state diamond trader
REPUBLIC OF SOUTH AFRICA

CORPORATE PLAN 2025-26

CONTENTS

ENTITY INFORMATION 2
ACRONYMS AND ABBREVIATIONS 3
STATEMENT BY THE CHAIRPERSON OF THE BOARD 4
STATEMENT BY THE CHIEF EXECUTIVE OFFICER 5
OFFICIAL SIGN-OFF 6

PART A OUR MANDATE 7

ABOUT US AND MANDATE 8
1. WHO WE ARE 8
2. MANDATE 8
3. VISION 8
4. MISSION 8
5. VALUES 8
GOVERNANCE STRUCTURE 8
ORGANISATIONAL STRUCTURE 9
THE BOARD 10
EXECUTIVE MANAGEMENT 12
STRATEGIC FRAMEWORK 13

PART B STRATEGIC FOCUS 14

SITUATIONAL ANALYSIS 15
6. THE DIAMOND MARKET 15
7. GLOBAL CHALLENGES 15
8. LOCAL CONCERNS 16
STEEPLED ANALYSIS (EXTERNAL SITUATIONAL ANALYSIS) 18
SWOT ANALYSIS (INTERNAL SITUATIONAL ANALYSIS 20
STRATEGIC OBJECTIVES AND PERFORMANCE INDICATORS 21
9. OUTCOME 1: ECONOMICALLY FEASIBLE, TRANSFORMED BENEFICIATION OF DIAMONDS 21
10. OUTCOME 2: ORGANISATIONAL SUSTAINABILITY 22

PART C FINANCIAL PLAN 24

FINANCIAL PLAN FOR THE PERIOD 25
11. PROJECTED STATEMENT OF COMPREHENSIVE INCOME 25
12. PROJECTED STATEMENT OF FINANCIAL POSITION 30
13. PROJECTED CASH FLOW STATEMENT 31
14. PROJECTED CAPITAL EXPENDITURE 32
15. BORROWING PLAN 32

PART D SHAREHOLDERS COMPACT 33

SHAREHOLDER COMPACT 34
SHAREHOLDER PERFORMANCE AGREEMENT 34
SHAREHOLDER COMPACT AGREED PRINCIPLES 35
ANNUAL PERFORMANCE PLAN 38
TECHNICAL INDICATORS 40

PART E ANNEXURES 50

ANNEXURE A: MATERIALITY AND SIGNIFICANCE FRAMEWORK 51
ANNEXURE B: STRATEGIC RISK AND GOVERNANCE 53
ANNEXURE C: FRAUD PREVENTION PLAN AND POLICY 54
ANNEXURE D: BORROWING PLAN 61

ENTITY INFORMATION

NATURE OF THE 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), 38 Bonaero Drive, ACSA Precinct, Bonaero Park, 1619
TELEPHONE	011 334 2691
EMAIL	infosdt@statediamondtrader.gov.za
WEBSITE	www.statediamondtrader.gov.za
X	@SDT_RSA
FACEBOOK	State Diamond Trader SDT225
INSTAGRAM	state-diamond-trader
YOUTUBE	statediamondtrader
LINKEDIN	statediamondtrader
SHAREHOLDER	Government of the Republic of South Africa, Represented by the Minister of Mineral and Petroleum Resources
EXTERNAL AUDITOR	Auditor-General of South Africa

ACRONYMS AND ABBREVIATIONS

The Act	Diamonds Act (Act No. 56 of 1986) as amended
AGSA	Auditor-General of South Africa
BEE	Black Economic Empowerment
CEO	Chief Executive Officer
CFO	Chief Financial Officer
DMPR	Department of Mineral and Petroleum Resources
dtic	Department of Trade, Industry and Competition
EDP	Enterprise Development Programme
FVLCD	Fair Value Less Cost of Disposal
HDSA	Historically Disadvantaged South Africans
HR	Human Resources
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IDC	Industrial Development Corporation
IFRS	International Financial Reporting Standards
IFRIC	International Financial Reporting Interpretation Committee
PAA	Public Audit Act (Act No. 25 of 2004) as amended
PFMA	Public Finance Management Act (Act No. 1 of 1999) as amended
R	Rand(s)
ROM	Run of Mine
SADPMR	South African Diamonds and Precious Metals Regulator
SARS	South African Revenue Services
SDT	State Diamond Trader
SOE	State-Owned Entity
USD	United States Dollar
VAT	Value-Added Tax
VIU	Value in Use
WSP	Workplace Skills Development Plan

STATEMENT BY THE CHAIRPERSON OF THE BOARD

With gratitude to the Honourable Minister, Mr. Gwede Mantashe, for appointing us as the Board of the State Diamond Trader (SDT), we assumed office on 20 September 2024. The Corporate Plan for the 2025/2026 financial year marks our first opportunity to shape the entity's strategic direction moving forward.

