



Signature of Chairperson of the Board











OUR MANDATE

OUR MANDATE

WHO WE ARE

State Diamond Trader is a state–owned entity established in 2007 in terms of section 14 of the Diamond Act 56 of 1986 to operate in the diamond industry to support and facilitate growth in local diamond beneficiation. The SDT is categorised as a Schedule 3B entity in terms of the Public Finance Management ACT 1 of 1999 (PFMA).

CONSTITUTIONAL MANDATE

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 HDSA 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 beneficiation license holders who are registered customers.

VISION

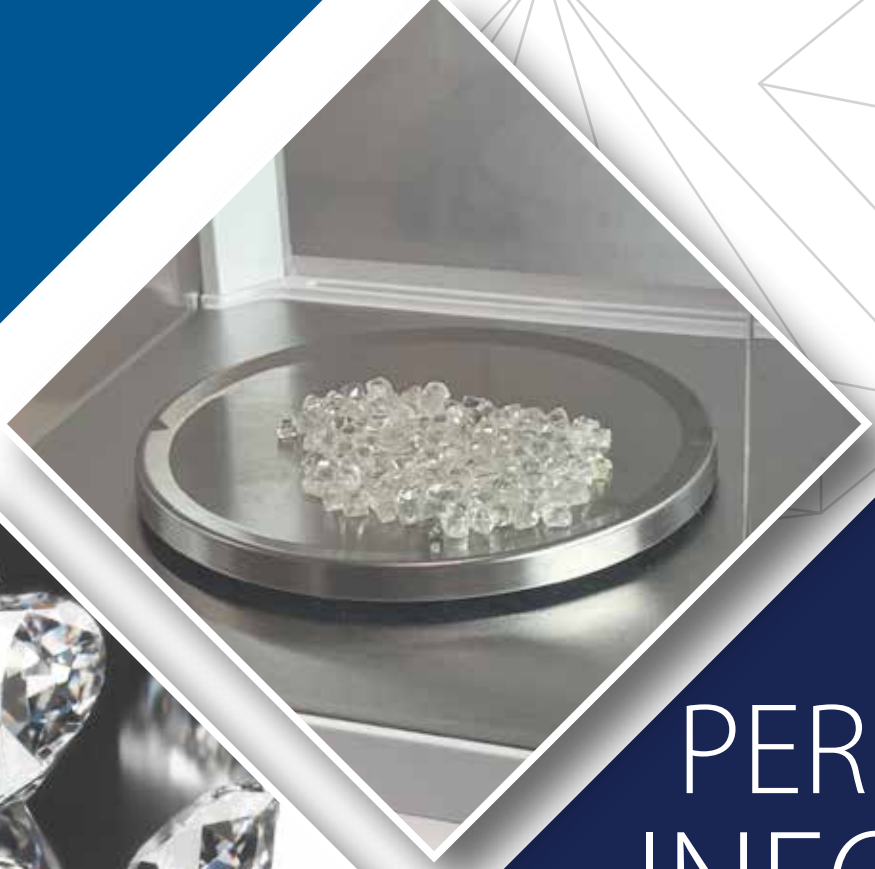
To be a catalyst for the transformation and growth of the local diamond beneficiation industry.

MISSION

- Ensure acquisition of, and equitable access to rough diamonds, with a particular focus on HDSA.
- Promote the growth of the diamond beneficiation industry through relevant interventions.
- Establish and maintain a transformed client base of local diamond beneficiators.
- Forge local and international partnerships that increase competitiveness.

VALUES

- We will respect the rights of our Stakeholders and promote a caring attitude.
- We will promote diversity and create an empowering working environment.
- Commitment to Mandate - its promotion, defence, and execution.
- Agility - Anticipation, proactive problem solving and resourcefulness.
- Efficiency - Professionalism and excellence in all that the SDT does.
- Innovation - Continuous generating of new ideas and innovative thinking.
- To promote ethical behaviour based on the trust and confidence we earn from employees, customers, and the shareholder.







PERFORMANCE INFORMATION REPORT

PERFORMANCE INFORMATION REPORT

OPERATIONS OVERVIEW

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:

- Diamond producers extend an offer for the State Diamond Trader to inspect production mined in that cycle by Section 59B of the Diamonds Act 56, 1986, as amended and inviting the Government Diamond Valuator to attend all its inspections.
- The State Diamond Trader is presented with all unpolished diamonds at the end of every production cycle by a producer together with reserve price. The State Diamond can select up to 10% representative sample of all unpolished diamonds presented. Once completed the Government Diamond Valuator verifies the price set by the producer.
- 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 entails 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 undertaken by production result in the entering of the rough diamond stock into the inventory management and financial reporting application.

CLIENT RELATIONS

The role of client relations is to engage with the State Diamond Trader's current and potential clientele on all matters except those related to the sale of rough diamonds. In this regard, the activities of the Client Relations Department 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.
- Projects relating to industry and clients' development.
- Diamond industry public relations.
- State Diamond Trader participation at external events.

SALES

Sales work closely with client relations to understand clients' 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 AGAINST STRATEGIC OBJECTIVES

Performance Against Strategic Outcomes

The entity had 5 (five) Strategic Outcomes to implement its beneficiation mandate and facilitate growth in the diamond industry. During the financial year under review, the entity had 27 (twenty seven) planned annual targets to achieve its Strategic Objectives.

The table below depicts the actual achievement of the entity's Annual Performance Plan.

Targets	Status
Achieved	24
Not Achieved	3
Total	**27**

STRATEGIC OBJECTIVE 1: A transformed and inclusive diamond beneficiation industry that ensures an increased black ownership and participation in the sector.				
ACHIEVEMENT			**NON-ACHIEVEMENT**	
OUTCOME INDICATOR	**PLANNED ANNUAL TARGET**	**ACTUAL ACHIEVEMENT**	**DEVIATION FROM PLANNED TARGET**	**COMMENTS**
1. To grow and transform the diamond industry	1.1 To purchased 4.5% of rough diamonds inspected by value	**Achieved:** Purchased 5.8%.	The target was exceeded by 1.3%.	The target was exceeded due to increased demand for rough diamonds.
	1.2 Rough diamonds to the value of R67,000,000 sold to HDSA	**Achieved:** R574,832,150.45 was sold to HDSA.	The target was exceeded by R507,832,150.45	The target was exceeded due to the continued increase in demand resulting in price increases for rough diamonds.
	1.3 To supply 148,234 carats supplied to clients	**Achieved:** 352,339 carats were supplied.	The target was exceeded by 204,105 carats.	The target was exceeded due to increased demand for rough diamonds.

STRATEGIC OBJECTIVE 1: A transformed and inclusive diamond beneficiation industry that ensures an increased black ownership and participation in the sector.				
ACHIEVEMENT			NON-ACHIEVEMENT	
OUTCOME INDICATOR	PLANNED ANNUAL TARGET	ACTUAL ACHIEVEMENT	DEVIATION FROM PLANNED TARGET	COMMENTS
	1.4 To recruit five (5) candidates for Enterprise Development Programme	**Achieved:** Five (5) candidates were recruited for the Enterprise Development Programme.	N/A	N/A
	1.5 To arrange two (2) workshops with diamond industry for the Hub operational	**Achieved:** Two (2) workshops for the Hub with the diamond industry were arranged.	N/A	N/A

STRATEGIC OBJECTIVE 2: A capable workforce and developmental Industry				
ACHIEVEMENT			NON-ACHIEVEMENT	
OUTCOME INDICATOR	PLANNED ANNUAL TARGET	ACTUAL ACHIEVEMENT	DEVIATION FROM PLANNED TARGET	COMMENTS
2. Contribute to training and skills development	2.1 WSP compliance report submitted to SETA	**Achieved:** The WSP compliance report was submitted to SETA.	N/A	N/A
	2.2 Training of eight (8) Employees.	**Achieved:** Eleven (11) employees were trained.	The target was exceeded by three (3) additional employees trained.	A sufficient budget permitted the entity to train extra personnel.
	2.3 Two (2) employees granted bursaries.	**Achieved:** Four (4) bursaries were granted to employees.	The target was exceeded by two (2) bursaries granted to employees.	A sufficient budget permitted the entity to grant two (2) additional bursaries to the employees.
	2.4 To coordinate two employee wellness programmes	**Achieved:** Two programmes were conducted.	N/A	N/A
	2.5 To conduct four (4) OHS programmes for staff	**Achieved:** Four (4) OHS programmes for staff were conducted.	N/A	N/A

STRATEGIC OBJECTIVE 3: A knowledge-based and innovative organisation.				
ACHIEVEMENT			NON-ACHIEVEMENT	
OUTCOME INDICATOR	PLANNED ANNUAL TARGET	ACTUAL ACHIEVEMENT	DEVIATION FROM PLANNED TARGET	COMMENTS
3. Collaboration in promoting and investing in research and innovation for sustainable development of the diamond beneficiation industry.	3.1 To submit ten (10) letters to non-compliance producers	**Achieved:** Ten (10) letters were sent to non-compliant producers.	N/A	N/A
	3.2 To improve Security Risk Management	**Not Achieved:** A security risk assessment was conducted and a security risk workshop was conducted for both Management and Staff.	The target did not meet the SMART criteria	Management will ensure that all targets meet the SMART criteria going forward.

STRATEGIC OBJECTIVE:4 Improved corporative performance, accountability and transparency.				
ACHIEVEMENT			NON-ACHIEVEMENT	
OUTCOME INDICATOR	PLANNED ANNUAL TARGET	ACTUAL ACHIEVEMENT	DEVIATION FROM PLANNED TARGET	COMMENTS
4. Promote good corporate governance and improve internal process and procedures.	4.1 To review the Corporate Governance Manual	**Achieved:** The Corporate Governance Manual was reviewed and approved by the Board.	N/A	N/A
	4.2 To review and strengthen the delegation register	**Achieved:** The delegation register was reviewed, strengthened, and approved by the Board.	N/A	N/A
	4.3 To review the Fraud and Prevention Policy and Plan	**Achieved:** The Fraud and Prevention Policy and Plan was reviewed and approved by the Board.	N/A	N/A

STRATEGIC OBJECTIVE:4 Improved corporative performance, accountability and transparency.				
ACHIEVEMENT			NON-ACHIEVEMENT	
OUTCOME INDICATOR	PLANNED ANNUAL TARGET	ACTUAL ACHIEVEMENT	DEVIATION FROM PLANNED TARGET	COMMENTS
	4.4 To implement 100% Marketing and Communication strategy plan	**Achieved:** 100% of the activities in the Marketing and Communications strategy were implemented.	N/A	N/A

STRATEGIC OBJECTIVE 5: A financially viable and sustainable entity.				
ACHIEVEMENT			NON-ACHIEVEMENT	
OUTCOME INDICATOR	PLANNED ANNUAL TARGET	ACTUAL ACHIEVEMENT	DEVIATION FROM PLANNED TARGET	COMMENTS
5. To provide strategic financial support and management to ensure sustainability of the entity	5.1 To apply for financial credit facility.	**Achieved:** Application for financial credit facility was submitted.	N/A	N/A
	5.2 Unqualified Audit opinion. (Clean audit).	**Not Achieved**	A material finding relating to the SMART criteria was identified on the Performance information.	The material finding will be addressed next year financial year.
	5.3 Conduct annual risk assessment and produce risk management implementation plan	**Achieved:** The annual risk assessment was conducted, and the risk management implementation plan produced.	N/A	N/A
	5.4 To award four (4) supplier's contracts awarded to historically disadvantage individuals (HDI)	**Achieved:** Four (4) contracts were awarded to HDSA during this financial year.	N/A	N/A

STRATEGIC OBJECTIVE 5: A financially viable and sustainable entity.				
ACHIEVEMENT			NON-ACHIEVEMENT	
OUTCOME INDICATOR	PLANNED ANNUAL TARGET	ACTUAL ACHIEVEMENT	DEVIATION FROM PLANNED TARGET	COMMENTS
	5.5 100% of valid invoices paid within 30 days	**Achieved:** All invoices received during the 2022/2023 financial year were paid within 30 days.	N/A	N/A
	5.6 100% implementation of targets on the ICT strategy	**Not Achieved:** The entity implemented 77% of the targets in the ICT Strategy.	The entity did not implement 23% of the ICT targets due to capacity constraints.	The outstanding targets will be implemented during the next financial year.