In preparation for developing this Corporate Plan, the Board and executive management convened for a strategic workshop. Key themes that emerged from the workshop highlighted the unprecedented challenges affecting the execution of the SDT's mandate, as outlined in the Diamonds Act 56 of 1986—namely, promoting equitable access to rough diamonds and supporting local beneficiation. These challenges arise from market volatility, fluctuations in supply and demand, unstable diamond prices, and uncertainty regarding the future of De Beers, our major diamond supplier—all beyond our control.

As the incoming Board, our primary objective is to navigate these challenges and ensure the long-term sustainability of the State Diamond Trader. To achieve this, we will review the entity's business case to develop sustainable operating, business, financial, and governance models. To support this process, the Board has resolved to establish a special Ad-Hoc Committee comprising a dedicated team of professionals with extensive expertise in the diamond industry.

We look forward to engaging rigorously with key stakeholders, including our shareholder, local diamond producers, diamond beneficiators, financiers and investors, foreign diamond-producing jurisdictions, scholars, academia, and other relevant institutions.

Furthermore, we are committed to advancing South Africa's vision of expanding local diamond beneficiation, revitalising economic growth, and, as a result, creating jobs and reducing the persistently high poverty levels in our communities.

I am pleased to present this Corporate Plan, which outlines the strategic initiatives and activities to be undertaken to fulfil the entity's objectives.



Mr Abbey Chikane
Chairperson of the Board



STATEMENT BY THE CHIEF EXECUTIVE OFFICER

I am pleased to present the State Diamond Trader's (SDT) Corporate Plan in line with section 52 of the Public Finance Management Act (PFMA). Amidst challenging diamond markets, slow growth in the global economy, and continued high inflation rates, the SDT is set to ensure that its mandate of equitable access to diamonds for the purpose of growing the diamond beneficiation industry is realised. In terms of diamond production levels, South Africa has dropped from being the top five producer in the world to number six. This impacted the entity's performance negatively, as one of the producers whose production levels have dropped is the biggest supplier of diamonds to the SDT. To close this gap, the entity plans to increase its diamond production levels by sourcing suitable rough diamonds from other African diamond-producing countries. This will ultimately allow the SDT to increase the supply of local rough diamonds to Historically Disadvantaged South Africans (HDSA) for the purpose of beneficiation.

The entity has further identified Research and Development (R&D) as one of the critical areas of focus during the 2025/26 financial year. A Research partner will be identified to assist the entity in this regard. The Board approved a pilot project to purchase diamonds from Botswana in order to close the gap in production from the South African mines. The Project will commence once the Board has approved the framework to purchase diamonds from foreign jurisdiction.

In the absence of funding from the shareholder, the SDT has resolved to include a borrowing plan in this Corporate Plan. These funds will be utilised to ensure that the entity meets all its financial obligations including purchasing rough diamonds from other African countries to supply suitable rough diamonds to the entity's clients.

The organisational structure of the SDT has been reviewed and submitted to the Board for approval to ensure that the entity is positioned to fulfil its mandate effectively. The current structure of the SDT has not been reviewed since its inception and is no longer fit for the entity. The proposed structure ensures that the SDT is able to fulfil its mandate and implement the proposed initiatives. Employee development will be one of the entity's key initiatives.

During the previous financial year, the SDT successfully hosted the Inaugural SA Diamond Show. This demonstrated the entity's commitment to showcasing natural diamonds and positioning South Africa as a key player in the global diamond industry. The event is a pivotal part of the entity's broader strategy to strengthen marketing efforts, advance beneficiation, and promote the sustainable development of the local diamond sector. The entity aims to increase the visibility of natural diamonds, drive global demand, and support practices that generate long-term value for both the economy and local communities. Through targeted campaigns, we seek to emphasise the unique appeal of natural diamonds while fostering innovation and strategic partnerships.

To ensure effective promotion of natural diamonds and access to markets, the SDT will continue to host the SA Diamond Show and facilitate other local and international events and exhibitions for its clients during the 2025/26 financial year. This will be achieved through collaborative efforts with the entity's stakeholders.

With much appreciation, I thank the Minister of the Department of Mineral and Petroleum Resources for appointing a Board with the relevant skills required to provide strategic leadership, guidance and oversight to the SDT.

Ms Nosiphiwo Mzamo
Chief Executive Officer

OFFICIAL **SIGN-OFF**

IT IS HEREBY CERTIFIED THAT THIS CORPORATE PLAN

has been developed by the Management of the State Diamond Trader and approved by the Board. It takes into account all the relevant policies, legislation and mandates guiding the entity, for which the Department of Mineral and Petroleum Resources is responsible and accurately reflects the annual performance targets which the State Diamond Trader undertakes to achieve in the 2025/26 financial year.

Ms Nosiphiwo Mzamo
Chief Executive Officer

Ms Somikazi Madolo
Chief Financial Officer

Mr Conrad van der Ross
Operations Manager

Mr Sihle Mhlangu
Company Secretary

PART A

OUR MANDATE

ABOUT US AND MANDATE

1. WHO WE ARE

The State Diamond Trader (SDT) is a state-owned entity established in 2007 in terms of Section 14 of the Diamonds Act (Act No. 56 of 1986), to operate in the diamond industry and 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 (Act No. 1 of 1999) (PFMA).

2. MANDATE

The mandate of the SDT is to buy and sell rough diamonds and to promote equitable access to and beneficiation of the country's diamond resources. The entity aims to grow South Africa's diamond-cutting and polishing industry by enabling and increasing the participation of Historically Disadvantaged South Africans (HDSA) in the diamond beneficiation industry. The entity is empowered by Section 59B of the Diamonds Act, as amended, to purchase up to 10% of the run-of-mine (ROM) production from all diamond producers in South Africa. It sells to beneficiation licence holders who are registered customers.

3. VISION

Trusted diamond trader for beneficiation

4. MISSION

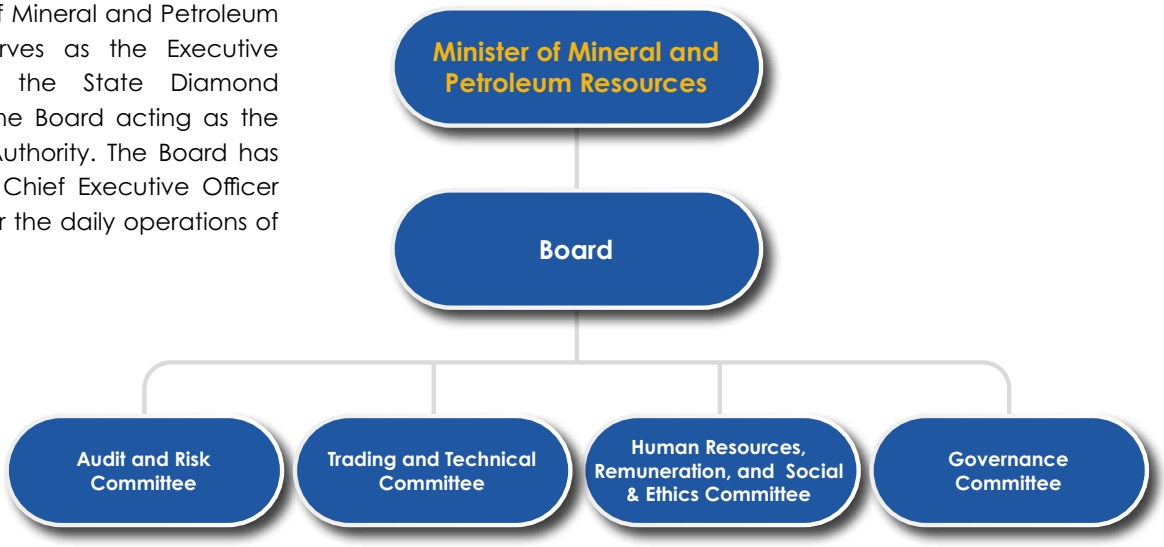
To promote equitable access to rough diamonds in support of local beneficiation for inclusive economic growth