TRADING REPORT

Table 1: SDT Year-On-Year Comparison of Inspections, Purchases, and Sales Summary

	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
State Diamond Trader Inspections US$* (US$million)	**1,148**	**768**	**972**	**1,299**	**1,320**
Carats inspected	9,873,078	7,126,213	8,666,911	9,374,383	9,013,034
US$ per carat	116	108	112	139	146
No. of producers	15	15	14	13	13
No. of inspections conducted	214	242	164	170	167
State Diamond Trader Purchases ZAR (Rmillion)	**642**	**226**	**650**	**1,352**	**1,269**
% purchased**	4%	2%	3%	7%	6%
Carats	132,516	32,322	268,147	600,179	492,118
No. of purchases	124	67	71	117	86
State Diamond Trader Sales ZAR (Rmillion)	**667**	**231**	**683**	**1,430**	**1,316**
COGS	645	225	662	1,358	1,254
GM	21	5	21	72	62
GM%	3%	2%	3%	5%	5%
Carats	132,940	32,866	268,061	600,670	488,718
No. of clients sold to	50	38	30	39	43

**Foreign exchange difference of R16 million not factored in trading results*

Trading Summary and Annual Comparison

- The value of purchases was R1,269 billion for 2022/2023 compared to R1,352 billion for purchases in the 2021/2022 financial year. This shows a decrease of 6% in the value of rough diamonds purchased (**Table 1**).
- The volume purchased was 492,118 carats in 2022/2023 compared to 600,179 carats in the 2021/2022 financial year. This shows a decrease in the carats purchased by 18%. The decreases in value and volume are attributed to the fact that one of the largest producers, saw production levels decrease immensely in the fourth quarter of 2022/2023 which impacted the pricing.
- The number of purchases made from the producers was 86 for the year under review compared to 117 in 2021/2022. This shows a decrease of 26% in purchases made for the financial year under review.
- Sales value for 2022/2023 was R1,316 billion compared to the previous year's sales of R1,430 billion. This reflects a decrease of 8% in sales for the financial year under review.
- Gross margin percentage achieved was 5% in 2022/2023, which remained the same in 2021/2022 at 5%.
- Sales to 100% HDSA owned client companies were R574 million.

Actual Performance and Budget Comparison 2022/2023

Table 2: SDT Performance Against Budget For 2022/23

		2022/2023
Purchases	Budget	793,753,999
	Actual	1,269,506,367
	Diff	**475,752,368**
	Diff %	**60%**
Sales	Budget	826,466,468
	Actual	1,316,121,559
	Diff	**489,655,091**
	Diff %	**59%**
Gross Margin	Budget	31,712,469
	Actual	62,078,298
	Diff	**29,365,829**
	Diff %	**90%**

State Diamond Trader exceeded its budgeted purchases target by R475 million, purchasing rough diamonds to the value of R1,269 billion (**Table 2**). The entity exceeded its budgeted sales target by R489 million in realising a sales value of R1,3 billion and achieving a gross margin of R62 million which was exceeded by R29.3 million.

- It should be noted that the purchasing figures relate only to all purchases made during the 2022/2023 financial year.
- The sales figures relate to all purchases made during the 2022/2023 financial year.
- The gross margin considers the profit and loss that was made from all trading activities within the 2022/2023 financial year.

South African Diamond Production – State Diamond Trader Inspections 2022/2023

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

Figure 1: State Diamond Trader Rough Diamond Production Inspections

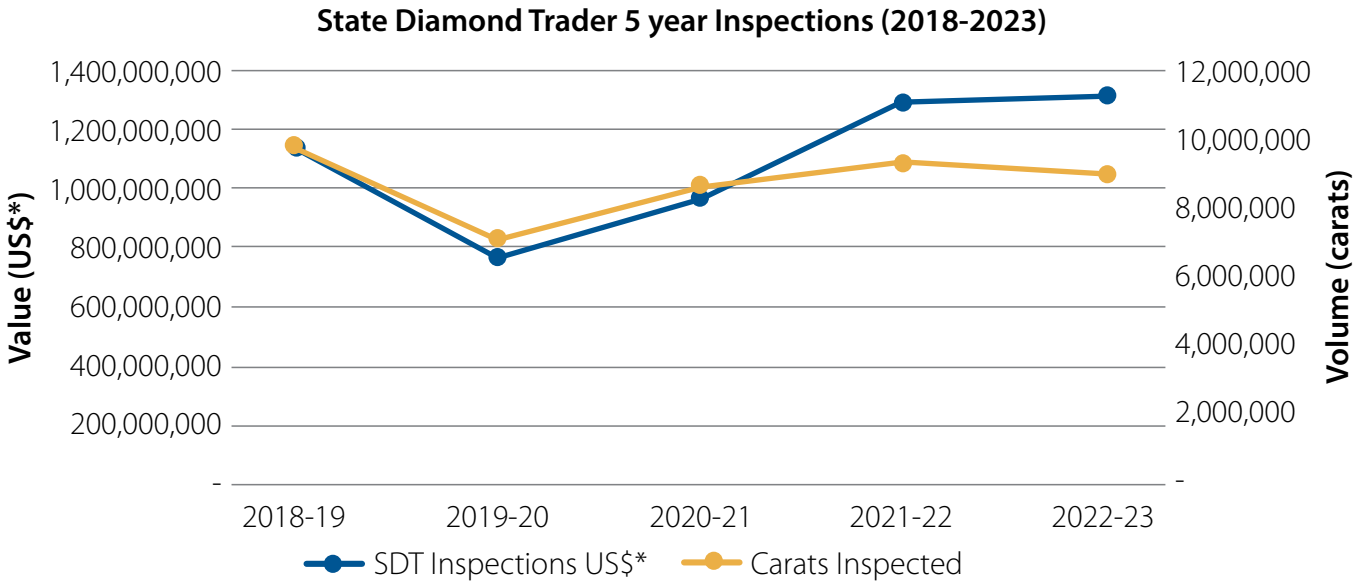


Figure 1 above indicates a decrease in carats (volume) and an increase in value inspected by -4% and 1%, respectively, presented to State Diamond Trader by 13 producers. There was an increase of 2% in the average dollar price per carat.

State Diamond Trader Purchases 2022/2023

The State Diamond Trader purchased rough diamonds from 12 compliant producers, although inspections were completed with the following 13 compliant producers:

1. De Beers Consolidated Mines (Pty)Ltd
2. Petra Diamonds Southern Africa (Pty)Ltd
3. Ekapa Resources (Pty)Ltd
4. Belton Trading 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. Moonstone Diamond Marketing (Pty)Ltd
11. DMI Minerals South Africa (Pty)Ltd
12. Lower Orange River Diamonds
13. Helam Mining

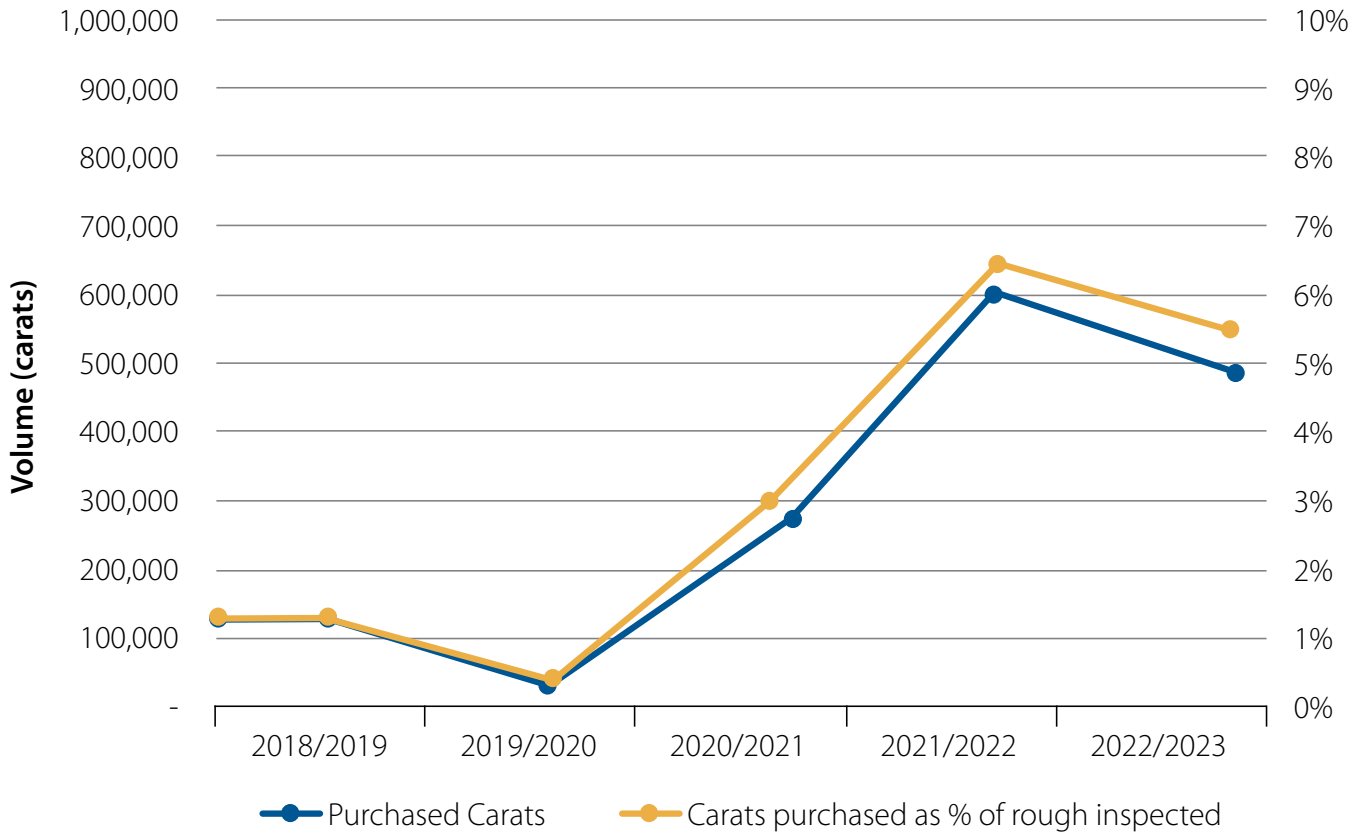
The average price per carat of diamonds purchased by the State Diamond Trader was US$153/carat which was the same price as the previous year. The average price per carat reflects that the entity continued to purchase more run-of-mine production for the year, indicating a much healthier trading environment. The following factors contributed to this environment:

- The continued good demand for rough diamonds in the market as wholesalers and retailers need polished diamonds to replenish stock.