5. VALUES

- Integrity
- Service Excellence
- Transformation
- Agile
- Collaboration

GOVERNANCE STRUCTURE

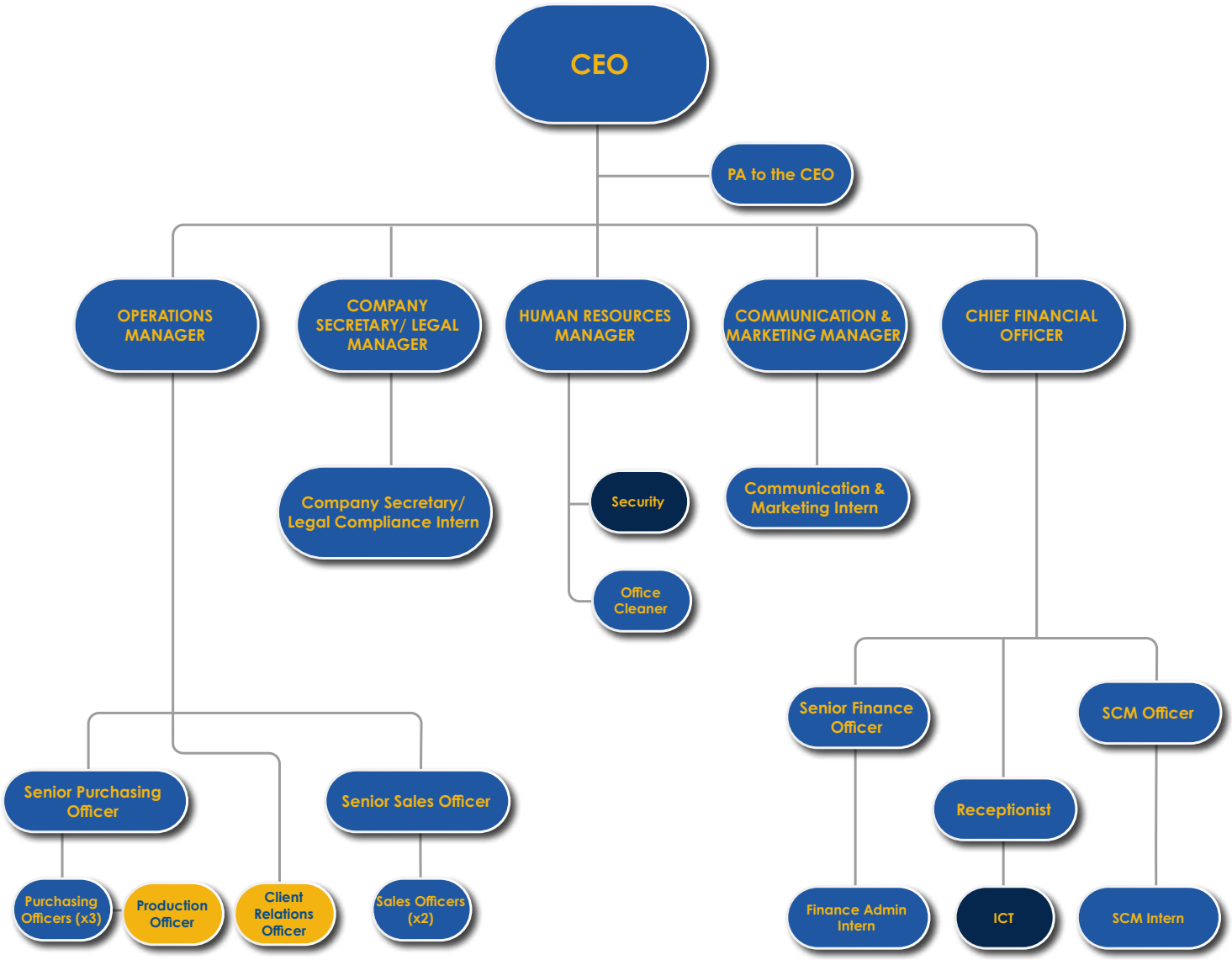
The Minister of Mineral and Petroleum Resources serves as the Executive Authority of the State Diamond Trader, with the Board acting as the Accounting Authority. The Board has appointed a Chief Executive Officer responsible for the daily operations of the business.



ORGANISATIONAL STRUCTURE

The SDT's mandate is realised through two key outcomes:

- First outcome: Economically feasible, transformed beneficiation of diamonds
- Second outcome: Organisational sustainability



3 x Operations Department - Diamond Sorting and Valuation Trainees for January 2023 - December 2025)

LEGEND

- Permanent and Filled Positions
- Vacant Positions
- Outsourced Positions

THE BOARD

The Board of the SDT is appointed by the Minister of Minerals and Petroleum Resources ("the Minister") in terms of Section 17(2) of the Diamonds Act 56, 1986, as amended. The Board is in the first year of a three-year term. The Minister appointed the Board with effect from 20 September 2024. Before appointing the members of the Board, the Minister is required by the Act to appoint an independent selection panel in line with the requisite knowledge and understanding of issues concerning the diamond industry. The panel recommends to the Minister suitable members to be appointed to the Board. The ultimate authority to appoint and constitute the State Diamond Trader Board rests with the Minister. The Board membership is drawn from a diverse group of stakeholders from different sectors, including the diamond industry, as dictated by Section 17(3) of the Act. The current Board collectively reflects a good balance of continuity, qualifications, experience, age, race and gender as fully detailed herein below:



A. Chikane
Chairperson
Appointed: 20/09/2024



L.J. Dlamini
Appointed: 20/09/2024
Alternate Member



E. Blom
Appointed: 20/09/2024



N.O. Masekoa
Appointed: 20/09/2024



M. Sanane
Appointed: 11/12/2024
Alternate Member



H. Diatile
Appointed: 20/09/2024



S.M.B. Nyakale
Appointed: 20/09/2024



A.J. Rossouw
Appointed: 20/09/2024



M.A. Lebakeng
Appointed: 20/09/2024



J. Hugo
Appointed: 20/09/2024



J. Böning
Appointed: 20/09/2024
Alternate Member



N.C. Khosa
Ex officio



N.C. Mzamo
Ex officio



EXECUTIVE MANAGEMENT

The Executive Management Team is responsible for ensuring the implementation and execution of the State Diamond Trader's Corporate Plan.



Ms Nosiphiwo Mzamo

Chief Executive Officer

Geological Science, Research and Development Management, Human Resource Management and Leadership Management



Ms Somikazi Madolo

Chief Financial Officer

Accountancy and Auditing



Mr Conrad van der Ross

Operations Manager

Diamond Industry and Technical Diamond Skills

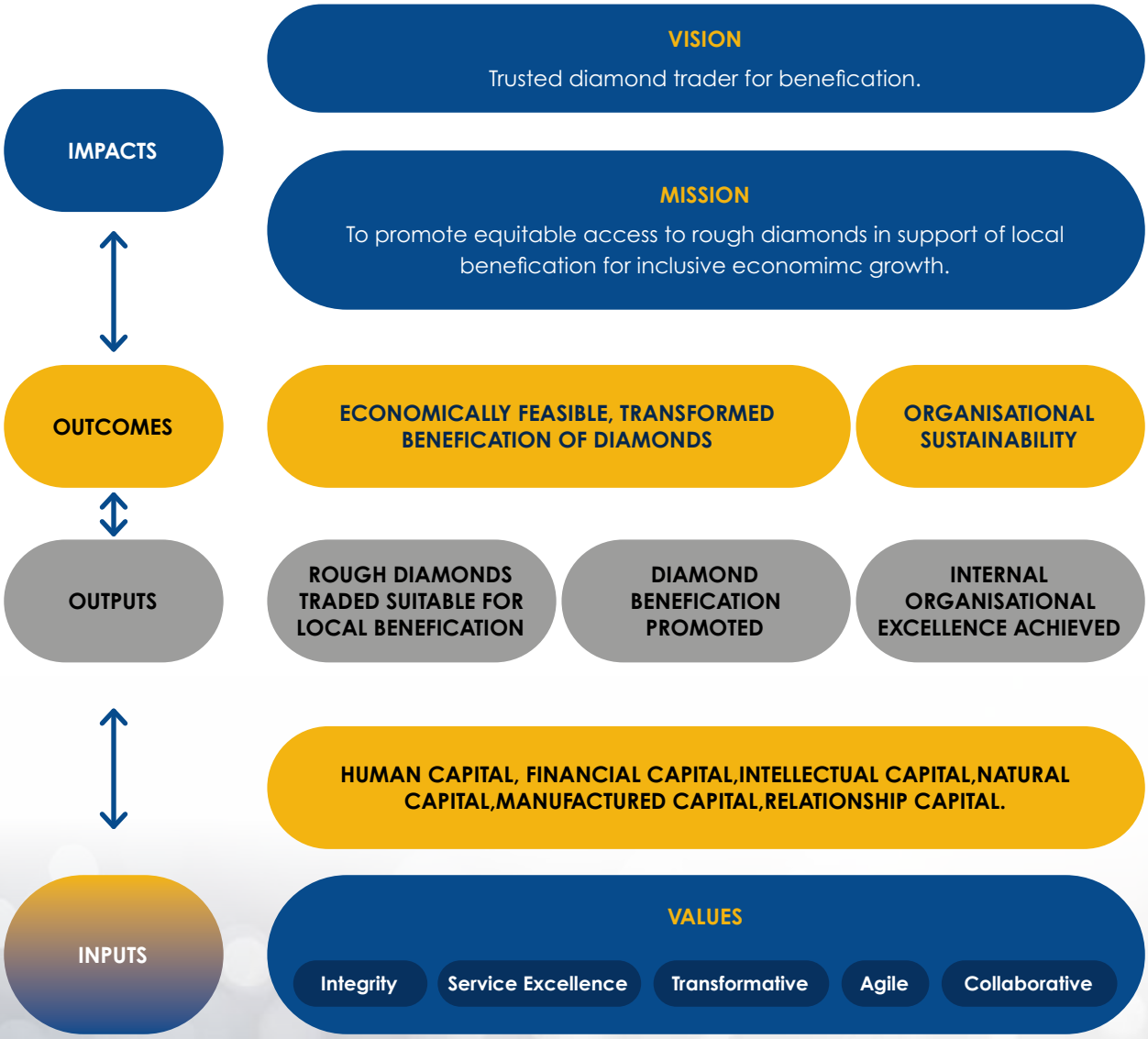


Mr Sihle Mhlangu

Company Secretary/Legal Manager

Legal, Compliance and Governance

STRATEGIC FRAMEWORK



PART B

STRATEGIC FOCUS

SITUATIONAL ANALYSIS

6. THE DIAMOND MARKET

The natural diamonds market saw significant shifts in polished popularity and pricing. The rough diamonds market has been in crisis, with much uncertainty in supply, demand, and prices. The global rough diamonds market continued with reduced production levels and rough diamond prices by larger producers, low demand by manufacturers due to an oversupply of polished diamonds in the market, and selected demand from wholesalers. The increased demand from consumers for lab-grown diamonds due to increased global inflation impacted the industry negatively. The mining segment remains under pressure, as large volumes of rough diamonds went unsold in 2024, and this trend is anticipated to continue in 2025.

Traditional consumer markets like the United States of America (USA), the largest loose polished diamonds and diamond jewellery consuming market, have seen overall sales rise to 0.4% at the end of 2024. The USA market experienced shifts in the number of jewellery stores with fewer closures in 2024 compared to the previous year. However, the sector did see a 25% increase in new business openings.

A slumping Chinese economy has been a significant drag on demand. Weak consumer confidence in mainland China, driven by falling property prices and high unemployment, alongside high gold prices and slow tourism recovery in Hong Kong, contributed to the downturn. Same-store sales dropped 25.4% in mainland China and 30.8% in Hong Kong and Macau. Consumers are increasingly drawn to gold and platinum, making up 79% of their purchases. Both online and in-store sales in China fell by 25%, with Macau and Hong Kong experiencing declines of 31%, indicating changing spending habits.