- State Diamond Trader continues to execute its sales strategy and effective stakeholder engagement with all producers.
- Clients of State Diamond Trader continue to diversify their businesses, only manufacturing what is deemed suitable by clients, and the rest of the diamonds deemed unsuitable for beneficiation are traded.

The State Diamond Trader is currently permitted to purchase up to 10% run-of-mine South African diamond production by carats and value to meet its objectives of supporting local beneficiation. The entity was able to purchase 5.46% by carats and 5.8% by value of the rough diamonds it inspected (**Figure 2**).

Figure 2: SDT Purchases by Volume and as a Percentage of Total Rough Diamond Production Inspected



The entity could not purchase consistently from the country's diamond producers for the following reasons:

- Most rough diamonds in South Africa are not economically suitable for local beneficiation.
- The State Diamond Trader's legislated position as a passive role player, "price-taker", in the inspection and purchasing of diamonds from the producers.

State Diamond Trader Sales 2022/2023

Figure 3: SDT Rough Diamond Sales to Clients 2018/19 - 2022/23

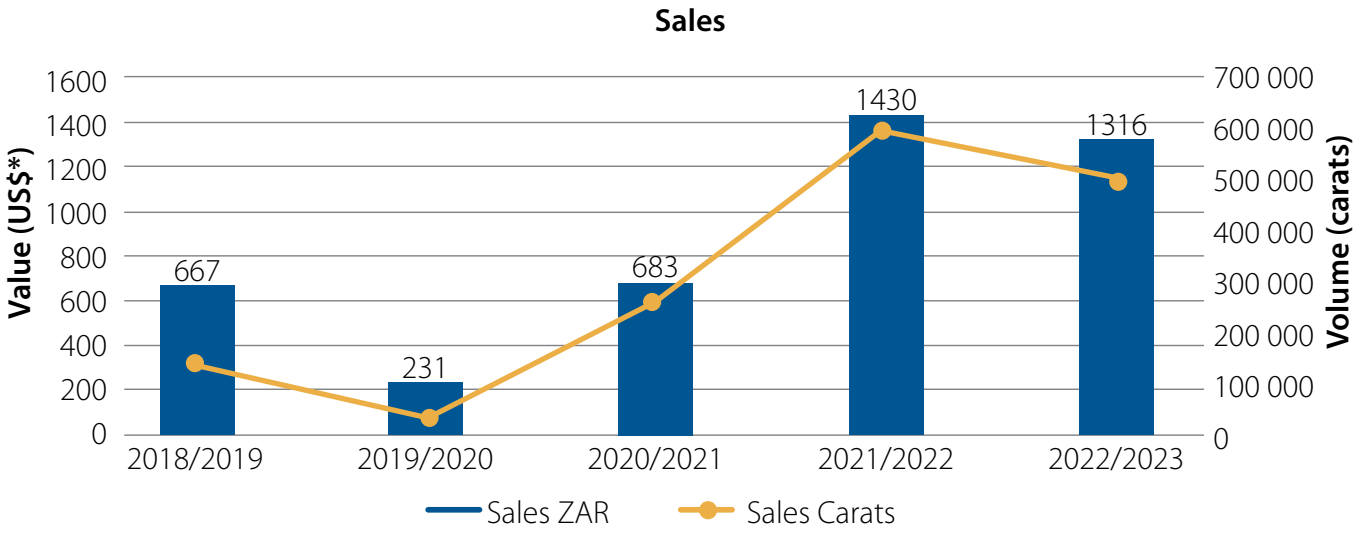


Figure 3 indicates that the sales by value and carats (volume) for 2022/2023 have decreased by 8% and 19%, respectively, compared to the previous financial year. Sales value decreased by R114 million to the value of R1,3 billion compared to the previous financial year's sales value of R1,4 billion. The gross margin percentage achieved 5%, resulting in a gross margin value of R62 million, and the carats sold increased by 488,718.

The State Diamond Trader sold to 43 clients in total, an increase compared with 39 clients in 2021/2022. Of the 43 clients that purchased, 30 were 100% Black-owned companies. This is an increase in the number of 100% Black-owned clients that purchased compared to 24 clients that purchased in 2021/2022. The following should be noted:

- Of the Top 5 clients that purchased and accounted for more than 66% of the total sales, there are two (2) clients that were 100% Black-owned. In the 2021/2022 financial year, of the Top 5 clients that purchased and accounted for more than 80% of the total sales, there was one (1) client that was 100% Black-owned.
- Of the Top 10 clients that purchased and accounted for more than 50% of the total sales, there are five (5) clients that are 100% Black-owned and one (1) client with 51% Black ownership. In the 2021/2022 financial year three (3) clients were 100% Black-owned, and one (1) had 51% Black ownership.
- Of the Top 15 clients that purchased and accounted for more than 50% of the total sales, eight (8) clients are 100% Black-owned and two (2) clients with 51% Black ownership. In 2021/2022, seven (7) clients were 100% Black-owned, and one (1) had 51% Black ownership.
- Of the Top 20 clients that purchased and accounted for more than 50% of the total sales, ten (10) clients are 100% Black-owned and three (3) clients have 51% Black ownership. In 2021/2022, 12 clients were 100% Black-owned, and one (1) had 51% Black ownership.

Increases in 100% Black-owned clients represented in the Top 20 are noticeable; access to finance is still required to increase the number of Black-owned companies in the top tiers to ensure effective transformation and inclusiveness.

Sales by Client Segment 2022/2023

Table 3: Breakdown of SDT Rough Diamond Sales by Client Segment

Segment	No. of clients	Carats	ZAR	% of Sales (ZAR)
Equitable Access Small	22	13,117	178,585,242	14%
Equitable Access Large	3	17,099	168,841,340	3%
Growth & Transformation	5	136,165	391,654,004	28%
Growth & Transformation Incubation	3	211	4,592,904	0%
Niche Small	2	96	5,956,766	0%
Niche Medium	2	411	4,909,576	0%
Niche Large	4	185,240	439,929,597	38%
Other	2	136,379	121,652,131	28%
	43	**488,718**	**1,316,121,560**	

Table 3 provides details of the volume and value purchased by the different segments of clients and represents the percentage that each segment has contributed to the total sales. The lack of suitable funding that persists in the diamond industry forces most of these companies to partner with larger companies to concluded in the acquisition of rough diamonds.

The Niche and Large/Medium Beneficiators contributed 38% of the total sales value of the entity as compared to the previous financial year, where it contributed 55%.

The State Diamond Trader's focus has been to address this disparity seen over the years with higher sales percentages to the Niche and Large/ Medium segments. This change has been realised as the partnerships with Small to Medium entities resulted in the purchase of more rough diamonds within the year under review. This impacted the value of Small to Medium entities purchases in the 2022/2023 financial year.

Sales by Suitability

Table 4: Suitability of Rough Diamonds Sold to SDT Clients for Local Beneficiation

						% of total	
2022-2023	Carats	ZAR Sales	ZAR Cost	GM	GM%	Carats	Value
Suitable for beneficiation	58,612	843,094,342	800,573,528	42,520,814	5%	19%	75%
Not suitable for beneficiation	430,106	473,027,218	453,469,734	19,557,484	4%	81%	25%
	488,718	**1,316,121,559**	**1,254,043,262**	**62,078,298**	**5%**		

Sales of rough diamonds deemed suitable for beneficiation remained constant by value in the previous financial year to 75% of the total sales for this financial year (Table 4). The volume decreased from 45% in the previous financial year to 19% of the total sales in this financial year. This indicates that more acquisitions were made in the smaller sizes and cheaper-end diamonds.

State Diamond Trader Registered Clients

The purpose of registering clients is to ensure compliance with the laws of the country pertaining to holding a valid Diamond Beneficiation licence and a South African Revenue Services Tax Clearance Certificate. The 2022/2023 process saw the addition of 17 new clients registered with the entity, with no clients removed from the list.

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

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

Growth and Transformation Incubation – Black-owned companies are given preferential allocation in order to support business growth and are incubated for one year.

Equitable Access Small – Small HDSA-owned beneficiating companies that have yet to develop or are in the process of developing their business models that will lead to growth. Mostly sole owners.

Equitable Access Medium – Medium HDSA-owned beneficiating companies that have consideration for growth and transformation and are in the process of developing their business models that will lead to growth. Have two to five permanent employees.

Equitable Access Large – Large HDSA-owned beneficiating companies with 51% Black partners and an international reach. Have two to ten permanent employees.

Niche Small – Small, non-HDSA-owned beneficiating companies that purchase small quantities and have no permanent employees. Have no potential for growth.

Niche Medium – Medium, non-HDSA-owned beneficiating companies that are able to purchase small to medium productions. Have two to ten permanent employees and an international and local reach for polished diamonds.

Niche Large – Larger, non-HDSA-owned beneficiating companies that are able to purchase a large and wider range of quantities of rough diamonds. Have over ten permanent employees, and some are subsidiaries of international companies.