Rough diamond producers had reduced their prices, notably by some of the largest producers. It is estimated to be, on average, a drop of between 10% and 15%, focusing on categories with weaker demand. However, despite these price cuts, manufacturers reported still having challenges profiting from this drop in rough diamond prices. Rapaport has decreased prices of polished diamonds once in 2024 and again at the beginning of 2025. However, with the polished market sluggish and the secondary rough diamonds market weak, demand for rough diamonds is thus low.

Producers have seen an increase in rough diamonds inventory globally. The sluggish polished market has resulted in significant decreases of polished diamond export numbers globally from manufacturing countries. These negative sentiments in the diamond industry also impacted the export earnings for most producing countries, thereby impacting GDP growth.

7. GLOBAL CHALLENGES

GLOBAL ECONOMY CHALLENGES

It is predicted that global growth is likely to be around 3% in 2025 and 2.9% in 2026, softening modestly as uncertainty rises and tariff and immigration policies in the U.S. begin to slow activity. China's underperformance restrains emerging markets. Inflation continues to normalise, easing a key concern and may vary across countries. Europe's growth may reach around 1%, but global trade disruptions could be a drag. China continues to battle deflation as tariffs pose a risk to the country's overinvested manufacturing sector, while consumption and stimulus may remain insufficient.

The outcome of the U.S. election will usher in policy changes with implications that will reverberate through the global economy," says Seth Carpenter, Morgan Stanley's Chief Global Economist. "Drivers of growth are changing in the U.S., where there is an expectation that the economic growth will slow in 2025 and even more in 2026 as the imposition of new tariffs and immigration restrictions take hold.

Inflation, which has concerned policymakers and investors in the past few years, continues to normalise. Progress may be slow, and the specifics will vary from country to country. In the U.S., inflation may rebound at the end of 2025 because of higher prices and labour costs resulting from new tariff and immigration policies, before it resumes its downward trend in 2026 as growth slows. In the euro area and the UK, inflation should recede steadily amid underlying growth risks.

Growth could disappoint in China due to the persistent weakness in property markets or smaller-than-anticipated fiscal support over the next two years. Governments face rising fiscal challenges given high debt levels and sizeable additional spending pressures from population ageing and climate adaptation and mitigation. Future debt burdens are likely to increase significantly if no action is taken, highlighting the need for stronger near-term efforts to contain spending growth, improve public spending efficiency, reallocate spending to areas that better support opportunities and growth, and optimise tax revenues.

The average GDP growth for the SADC region is expected to hit only 1, 8% growth in 2024, almost half the 3, 2% growth anticipated for Africa as a whole. The SADC countries must, amongst other issues, tackle their fiscal deficit, which is expected to widen over the current fiscal year, 2024 to 2025. There is very little in the way of manufacturing growth in the region and this will be a key factor if the SADC is to see economic prosperity. However, even the most optimistic projections for growth at this stage are seeing GDP growth in the region remaining below 2% until 2027, with an outside possibility of 3,5% in 2027 provided that certain environmental conditions are met.

GEOPOLITICAL CONSIDERATIONS

High geopolitical tensions remain a significant risk to activity and inflation, particularly if the evolving conflict in the Middle East and attacks in the Red Sea were to escalate. State-based armed conflict exists in a world that has seen an increasing number of armed conflicts over the last decade. The risk of further destabilising consequences following conflict in the Democratic Republic of Congo, the violence post elections in Mozambique, conflict in Sudan, Russia-Ukraine conflict, Israel-Palestine conflict, as well as the instability Middle East, are likely to continue to be of concern beyond 2025. These risks are compounded by deepening geopolitical and geo-economic tensions, the wider global implications of the economic and tariff agenda by the USA.

Supply chain disruptions caused by the sanctions of Russian diamonds and the implementation of measures by the G7 countries with the establishments of nodes, which diamonds must go through before entering G7 countries markets. The announcement that Botswana plans to establish a G7 verification point for diamonds in 2025, and the possibility of another node established in Angola after the signing of a Memorandum of Understanding between the Antwerp World Diamond Centre and Angola's state-owned diamond companies.

EFFECT OF CLIMATE CHANGE HURTING ECONOMIC GROWTH

Extreme weather events are anticipated to become even more of a concern than they already are, with this risk being top-ranked in the 10-year risk list for the second year running. Other regions in Southern Africa, such as Zimbabwe, Zambia and Mozambique, have encountered severe drought over the last year that has impacted both Agricultural output and energy supply. These regions rely heavily on hydro energy production, which has been constricted due to low water levels. However, these countries have experienced decent rainfall as of late. The increase in heavy rains experienced in South Africa impacts the mining operations and will impact production levels negatively.