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

The entity ended the financial year with 96 registered clients, which is the same as the previous financial year, and these clients are segmented within the following segments:

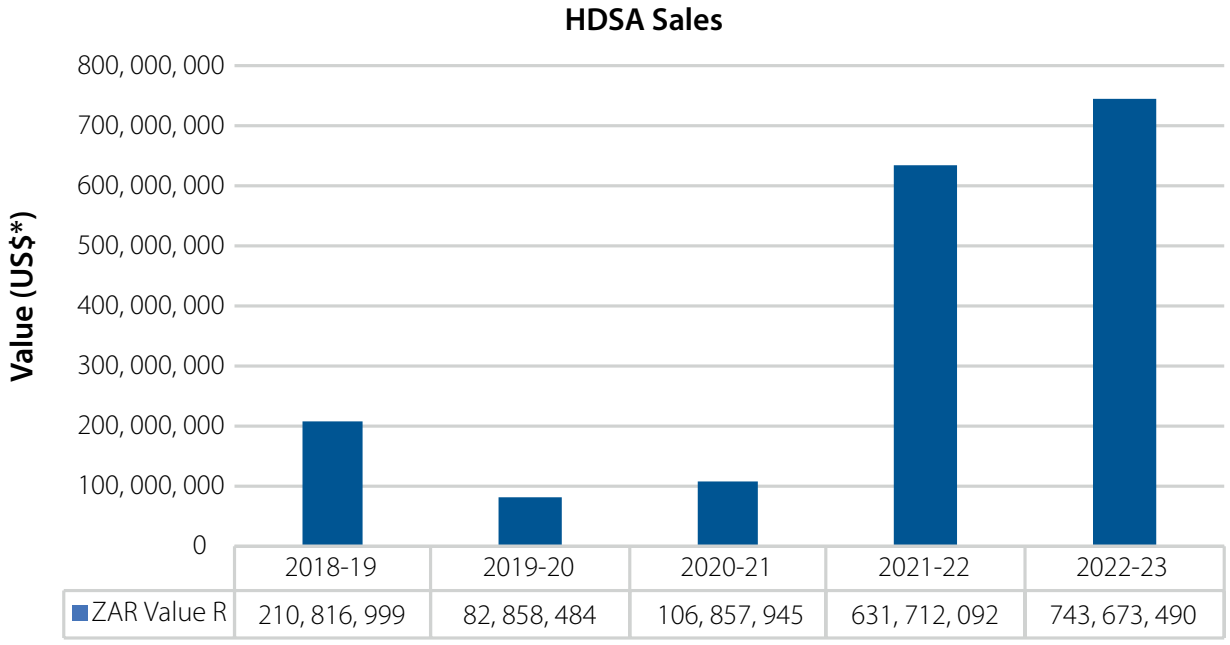
Growth & Transformation	05
Incubation Growth and Transformation	03
Equitable Access Small	55
Equitable Access Medium	03
Equitable Access Large	04
Niche Small	11
Niche Medium	07
Niche Large	08

Diamond and Beneficiation Industry Development Programmes

Sales to HDSA Clients

One of State Diamond Trader's strategic objectives is to promote the growth and transformation of the diamond beneficiation industry through various interventions, such as the facilitation of market access. This also includes striving for increased sales to HDSA clients (**Figure 4**). Figure 4 indicates the sales trends of companies with greater than 50% HDSA ownership for the past five years. These sales have grown significantly in the period under review.

Figure 4: Annual Sales to Historically Disadvantaged South Africans 2022/2023



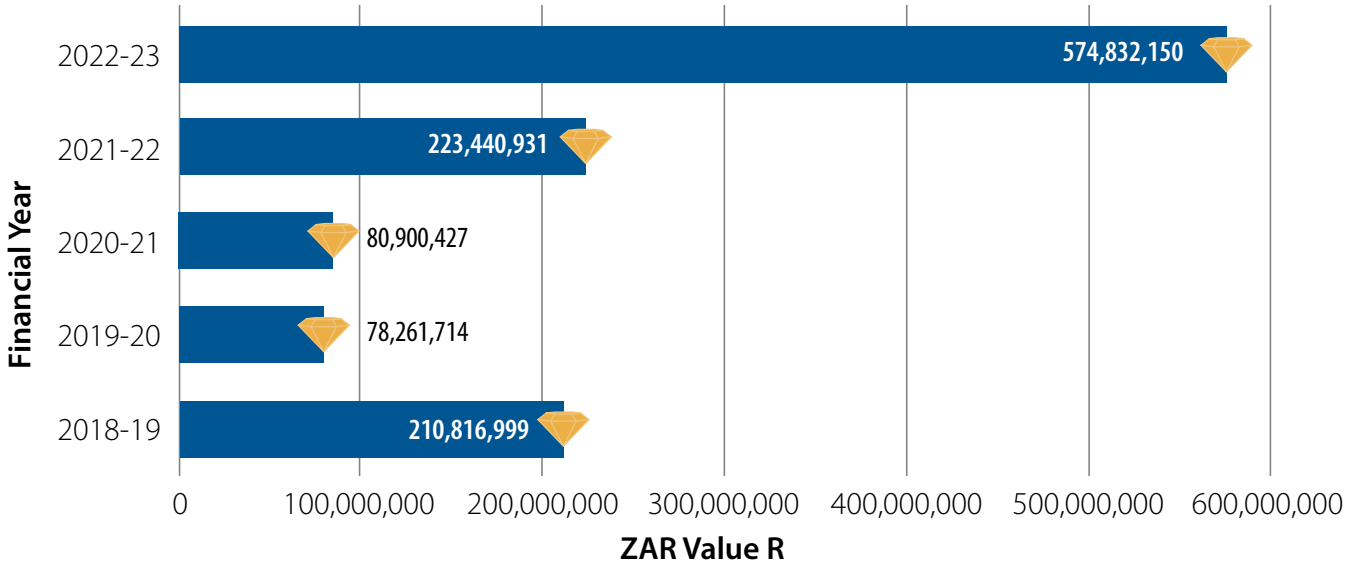
Sales to the number of HDSA clients increased to 30 for 2022/2023 as compared to 24 in the previous financial year (**Figure 5**).

Figure 5: Number of 100% HDSA Clients Sold to for the financial year



Regarding the value sold, it is noticeable that there has been an increase in realised value of R574 million in 2022/2023 compared to R223 million in the previous financial year (**Figure 6**). This equates to an increased sales value of R352 million.

Figure 6: Value of Rough Diamonds Sold by SDT to 100% HDSA Clients Annually



The carats/volume sold decreased from 245,455 carats in 2021/2022 to 149,494 that were sold 2022/2023 financial year. The breakdown of sales is as follows:

1. Sales to companies with 100% HDSA ownership increased to R574 million of the annual sales value in comparison to R223 million in 2021/2022.
2. Sales to companies with 51% Black ownership decreased to R169 million in this financial year compared to R408 million in 2021/2022.

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 the Growth and Transformation segment.

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

Table 5: Sales to the Growth and Transformation Segment for the 2022/2023 Financial Year in Comparison with the Previous Financial Year

	2021/2022	2022/2023
Clients sold to	8	8
Sales value	133,071,222	396,246,908
Sales carats/volume	33,298.32	136,376.78



It should be noted that the value sold to these clients increased by R265 million, and by carats/ volume increased by 103,078 carats (**Table 5**). All clients within this segment purchased during the year under review. The increase in sales is attributed to the fact that all clients participated in the acquisition of larger run-of-mine productions.

Marketing and Communication

The Marketing and Communication programmes aim to increase the visibility of the State Diamond Trader by engaging in several activities. This financial year the Marketing and Communications strategy was implemented and saw the State Diamond Trader brand become more recognisable to the public and media houses.

Facilitating International and Local Markets

The entity's mandate in terms of the Act is to promote and grow the industry through support and development. The Marketing and Communications division remains focused on increasing the presence of the entity by focusing on strengthening internal and external stakeholder relations, participating in strategic exhibitions to position the brand for greater heights and growing the social media platforms. Maintaining good media relations and ensuring that our reputation is closely monitored.

The highlights for the financial year were seeing the entity and clients resume attending international business and trade fairs and its successful participation in the Singapore Jewellery and Gem World Expo. The Singapore Jewellery and Gem World Expo is what was previously known as the Hong Kong Jewellery and Gem Fair, and it migrated due to COVID restrictions in Hong Kong. Participation at such events continues to give an opportunity to SA diamond beneficiators to penetrate the international market to establish, build and intensify their international clientele.

The entity also conducted a feasibility study in line with its mandate of facilitating growth for the diamond industry and its objectives of extending the South African footprint internationally. The study was to understand the market trends in Dubai and investigate if there are benefits to participating in exhibiting at the Dubai Jewellery Show.

Conferences and Exhibitions

The State Diamond Trader participated in the 2022 and 2023 Africa Mining Indaba and the Natural Diamond Summit. The Natural Diamond Summit tackled topics that seek to address the diamond sector challenges.

Media Interviews

To increase the public's awareness of the SDT and EDP, the following media interviews were held during the financial year:

- Two radio interviews with Metro FM: Regarding the mandate of the entity and the launch of the Enterprise Development Programme.
- An interview on Morning Live, SABC 2: Launch of the Enterprise Development Programme and the role the entity plays in the development of the diamond industry.
- Two interviews with Newsroom Africa: Launch of the Enterprise Development Programme.
- A telephonic interview on Channel Africa: Takeaways from the 2023 Mining Indaba.

Brand Strengthening

To strengthen the brand of the SDT, the entity was featured in a number of diamond and jewellery articles. Brand strengthening highlights included:

- The State Diamond Trader was featured in the Sunday World in an article focusing on the launch of Pluczenik South Africa.
- The entity was also featured in an article by City Press titled "Village royalty launches locally manufactured jewellery in Sandton".
- SA Mining published an article titled "State Diamond Trader Departs SA to Participate in the 2022 Singapore Expo in Asia with Diamond Beneficiators".
- An article was published in SA Mining titled "State Diamond Trader And Partners Supports to Local Diamond Beneficiators and to Market The Jewellery And Gem World Singapore 2022".
- Modern Mining magazine on State Diamond Trader's perspective on global diamond market performance in 2022.



Stakeholder Management

In ensuring that we deliver on our mandate, it is crucial to engage with diverse internal and external stakeholders, which include employees, international role players and national departments, state-owned entities, private companies, including diamond producers, clients, and the public. During the year under review, the State Diamond Trader embarked on several engagements to build strong relations with strategic stakeholders, predominantly in the diamond sector. Several engagements were held with key stakeholders, which included:

- Participation in the youth seminar at Sekhukhune District Municipality.
- Speaker at the Women in Mining webinar hosted by the DMRE.
- The entity participated in two-day session at the Manufacturing Indaba to explore the possibility of exhibiting in the future.

- Participated in the Mining Stakeholder Engagement hosted by DMRE Deputy Minister in partnership with the Parliament Constituency Office.
- The entity participated in a career expo at Emalahleni Local Municipality, held at the Makause Combined School.
- The State Diamond Trader participated in the DMRE-coordinated mining investment conferences in Limpopo and the North West.
- The entity participated in the Geoscience Summit, which was hosted at the Durban ICC.
- The entity participated in the MQA's annual consultative conference.
- Took part in the 8th Biennial CSIR Conference 2022 and attended the panel discussion titled "Addressing innovation gaps in the Mining sector".
- The State Diamond Trader participated in the Mining Imbizo organised by the Department of Mineral Resources and Energy held at Ubuhlebezwe Local Municipality.
- The entity participated in the open day hosted by Limpopo Jewellery Business Incubator through a presentation and exhibition.



- Took part in the Engineering and Technology Career Expo hosted and facilitated by Sci-Bono through a presentation and exhibition.



- The entity assisted Nungu Diamonds with the launch of Pluczenik South Africa by having graduates from EDP and Tari projects exhibit their polished diamonds and jewellery.
- State Diamond Trader had a stakeholder meeting with Brand SA.
- The entity participated in the meeting hosted by young South African diamantaires to discuss issues affecting the association.
- The State Diamond Trader had a stakeholder meeting with CSIR meeting to discuss a collaboration on research and development.