This relates to extraordinary weather conditions that result in extraordinary rainfalls, which will hamper the producers in extracting rough diamonds, thereby impacting the volume of diamonds extracted. This translates to a decrease in the amount that State Diamond Trader has access to, resulting in less revenue

8. LOCAL CONCERNS

ECONOMY

Economic growth contracted in 2024, with economists anticipating that there will be a forecasted economic growth of 1.5% for South Africa in 2025 and 1.8% in 2026. The unemployment rate is still a concern and is expected to decrease slightly from the current 33%. The inflation rate is expected to end 2024 well below target and remain there throughout 2025. The factors that influenced the stability of growth in 2024 and will continue in 2025 are:

- There was a positive sentiment after the general elections with the formation of the Government of National Unity.
- State-owned enterprises had also improved (for example, the early reform at Transnet).

- The improved performance of electricity supply.
- There is fiscal stabilisation taking place
- Interest rate cuts.
- The slowdown in inflation is driven by the reduction in fuel prices and a stronger currency. This is a somewhat tentative situation where international fuel prices and a stronger dollar can reverse these gains.

The climate crisis poses a major risk factor for the region, global fragmentation and politics, supply chain issues and the slowdown in China's economy.

DIAMOND INDUSTRY

The South African Diamond Industry is not immune to the global challenges impacting the diamond industry and continues to encounter significant challenges with the 10% offering from the producers based on price; this, therefore, affects the amount that the country is able to purchase, thus directly impacting the revenue of State Diamond Trader. Production levels of producers were on a declining trajectory. The majority of manufacturers have significantly cut back on purchases of rough diamonds due to the uncertainty that prevails in the market, impacting the levels of production. If purchases are made, it is on selected items that experience demand in the market.

De Beers production dropped 25% year-on-year to 5.6 million carats, with significant reductions in Botswana (down 32%) and Namibia (down 14%), though production in South Africa grew by 41% in 2024. Production levels for 2025 are forecasted to remain the same, if not less than that of 2024. It is estimated that De Beers has a rough diamond inventory of US$ 2 billion.

Petra's first fiscal quarter revenue plummeted 77% year-on-year to $23 million in 2024 and sales volume also dropped 91%, mainly due to the deferral of goods. The sale of Petra's Koffiefontein mine to Stargems Group concluded post-regulatory approval and involves transferring Petra's entire shareholding in Blue Diamond Mines to Koffiefontein Holdings. The move will save Petra an estimated $15 million to $18 million in closure costs while allowing the mine to continue operations under new management. This marks Stargems' third diamond mine acquisition since 2022, as the company looks to expand its presence in the diamond industry, following purchases of the Jagersfontein and Rooipoort mines in South Africa. Petra is in the process of restricting its operations with the announcement of a second retrenchment to take place in 2025.

FORECAST 2025

The diamond industry is evolving at an unprecedented pace, and this trend is expected to continue, considering that 2024 is one of the worst years the industry has faced since the 2020 COVID-19 pandemic. The polished diamond inventory in the pipeline is still high, which pressures the demand for rough diamonds and impacts production levels in manufacturing factories. It is forecasted that both De Beers in Southern Africa and Alrosa in Russia will be cutting production in 2025; this would mean that the global production estimates are below 100 million carats produced, which will be the lowest since 1995. This will lead to a modest recovery in the natural diamond demand and prices in 2025, but this depends on a stable US economy and a slightly better Chinese economy. It is projected that there will be a 6% rise in global diamond jewellery sales in 2025, supported by strong marketing.

Key points to consider or keep an eye on for 2025:

1. **Economic Factors:** Economic conditions and inflation fluctuations can significantly affect the demand for diamond jewellery. During economic downturns or periods of economic uncertainty, consumers may reduce their spending on non-essential items, including high-end diamond jewellery.
2. **Consumer Confidence:** The industry must build and maintain consumer confidence in diamond jewellery's authenticity, quality, and craftsmanship. Brands invest in quality control, grading, and certifications to assure consumers of the genuineness of their products, especially considering the threat of lab-grown diamonds.
3. **Sustainability and Ethical Sourcing:** Consumer demand for fine jewellery is shifting, driven by changing demographics and increased social and environmental sustainability awareness. Consumers are becoming more conscientious about ethical and sustainable practices; the industry faces pressure to source diamonds responsibly and adhere to environmental and ethical standards, especially considering increased misinformation.

4. **Marketing and Promotion (Increased Investments in Marketing):** Effective branding, marketing and promotion are imperative to the industry's success. The primary focus was on the need for improved and effective marketing efforts to promote natural diamonds, with the National Diamond Council emphasising the importance of raising funds for this cause. With the demand for natural diamonds negatively impacted and the demand for lab-grown diamonds increasing, all players along the diamond value chain must work closer together and financially invest more in marketing campaigns for natural diamonds.
5. **Rough Diamond Producers production levels:** Due to market conditions, De Beers has lowered its production forecast twice this year. Its revised forecast is 23-26 million carats, the lowest since 2013. De Beers has also withheld 4 million carats of its 2024 production. Alrosa produced 32 million carats in 2024, a 4% decline from 2023. Despite Western sanctions, Alrosa has continued to operate at full capacity but has chosen to stockpile diamonds, selling its entire production to Russia's national reserve rather than the open market. It is estimated that Alrosa has stockpiled around 8 million carats this year.
6. **Responsible management of Inventory levels:** This requires the industry's behaviours to change regarding inventory build-up to ensure that polished inventory is reduced to drive demand for natural rough diamonds. Zimnisky believes these lower diamond production and sales reductions are favourable for the industry as they will help reduce inventory levels and potentially boost profitability and market confidence heading into 2025.
7. **Traceability of natural diamonds:** With the EU implementing mandatory measures to ensure proof of origin by March 2025 as part of the G7 node to restrict Russian diamonds from entering G7 countries, players will be required to provide proof of origin. The use of block chain technology allows consumers to trace the origins. Consumer shifts affect two key technological advances: the "Mine to Finger" supply model and lab-grown diamonds