GOVERNANCE REPORT

GOVERNANCE REPORT

BOARD MEMBERS



Chairperson
Ms MM Ledingwane



Ms SMB Nyakale



Mr Gideon Du Plessis



Mr Levy Rapoo



Ms Mpho Mosing



Ms Tumelo Mokwena



Mr Bothwell Deka



Mr Cecil Khosa



Mr Jacques Hugo



Mr Mosepedi Sanane



Mr Kagiso Menoe

UPDATES TO BOARD MEMBERSHIP DURING FY 2022/23

During the fiscal year, the Board experienced several changes to its membership. Firstly, Mr Mandla Mnguni, who held an ex-officio position as the Chief Executive Officer, resigned from his role as CEO on 5 September 2022. Additionally, Major-General Mokoena, who served as the representative for the South African Police Service, resigned on 27 January 2023, and at of the end of the financial year, the DMRE had not yet provided a new representative. Finally, Mr William Mabapa resigned on 13 March 2023 and was replaced by Mr Mosepedi Sanane on 29 March 2023.

BOARD COMPOSITION

In accordance with Section 17(2) of the Diamonds Act 56, 1986, as amended, the Minister of Mineral Resources and Energy ("the Minister") appoints the Board of the State Diamond Trader. The current Board has been in office for three (3) years, having been appointed by the Minister effective from 1 November 2020.

The Act requires the Minister to establish an independent selection panel with expertise in diamond industry issues before appointing Board members. The panel identifies suitable candidates for the Minister's consideration, but the Minister retains the authority to appoint and constitute the State Diamond Trader Board.

Membership of the Board is drawn from diverse stakeholders from various sectors, including the diamond industry, as mandated by Section 17(3) of the Act. The current Board is well balanced in terms of continuity, qualifications, experience, age, race, and gender, as outlined below (**Table 6**).

Table 6: SDT Board Members Skills Mix

Name	Designation	Educational Background	Area of Expertise	Committee
Ms MM Ledingwane	Chairperson of the Board	Law	Commercial Law, Governance and Business Leadership	Chairperson of the Governance Committee
Ms SMB Nyakale	Chairperson of Audit and Risk Committee	Chartered Accountancy, Development Finance	Development Finance, Chartered Accounting and Corporate and investment Banking	Chairperson of the Audit and Risk Committee
Ms M Mosing	Member	Law, Public Management	Legal, Public Management, HR Management and Business Leadership	Member of the Human Resources, Remuneration and Social Ethics Committee
Mr G Du Plessis	Chairperson of the Human Resources, Remuneration and Social Ethics Committee	Labour Policy, Globalisation	Labour Policy and globalisation, Strategy and Business Leadership	Chairperson of the Human Resources, Remuneration and Social Ethics Committee
Mr J Hugo	Member	Business Management, Business Administration	Business Leadership, Finance, Labour, and Dispute Resolution	Member of the Audit and Risk Committee
Mr B Deka	Member	Economics, Mercantile Law	Economics, Mercantile Law, and Public Finance Management	Member of Trading and Industry Promotions Committee
Mr C Khosa	Member	Earth Sciences	Compliance, Mining, Business Management	Member of Trading and Industry Promotions Committee
Ms T Mokwena	Member	Import and Export Management, Business Administration	Business Administration, Mining, SMME Development and Project Management	Member of the Trading and Industry Promotions Committee

Name	Designation	Educational Background	Area of Expertise	Committee
Mr L Rapoo	Chairperson of the Trading and Industry Promotions Committee	Mine Surveying	Mining, Business Leadership, Project Management, Mineral Regulation and Mineral Policy	Chairperson of the Trading and Industry Promotions Committee
Mr JK Menoe	Member	Chemical Engineering	Mining, Quality Assurance and Beneficiation Economics	Member of the Audit and Risk Committee before becoming an ex-offico member on 7 September 2022.
Mr M Sanane	Member	Human Resouces	Human Resources, Labour and Dispute Resolution	Member of the Human Resources, Remuneration and Social Ethics Committee

KEY MATTERS ATTENDED TO BY THE BOARD

PORTFOLIO COMMITTEE

The SDT appeared before the Parliamentary Portfolio Committee (PPC) on Mineral Resources and Energy in May 2022 to present the Annual Performance Plan FY 2022/23 and appeared again in August 2022 to present the Annual Report FY21/22. The PPC adopted both the Annual Performance Plan FY 2022/23 and the Annual Report FY21/22.

REPORTS SUBMITTED TO THE EXECUTIVE AUTHORITY

The Executive Authority (EA) of SDT is the Minister of Mineral Resources and Energy. As per the compliance requirements, SDT submitted the following reports to the EA, shown in **Table 7**.

Table 7: Reports submitted by the SDT to the Executive Authority*

Period	Document
Quarter 1	• 4th Quarterly Report FY 2021/22 • Draft Unaudited Annual Report FY 2021/22
Quarter 2	• Board Assessment Report • 1st Quartet Report FY 2022/23 • Audited Annual Report FY 2021/22
Quarter 3	• 2nd Quarterly Report FY 2022/23
Quarter 4	• 3rd Quarterly Report FY 2022/23 • Corporate Plan FY 2023/23

***Quarterly reports include the following:**

1. Financial Report
2. PFMA Compliance Checklist
3. Performance Report
4. Integrated Trading Report
5. Risk Register
6. Combined Audit Action Plan

GOVERNANCE STRUCTURE OF THE BOARD

BOARD

Introduction

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 its principles. The manual is reviewed annually to ensure relevance. The State Diamond Trader is listed in 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 once 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 schedule 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 is entitled to have 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, of which three (3) were special meetings. Attendance was recorded as follows in **Table 8**.

Table 8: Attendance of Board Meetings

Board member	Meetings Attended
Ms MM Ledingwane	7
Mr L Rapoo	8
Mr J Hugo	8
Ms M Mosing	8
Mr C Khosa	5
Mr W Mabapa*	1
Mr B Deka	4
Ms SMB Nyakale	5
Ms T Mokwena	7
Mr G Du Plessis	8
Major General NH Mokoena*	3

** Low attendance due to resignations during the year under review.*

COMMITTEES OF THE BOARD

In terms of 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:

1. Audit and Risk Committee
2. Human Resources, Remuneration and Social and Ethics Committee
3. Trading and Industry Promotion Committee
4. Governance Committee.

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

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. has duties assigned to it by the Board over and above its statutory duties.

Specific responsibilities, as prescribed in its 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 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 page 52 of this Annual Report.

The Audit and Risk Committee met seven (7) times during the year under review, of which three (3) were special meetings,

Table 9 shows the attendance of ARC Committee Meetings during the year under review.

Table 9: ARC Meeting Attendance

Committee Member	Meetings Attended
Ms SMB Nyakale (Chairperson)	7
Mr J Hugo	7
Mr JK Menoe*	4

**Ex-offico member as of September 2022*

HUMAN RESOURCES, REMUNERATION AND SOCIAL ETHICS COMMITTEE

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. The Committee has conducted its affairs in compliance with the terms of reference and has discharged its responsibilities contained therein. The HR, RE and S&E Committee met five (5) times during the year under review, of which one (1) was a special meeting,

Table 10 shows the attendance of HR, RE and S&E Committee Meetings during the year under review.

Table 10: HR, RE and S&E Committee Meeting Attendance

Committee Member	Meetings Attended
Mr G Du Plessis (Chairperson)	5
Ms M Mosing	4
Major General NH Mokoena	4
Mr W Mabapa*	1

** Resigned*

TRADING AND INDUSTRY PROMOTIONS COMMITTEE

The Trading and Industry Promotion Committee (known as 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 operates by the terms of reference approved by the Accounting Authority. The Trading and Industry Promotions Committee met five (5) times during the year under review, of which one (1) was a special meeting,

The Committee has conducted its affairs in compliance with the terms of reference and has discharged its responsibilities contained therein shows the attendance of Trading and Industry Promotion Committee Meetings during the year under review (**Table 11**).

Table 11: Trading and Industry Promotion Committee Meeting Attendance

Committee Member	Meetings Attended
Mr L Rapoo (Chairperson)	5
Ms T Mokwena	5
Mr B Deka	3
Mr C Khosa	1

GOVERNANCE COMMITTEE

The Committee was established to assist the Chairperson of the Board in initiating and managing overall performance evaluations of the Chief Executive Officer. The Board has extended the Governance Committee's terms of reference to include coordinating the activities of all Board Committees, thereby avoiding duplication, addressing issues raised by the chairpersons of the Board Committees, considering issues raised to the Chairperson of the Board Committees, and making recommendations to the Board on issues that have not been allocated to a specific Committee.

Additionally, the Governance Committee's function was further extended to include the review of all governance documents and to make recommendations to the Board on any necessary updates or revisions. The Committee has conducted its affairs in compliance with the terms of reference and has discharged its responsibilities contained therein. The Governance Committee met seven (7) times during the year under review, of which two (2) were special meetings,

The Chairperson of the Board chairs the Committee, and the Committee is also comprised of the chairpersons of the Board Committees. **Table 12** shows the attendance of the Governance Committee Meetings during the year under review.

Table 12: Governance Committee Meeting Attendance

Committee Member	Meetings Attended
Ms MM Ledingwane	7
Mr L Rapoo	7
Mr G Du Plessis	6
Ms SMB Nyakale	6





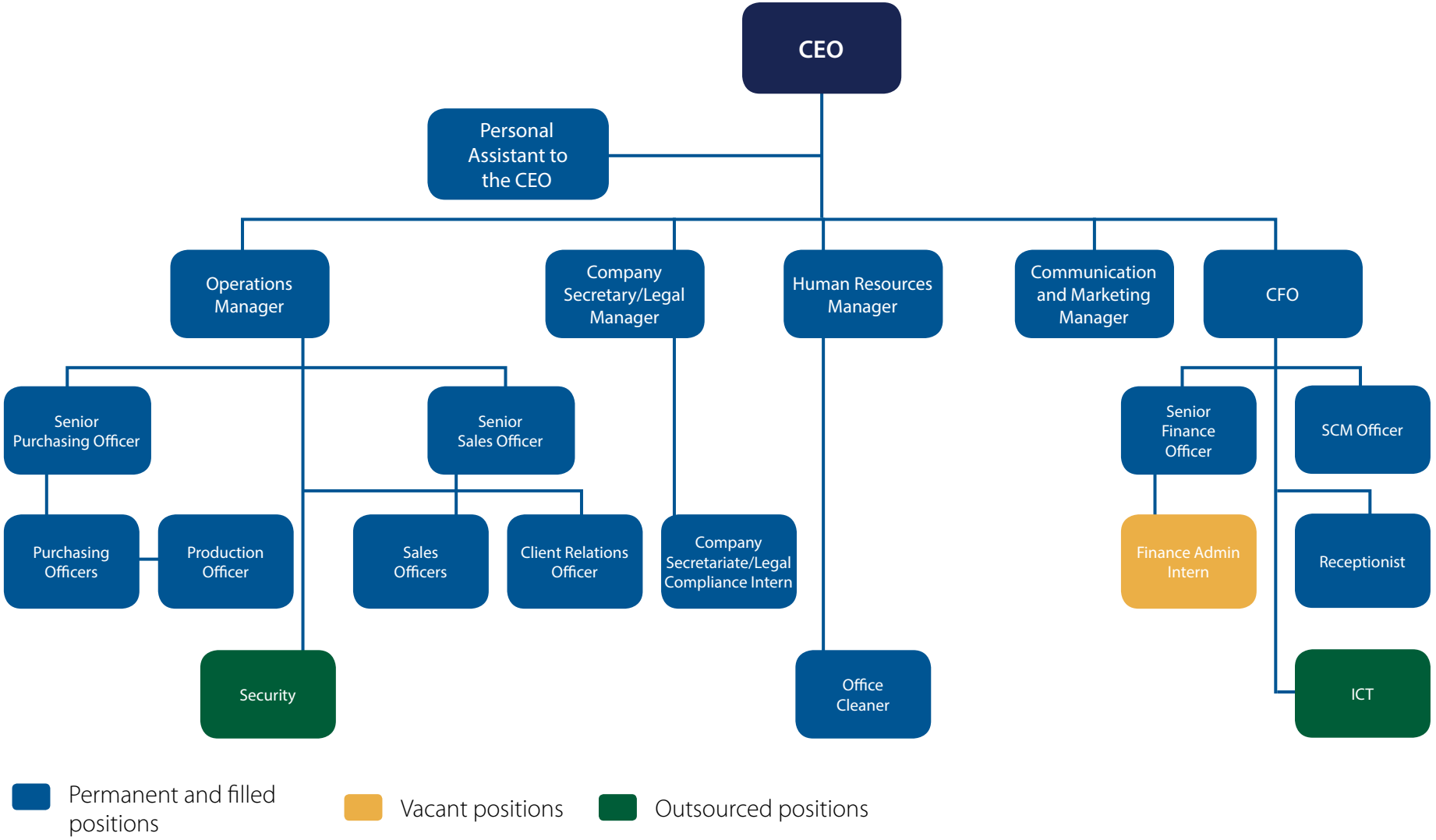




HUMAN RESOURCES REPORT

ORGANOGRAM

Below is the 2022/2023 Board approved organogram that excludes five (5) Enterprise Development Programme trainees within Operations Department.



EXECUTIVE MANAGEMENT TEAM



Mr Kagiso Menoe



Ms Somikazi Madolo



Mr Sihle Mhlangu



Mr Conrad Van Der Ross

EXECUTIVE MANAGEMENT TEAM AND AREA OF EXPERTISE FY 2022/23

Name	Designation	Area of Expertise
Mr Kagiso Menoe	Acting Chief Executive Officer	Mining, Assurance and Beneficiation Economics
Ms Somikazi Madolo	Chief Financial Officer	Accountancy and Auditing
Mr Sihle Mhlangu	Company Secretary/ Legal Manager	Legal, Compliance and Governance
Mr Conrad Van Der Ross	Operations Manager	Diamond Industry and Technical Diamond Skills

MANAGEMENT CHANGES FY 2022/23

In the fiscal year of 2022/23, there were significant changes in the management team of the company. Firstly, Mr Mandla Mnguni resigned from his position as Chief Executive Officer in September 2022. Following his resignation, Mr Kagiso Menoe was appointed as the Acting Chief Executive Officer by the Minister of DMRE in September 2022.

Ms N Mncwango resigned from her role as the Chief Financial Officer on 3 July 2022. The Company Secretary acted as the Chief Financial Officer from 1 August 2022 to 21 September 2022 after which a consultant, Mr Rassie Barnard acted in the Chief Financial Officer position from 22 September 2022 up to 30 November 2022. Following the finalisation of the CFO recruitment process, Ms Somikazi Madolo was appointed as the new Chief Financial Officer on 1 December 2022.

REMUNERATION REPORT

REMUNERATION

The Board takes responsibility for the governance of remuneration and determines the approach to employee remuneration. The DMRE takes responsibility for the determination of remuneration for Board members. Details of remunerations for Executives and Board members are available on pages 81 to 82 in the Annual Financial Statements.

OUR PHILOSOPHY FOR REMUNERATION

The aim of the Remuneration Policy, Performance Management and Reward Policy is to guide the organisation in the management of processes and practices required to attract and retain competent, well-motivated and committed employees who will support the achievement of the State Diamond Trader's mandate and objectives. The entity strives to ensure that its employees are fairly remunerated, in line with the Remuneration Policy and the Performance Management and Reward Policy.

INFLUENTIAL FACTORS FOR REMUNERATION

INTERNAL FACTORS

- Vision, mission, and objectives.
- 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 linked to inflation rates.
- Remuneration is 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 and Social and Ethics Committee focused on the following key areas of remuneration during the reporting period:

- Cost-of-living adjustments
- Performance bonuses

The State Diamond Trader engages consultants for remuneration every three years to benchmark salaries with other similar entities in the government and diamond sectors. The State Diamond Trader engaged consultants for a remuneration survey from December 2021 to March 2022 to benchmark salaries against similar entities in the government sector and diamond industry.

HUMAN RESOURCES STATISTICS

WORKFORCE PROFILE

Table 13 shows the State Diamond Trader workforce profile. Temporary employees are one (1) intern and five (5) Enterprise Development Programme trainees. Furthermore, the entity has one (1) male disabled employee and ten (10) youth employees.

Table 13: State Diamond Trader Workforce Profile

Occupational Levels	2022/2023 Number of Employees	2022/2023 Approved Vacancies	2022/2023 Vacancies Pending	Percentage of Vacancies
Top Management	4	2	1	4%
Senior Management	2	0	0	0%
Professional Qualified	4	0	0	0%
Skilled	6	0	0	0%
Semi-skilled	2	0	0	0%
Unskilled	6	6	1	4%
Total	**24**	**8**	**2**	**8%**

LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION

Table 14 shows misconduct and disciplinary action statistics during the 2022/2023 financial year.

Table 14: Misconduct and Disciplinary Action

NATURE OF DISCIPLINARY ACTION	NUMBER
Verbal Warning	0
Written Warning	1
Final Written Warning	0
Dismissal	0
Suspension	0
TOTAL	**1**

PERFORMANCE REWARDS

Table 15 shows performance bonuses paid during the 2022/2023 financial year based on employee individual and business performances during the 2021/2022 financial year.

Table 15: Performance Bonuses Paid during 2022/2023 Financial Year

OCCUPATIONAL LEVELS	PERFORMANCE REWARDS	NUMBER OF EMPLOYEES	PERCENTAGE OF PERFORMANCE REWARDS TO TOTAL PERSONNEL COST
Top Management	R712 959	4	52%
Senior Management	R185 418	2	14%
Professional Qualified	R229 805	3	17%
Skilled	R206 198	5	14%
Semi-skilled	R22 794	1	2%
Unskilled	R13 528	1	1%
Total	**R1 370 702**	**16**	**100%**

TRAINING COST THAT INCLUDES BURSARIES AND SOFT SKILLS DEVELOPMENT

Table 16 shows expenditure on bursaries and soft skills development at different occupational levels.

Table 16: Bursaries and Soft Skill Development

OCCUPATIONAL LEVELS	TRAINING expenditure	TRAINING EXPENDITURE AS A PERCENTAGE OF TRAINING COSTS	NUMBER OF EMPLOYEES	average personnel cost per employee
Top Management	R17 156	13%	4	R4 289
Senior Management	R8 575	6%	2	R2 143
Professional Qualified	R83 767	62%	4	R20 941
Skilled	R21 026	15%	6	R3 504
Semi-skilled	R4 289	3%	2	R2 144
Unskilled	R1 380	1%	1	R1 380
Total	**R136 193**	**100%**	**19**	**R34 400**





FINANCIAL REPORT

FINANCIAL REPORT

AUDIT AND RISK COMMITTEE REPORT

I am pleased to present the Report of the Audit and Risk Committee of the State Diamond Trader for the year ended 31 March 2023. The Committee is established in compliance with Section 77 of the PFMA to assist the Board in maintaining an effective, efficient, and transparent system of financial and risk management and internal control.

The Audit and Risk Committee operates under formal terms of reference approved by the Board. Our role includes both statutory duties and additional responsibilities assigned by the Board. The Committee has reviewed the accounting policies and financial statements of the State Diamond Trader and confirmed that they are appropriate and comply with International Financial Reporting Standards (IFRS).

In addition, the Audit and Risk Committee has overseen the internal audit process, including an assessment of the effectiveness of the entity's system of internal control and risk assessments, including internal financial controls. The Board has assigned oversight of the State Diamond Trader's risk management function to the Committee in respect of the entity's Risk Register, financial reporting risks, internal controls, fraud risk, and information technology risk. We are responsible for ensuring that the entity's internal audit function is independent and able to discharge its duties. Additionally, we oversee cooperation between the internal and external auditors and serve as a link between the Board and these assurance functions. The internal audit function reports to us and is responsible for reviewing and providing assurance on the adequacy of the internal control environment across the entity's operations.

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

We have executed our duties effectively, ensuring sufficient internal controls, good financial reporting and management, and risk management.

Finally, I would like to express our appreciation to the Board, CEO, external and internal auditors, and members of the Audit and Risk Committee for their support and contributions during the year.



Ms SMB Nyakale

Chairperson of the Audit and Risk Committee

STATEMENT OF RESPONSIBILITY FOR FINANCIAL STATEMENTS

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 strategic objectives, 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 Ms MB Nyakale and are signed on its behalf by:



Ms MM Ledingwane
Chairperson of the Board



Ms SMB Nyakale
Chairperson of the Audit and Risk Committee

CHIEF FINANCIAL OFFICERS OVERVIEW



MS S MADOLO
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 continued to maintain a healthy trading environment during the 2022/2023 financial year. This is on the backdrop of rough diamond prices increasing steadily in the second half of the year as polished prices fell by an average of 20%.

Revenue decreased by 8% from R1.4 billion to R1.3 billion. The decrease is mainly attributable to a decline in production levels of major diamond producers, as the acquired production values contribute 70% to State Diamond Trader's revenue.

Total expenditure increased to R45 million during the year under review from R33 million during the 2021/2022 financial year. Included in operating expenditure is a foreign exchange loss of R16 million (2021/2022: R12 million) recognised in the Statement of Financial Performance as required by IAS 21 and IFRIC 22.

The net profit amounted to R38 million compared to R53 million achieved during the 2021/2022 financial year.

CASH FLOW

Cash and cash equivalents increased from R101 million in 2021/2022 to R114 million during 2022/2023 due to the healthy trading environment that was maintained during the year under review.

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 S Madolo
Chief Financial Officer
August 2023



FINANCIAL PERFORMANCE

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 63 to 85 which comprise the statement of financial position as at 31 March 2023, statement of comprehensive income, statement of changes in equity and statement of cash flows, 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 2023 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'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 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.

Responsibilities of the auditor-general 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

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

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

10. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for selected strategic objectives presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

11. I selected the following strategic objectives presented in the annual performance report for the year ended 31 March 2023 for auditing. I selected strategic objectives that measure the public entity's performance on its primary mandated functions and that are of significant national, community or public interest.

Strategic objectives	Page numbers	Purpose
A transformed and inclusive diamond beneficiation industry that ensures an increased black ownership and participation in the sector.	Page 21 - 22	To grow and transform the diamond industry
A capable workforce and developmental Industry	Page 20	To contribute to training and skills development
A knowledge-based and innovative organisation.	Page 21	To collaborate in promoting research and innovation for sustainable development of the diamond beneficiation industry.

12. I evaluated the reported performance information for the selected strategic objectives against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the public entity's planning and delivery on its mandate and objectives.

13. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives.
- the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that I can confirm the methods and processes to be used for measuring achievements.

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

- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as Ill as how performance will be evaluated.
- the indicators and targets reported on in the annual performance report are the same as what was committed to in the approved initial or revised planning documents.
- the reported performance information is presented in the annual performance report in the prescribed manner.
- there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

14. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion.

15. The material finding on the performance information of the selected objective is as follows.

A knowledge-based and innovative organization

Indicator: Collaboration in promoting and investing in research and innovation for sustainable development of the diamond beneficiation industry.

16. The planned target for this indicator was *[To improve Security Risk Management]*. However, the target was not specific in that it was not indicated how it would be measured or when it should be delivered. Consequently, the information might be less useful for measuring performance.

Other matters

17. I draw attention to the matters below.

Achievement of planned targets

18. The annual performance report includes information on reported achievements against planned targets and provides explanations for over and under achievement.

Material misstatements

19. I identified a material misstatement in the annual performance report submitted for auditing. This material misstatement was in the reported performance information of collaboration in promoting and investing in research and innovation for sustainable development of the diamond beneficiation industry. Management did not correct the misstatement and I reported a material finding in this regard.

Report on compliance with legislation

20. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.

21. I performed procedures to test compliance with selected requirements in key legislation in accordance with the finding's engagement methodology of the Auditor-General of South Africa. This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

22. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the

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

financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

23. I did not identify any material non-compliance with the selected legislative requirements.

Other information in the annual report

24. The accounting authority is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and those selected strategic objectives presented in the annual performance report that have been specifically reported on in this auditor's report.

25. My opinion on the financial statements and my findings on the reported performance information and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

26. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected strategic objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement, in this other information, I am required to report that fact. I have nothing to report in this regard.

27. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

28. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

29. The matter reported below is limited to the significant internal control deficiency that resulted in the findings on the annual performance report included in this report.

30. Management did not adequately review the annual performance report, to ensure that the presentation of one of the achieved performance targets was useful.

Auditor-General

Johannesburg

31 July 2023

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

The annexure includes the following:

Annexure to the auditor's report

- The auditor-general's responsibility for the audit
- The selected legislative requirements for compliance testing.

Auditor's responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected strategic objectives and on the public entity's compliance with selected requirements in key legislation.

Financial statements

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.
- conclude on the appropriateness of the 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 public entity to continue as a going concern. If I conclude that a material uncertainty exists, I are 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 us 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

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.

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 have a bearing on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Annexure to the auditor's report

Compliance with legislation – selected legislative requirements.

1. The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act	PFMA 51(1)(b)(i) PFMA 51(1)(b)(ii) PFMA 51(1)(e)(iii) PFMA 53(4) PFMA 54(2)(c) PFMA 54(2)(d) PFMA 55(1)(a) PFMA 55(1)(b) PFMA 55(1)(c)(i) PFMA 57(b)
National Treasury Regulations	TR 16A.7.1 TR 16A.7.6 TR 16A.7.7 TR 16A6.1 TR 16A8.4 TR 16A9.1(d) TR 16A3.2(a) TR 16A6.4 TR 16A6.5 TR 16A6.3(c) TR 16A8.3 TR 16A8.4 TR 30.1.1 TR 30.1.3(a) TR 30.1.1 TR 30.1.3(b) TR 30.1.3(d) TR 30.2.1

Annexure to the auditor's report

Legislation	Sections or regulations
National Treasury Regulations	TR 31.1.2(c) TR 31.2.1 TR 31.3.3 TR 33.1.3
	SCM Instruction Note 02 of 2021-22 PFMA instruction note no.3 of 2021/22 NT Instruction 4A of 2016/17 NT Instruction 07 of 2017/18 par 4.3 NT Instruction 4A of 2016/17 par 6 NT Instruction 01 of 2021-22 par. 4.1
Preferential Procurement reg 2017	PPPFA section 2(1)(a) and (b) Preferential Procurement reg 6(8), 7(8), 10(1) & (2) & 11(1) Preferential Procurement reg 5(1) & 5(3) Preferential Procurement reg 5(6) Preferential Procurement reg 5(7) Preferential Procurement reg 4(1) & 4(2) Preferential Procurement reg 8(2) Preferential Procurement reg 8(5) Preferential Procurement reg 9(1)
Preferential Procurement reg 2022	Preferential Procurement reg 4(4)
State Information Technology Agency Act	SITA Act section 7(3)

Statement of Financial Position as at 31 March 2023

Figures in Rand	Note(s)	2023	2022
Assets			
Non-Current Assets			
Property, plant and equipment	2	1,960,944	2,126,295
Right of Use Asset	3	9,808,219	10,973,552
		11,769,163	**13,099,847**
Current Assets			
Inventories	4	15,463,075	-
Trade and other receivables	5	7,434,888	690,100
Cash and cash equivalents	6	113,537,616	100,976,692
		136,435,579	**101,666,792**
Total Assets		**148,204,742**	**114,766,639**
Equity and Liabilities			
Equity			
Retained income		132,835,197	95,182,888
Liabilities			
Non-Current Liabilities			
Lease liabilities	7	11,002,860	11,515,079
Current Liabilities			
Trade and other payables	9	2,659,255	7,019,121
Lease liabilities	7	512,219	146,051
Incentive bonus provision	8	1,195,211	903,502
		4,366,685	**8,068,674**
Total Liabilities		**15,369,545**	**19,583,753**
Total Equity and Liabilities		**148,204,742**	**114,766,641**

Statement of Comprehensive Income

Figures in Rand	Note(s)	2023	2022
Revenue	10	1,332,249,066	1,442,748,460
Cost of sales	11	(1,255,224,007)	(1,358,070,862)
Gross profit		**77,025,059**	**84,677,598**
Other income	12	124,783	149,082
Operating expenses	26	(44,761,854)	(33,433,663)
Operating profit		**32,387,988**	**51,393,017**
Finance Income	14	6,309,740	1,902,308
Finance costs	16	(1,045,419)	(618,322)
Profit for the year		**37,652,309**	**52,677,003**
Other comprehensive income		-	-
Total comprehensive income for the year		**37,652,309**	**52,677,003**

Statement of Changes in Equity

Figures in Rand	Retained income	Total equity
Balance at 01 April 2021	**42,505,885**	**42,505,885**
Profit for the year	52,677,003	52,677,003
Other comprehensive income	-	-
Total comprehensive income for the year	**52,677,003**	**52,677,003**
Balance at 01 April 2022	**95,182,888**	**95,182,888**
Profit for the year	37,652,309	37,652,309
Other comprehensive income	-	-
Total comprehensive income for the year	**37,652,309**	**37,652,309**
Balance at 31 March 2023	**132,835,197**	**132,835,197**

Statement of Cash Flows

Figures in Rand	Note(s)	2023	2022
Cash flows from operating activities			
Cash generated from operations	17	7,670,578	62,273,132
Interest income		6,220,072	1,799,965
Finance costs		(1,045,419)	(618,322)
Net cash from operating activities		**12,845,231**	**63,454,775**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(138,675)	(2,088,276)
Loss on disposals of property, plant and equipment	2	417	24,678
Net cash from investing activities		**(138,258)**	**(2,063,598)**
Cash flows from financing activities			
Cash repayments on finance lease liabilities		(146,051)	(272,953)
Total cash movement for the year		**12,560,922**	**61,118,224**
Cash and cash equivalents at the beginning of the year		100,976,692	39,858,468
Total cash at end of the year	6	**113,537,614**	**100,976,692**

Accounting Policies

1. Basis of preparation and summary of significant accounting policies

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 judgement

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.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

Management did not make critical judgements in the application of accounting policies, apart from those involving estimations, which would significantly affect the annual financial statements.

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

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.

Accounting Policies

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.

1.2 Leases

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%.

1.3 Property, plant 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:

The useful lives of items of property, plant and equipment have been assessed as follows:

Accounting Policies

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	10%
Right of Use asset	Straight line	10%
Leasehold improvements	Straight line	10%
Security Equipment	Straight line	10%
Computer Equipment	Straight line	20-33%
Diamond Equipment	Straight line	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 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.

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

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.

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.

1.4 Inventories

Inventories consist 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

Accounting Policies

1.4 Inventories (continued)

completion and costs to be incurred in marketing, selling and distribution.are measured at the lower of cost and estimated selling price less costs to complete and sell, 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.

1.5 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.

1.6 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.

1.7 Revenue

Revenue is recognised to the extent that the company has transferred the significant risks and rewards of ownership of goods to the buyer, or has rendered services under an agreement provided the amount of revenue can be measured reliably and it is probable that economic benefits associated with the transaction will flow to the company. Revenue is measured at the fair value of the consideration received or receivable, excluding sales taxes and discounts.

Interest is recognised, in profit or loss, using the effective interest rate method.

Revenue

The entity generates revenue from rough diamonds sales.

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.

Accounting Policies

1.7 Revenue (continued)

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.

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.

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.

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.

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.

Contract Liability (Income Received in Advance)

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.

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

Accounting Policies

1.7 Revenue (continued)

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.

1.8 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.

1.9 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.

1.10 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 subsequently 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.

Accounting Policies

1.10 Financial Instruments (continued)

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.

1.11 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.

1.12 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.

1.13 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.

1.14 Financial Risk Management

1.14.1 Overview

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

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

Accounting Policies

1.14.1 Overview (continued)

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.

1.14.2 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.

1.14.3 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.

1.14.4 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.

1.14.5 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.

Accounting Policies

1.14.6 Financial Assets and Liabilities

Financial Assets	31 March 2023	31 March 2022
Cash and cash equivalents	R113 537 616	R100 976 692
Trade and receivable	R7 149 336	R377 445

Financial Liabilities	31 March 2023	31 March 2022
Trade and other payable	R2 034 208	R2 701 849
Lease Liabilities	R11 515 081	R11 661 130

1.15 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 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 considered 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: Classification of Liabilities as Current or Noncurrent and Non-current liabilities with Covenants	1 January 2024	Impacting on SDT
IFRS 16 Leases: Lease Liability in a Sale and Leaseback	1 January 2024	Impacting on SDT

Notes to the Annual Financial Statements

Figures in Rand | 2023 | 2022

2. Property, plant and equipment

	2023			2022		
	Cost or revaluation	Accumulated depreciation and impairment	Carrying value	Cost or revaluation	Accumulated depreciation and impairment	Carrying value
Furniture and fixtures	668,249	(532,373)	135,876	611,562	(521,694)	89,868
Leasehold improvements	352,649	(55,502)	297,147	352,649	(20,234)	332,415
Security Equipment	366,447	(50,619)	315,828	366,447	(15,111)	351,336
Computer Equipment	618,904	(257,975)	360,929	550,157	(174,969)	375,188
Diamond Equipment	1,477,609	(626,445)	851,164	1,477,609	(500,121)	977,488
Total	**3,483,858**	**(1,522,914)**	**1,960,944**	**3,358,424**	**(1,232,129)**	**2,126,295**

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Depreciation	Closing balance
Furniture and fixtures	89,868	69,928	(417)	(23,503)	135,876
Leasehold improvements	332,415	-	-	(35,268)	297,147
Security Equipment	351,336	-	-	(35,508)	315,828
Computer Equipment	375,188	68,747	-	(83,006)	360,929
Diamond Equipment	977,488	-	-	(126,324)	851,164
	2,126,295	**138,675**	**(417)**	**(303,609)**	**1,960,944**

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Depreciation	Closing balance
Furniture and fixtures	83,368	45,370	(458)	(38,412)	89,868
Leasehold improvements	10,237	352,649	(8,757)	(21,714)	332,415
Security Equipment	44,676	351,113	(15,468)	(28,985)	351,336
Computer Equipment	85,418	371,829	-	(82,059)	375,188
Diamond Equipment	119,276	967,315	(1)	(109,102)	977,488
	342,975	**2,088,276**	**(24,684)**	**(280,272)**	**2,126,295**

Net carrying amounts of leased assets

Leasehold improvements	297,147	332,415

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

3. Right of Use Asset

	2023			2022		
	Cost	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
Right of use asset	11,988,989	(2,180,770)	9,808,219	11,988,989	(1,015,437)	10,973,552

Reconciliation of Right of Use Asset - 2023

	Opening balance	Depreciation	Closing balance
Right of Use Asset	10,973,552	(1,165,333)	9,808,219

Reconciliation of Right of Use Asset - 2022

	Opening balance	Additions	Depreciation	Closing balance
Right of Use Asset	279,716	11,653,329	(959,493)	10,973,552

4. Inventories

Finished goods	15,463,075	-

5. Trade and other receivables

Accrued income	201,647	111,979
Other receivables	6,947,689	265,466
Prepayments	285,552	312,655
	7,434,888	**690,100**

6. Cash and cash equivalents

Cash and cash equivalents consist of:		
Cash on hand	113,537,616	100,976,692

7. Lease liabilities

Net lease liabilities

Non-current liabilities	11,002,860	11,515,079
Current liabilities	512,219	146,051
	11,515,079	**11,661,130**

Notes to the Annual Financial Statements

Figures in Rand

	2023	2022

8. Incentive bonus provision

Reconciliation of incentive bonus provision - 2023

	Opening balance	Amount paid	Adjustment	Closing balance
Incentive bonus provision	903,502	(1,195,211)	1,486,920	1,195,211

Reconciliation of incentive bonus provision - 2022

	Opening balance	Amount paid	Adjustment	Closing balance
Incentive bonus provision	880,318	(705,539)	728,723	903,502

9. Trade and other payables

Creditors	738,731	2,308,974
Vat Payables	-	3,288,713
Leave accrual	625,046	1,028,559
Accrued expenses	1,295,478	392,875
	2,659,255	**7,019,121**

10. Revenue

Sale of goods	1,332,249,066	1,442,748,460

11. Cost of sales

Sale of goods		
Cost of goods sold	1,255,224,007	1,358,070,862
Reconciliation		
Opening inventory	-	4,926,828
Purchases	1,269,506,337	1,352,267,629
Security and transport costs	1,180,745	876,405
Less: Carrying amount of inventory	(15,463,075)	-
	1,255,224,007	**1,358,070,862**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

12. Other income

Other income	124,783	149,082

13. Depreciation, amortisation and impairments

The following items are included within depreciation, amortisation and impairments:

Depreciation		
Property, plant and equipment	1,468,943	1,239,742

14. Finance income

Interest revenue		
Interest received	6,309,740	1,902,308

15. Impairment of assets

In terms of IAS 36 "Impairment of assets", Entities are required to assess the impairment of its assets to comply with IFRS standards and assets management policy. State Diamond Trader has assessed the impairment of its assets for the financial year ended 31 March 2023. Indications of impairment have not been identified during impairment assessment and therefore impairment loss was not recognized at the reporting date.

16. Finance costs

Interest on lease liability	1,045,419	618,322

17. Cash generated from operations

Net profit before taxation	37,652,309	52,677,003
Adjustments for:		
Depreciation, amortisation, impairments and reversals of impairments	1,468,943	1,239,742
Investment income	(6,220,072)	(1,799,965)
Finance costs	1,045,419	618,322
Changes in working capital:		
(Increase) decrease in inventories	(15,463,075)	19,183
(Increase) decrease in trade and other receivables	(6,744,788)	4,926,828
Increase (decrease) in trade and other payables	(4,068,158)	4,592,020
	7,670,578	**62,273,133**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

18. Commitments

Unrecognised Commitments

• Unrecognised commitments	4,138,476	4,954,061

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

Lease commitments

Minimum lease payments due

- within one year	1,561,247	1,214,996
- in second to fifth year inclusive	9,642,192	8,978,864
- In sixth to tenth year inclusive	5,926,466	8,111,963
	17,129,905	**18,305,823**

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

19. Contingencies

Contingent liabilities

The State Diamond Trader is not aware of any contingent liabilities that existed as at 31 March 2023.

Contingent assets

The State Diamond Trader is not aware of any contingent asset that existed as at 31 March 2023

20. 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

Notes to the Annual Financial Statements

Figures in Rand | 2023 | 2022

21. Directors' and prescribed officer's remuneration

Executive		
2023		
Directors' emoluments	**Directors remuneration**	**Total**
Services as director or prescribed officer		
Mr SM Mnguni	895,831	895,831
Mr K Menoe (Acting CEO to date)	250,831	250,831
Ms N Mncwango	491,795	491,795
Ms S Madolo	508,929	508,929
Mr C van der Ross	1,637,687	1,637,687
Mr S Mhlangu	1,184,813	1,184,813
	4,969,886	**4,969,886**

Mr S Mhlangu acted as the Chief Financial Officer from August 1, 2022 to September 21, 2022. The compensation for services rendered in the capacity of Chief Financial Officer (CFO) amounted to R41 610.55. The amount has been incorporated within his overall remuneration for the financial year.

Services as director or prescribed officer of any other company in the group		
Ms SM Mnguni	2,067,304	2,067,304
Ms N Mncwango	1,511,310	1,511,310
Mr C van der Ross	1,683,073	1,683,073
Mr S Mhlangu	94,937	94,937
Ms N Sibeko	750,513	750,513
	6,107,137	**6,107,137**
	11,077,023	**11,077,023**

Notes to the Annual Financial Statements

Figures in Rand | 2023 | 2022

21. Directors' and prescribed officer's remuneration (continued)

Non-executive

2023

Directors' emoluments	Directors fees	Travel claims and Data allowance	Total
Non - Executive Members (Board Fees)			
Mr J Hugo	113,155	-	113,155
Mr GL Rapoo	187,056	26,700	213,756
Ms T Mokwena	90,550	1,490	92,040
Mr G du Plessis	162,222	-	162,222
Mr W Mabapa	28,916	-	28,916
Ms M Mosing	106,570	-	106,570
Ms MM Ledingwane	-	35,552	35,552
Ms Nyakale	-	10,500	10,500
	688,469	**74,242**	**762,711**

All Board Members were appointed on the 1 November 2020

2022

Directors' emoluments	Directors fees	Travel claims and Data allowance	Total
Services as director or prescribed officer			
Mr J Hugo	132,910	-	132,910
Mr GL Rapoo	132,414	-	132,414
Ms T Mokwena	85,684	-	85,684
Mr G du Plessis	153,182	-	153,182
Mr W Mabapa	63,434	-	63,434
Ms M Mosing	113,324	-	113,324
Ms MM Ledingwane	-	17,881	17,881
Ms Nyakale	-	9,000	9,000
	680,948	**26,881**	**707,829**

All Board Members were appointed on the 1 November 2020

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

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

22. Change in accounting estimate

Property, plant and equipment

The Entity has reassessed the useful lives of property, plant and equipment which resulted in certain assets' remaining useful lives changes; Furniture and Fittings , Security assets and Computer Equipment useful lives increased by one (1) year on average.The effect of the change in accounting estimates has resulted in a decrease in depreciation and amounting to R 83 812.30 for the current period. The effect on future periods will increase the depreciation and amortisation by R 83 812.30.

23. Irregular, Wasteful and Fruitless Expenditure

The Irregular Expenditure relates to lease expenditure that was incurred during the 2018/2019 Financial Year. A determination test was conducted and disciplinary action was taken against the responsible official during the financial year 2022/23. The matter was condoned by the Board in April 2023 and the National Treasury approval has not yet been obtained.

Reconciliation of Irregular Expenditure

Opening balance	1,246,110	2,698,584
Less: amount condoned	(1,246,110)	(1,452,474)
	-	**1,246,110**

Analysis of Irregular expenditure per age classification

Prior year	-	1,246,110

Irregular Expenditure detail	**Amount**
Lease	1,246,110

24. Subsequent events

There were no subsequent events identified for reporting purposes

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

25. 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 based on the 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.

Detailed Income Statement

Figures in Rand	Note(s)	2023	2022

26. Operating expenses

Remuneration, other than to employees, for:		
Advertising	209,000	264,697
Auditors remuneration	1,241,289	1,359,826
Bank charges	25,766	19,609
Consulting and professional fees	880,522	-
Depreciation, amortisation and impairments	1,468,943	1,239,742
Office Supplies	63,419	41,311
Foreign Exchange Loss	16,127,506	12,123,283
Conferences, meetings and exhibitions	2,687,442	-
Board Fees	713,969	704,948
Water & Electricity	249,694	359,539
General Expenses	1,724,470	1,153,207
Employee Benefits	14,255,928	13,635,901
IT expenses	863,804	976,906
Insurance	317,211	247,114
Legal expenses	170,848	9,000
Printing and stationery	157,044	49,641
Repairs and maintenance	27,102	20,391
Security	227,344	333,417
Telephone and fax	97,441	111,427
Training	321,975	119,744
Travel	2,931,137	663,960
	44,761,854	**33,433,663**

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