STEEPLED ANALYSIS (EXTERNAL SITUATIONAL ANALYSIS)

VARIABLE	CONSIDERATIONS FOR STATE DIAMOND TRADER
SOCIAL	• Challenges relating to the combination of poverty and inequality • High levels of crime / vandalism / illegal mining practices • Growing need for empowerment of vulnerable groups especially women and youth • Changes in consumer preference/attitudes (lab-grown diamonds, etc.) • Low levels of skills / education / expertise
TECHNOLOGICAL	• Wide availability of digital devices • Cost of technology • Future technologies (AI, Digital platforms, big data, etc.) • Advances in diamond related technology (traceability, diamond finger printing, cutting, polishing, sorting, valuing, and synthetic detection, etc.) • Block chain technology • Leveraging strategic technology partnerships • High levels of cyber-crime • New way of work • Drive for digitisation

VARIABLE	CONSIDERATIONS FOR STATE DIAMOND TRADER
ECONOMIC	• Fluctuating rand/dollar exchange rate impacting on competitiveness of SA rough diamonds • Potential of BRICS currency in diamond trading • Economic downturn in global diamond markets • Mining closures resulting in illegal mining and community unrest • Low SA economic growth • Decrease in diamond production • Decreased investment/lending • Escalating cost of electricity • Growing demand for sustainable development considerations • High unemployment • Increasing demand for lab-grown diamonds • High global inflation / high interest rates • Diamond industry declining • Fluctuating rough diamonds prices • Fluctuating polished diamonds demand • Failing public infrastructure • Buyers' inability to access funding • Inconsistent supply of rough diamonds • Inadequate access to market for buyers • VAT legislation • Import / export levies
ENVIRONMENTAL	• Environmental sustainability concerns for responsible diamond mining (climate change, pollution) • Growing need for compliance to environmental regulations • Energy transition to renewable energy
POLITICAL	• Changing political priorities • Need to address vulnerable and excluded groups • Geopolitical tension (war, G7 restrictions) • Emergence of BRICS+ • Perceived political stability
LEGAL	• Government regulations impacting on SDT operations • Delays in Diamond Act amendments • Growing need for legislative compliance • International trade agreements legal frameworks impacting on SDT operations
ETHICS	• Illegitimate practices (fraud, corruption, money laundering, etc.) • Compliance with Kimberley Process Certification • Inadequate consequence management for unethical conduct
DEMOGRAPHIC	• Youth moving into employment • Rapid urbanisation • District development model • Generational perceptions regarding natural diamonds

SWOT ANALYSIS (INTERNAL SITUATIONAL ANALYSIS

STRENGTHS (AREAS TO BUILD ON)	**WEAKNESSES** (AREAS TO BE DEVELOPED)
• Rough diamonds traded suitable for local beneficiation • Acquiring rough diamonds from compliant producers • Inspecting rough diamonds • Business management / leadership • Business performance management • Stakeholder relations management • Organisation culture development • Corporate communication/branding • Corporate governance • Ethics, disclosure, transparency • Compliance management • Audit, risk and assurance management • Governance structures • Resource management • Human capital management • Financial management	• Rough diamonds traded suitable for local beneficiation • Identifying market opportunities • Enabling access / selling rough diamonds to compliant buyers • Diamond beneficiation promoted • Diamond beneficiation research • Policy advocacy • Mobilise partnerships • Beneficiation marketing promotion / communication • Catalyse development of entities for beneficiation • Business management / leadership • Strategic positioning • Resource management • Technology management • Information/knowledge management
OPPORTUNITIES (IN PRIORITY ORDER)	**THREATS** (IN PRIORITY ORDER)
• Advances in diamond related technology • International trade agreements legal frameworks impacting on SDT operations • Emergence of BRICS+ • Growing need for empowerment of vulnerable groups especially women and youth • Future technologies • Growing demand for sustainable development considerations • Growing need for legislative compliance • New way of work • Compliance with Kimberley Process Certification	• Decrease in diamond production • Economic downturn in global diamond markets • VAT legislation • Changes in consumer preference/attitudes (lab-grown diamonds, etc.) • Inconsistent supply of rough diamonds • Fluctuating rand/dollar exchange rate impacting on competitiveness of SA rough diamonds • Buyers' inability to access funding • Fluctuating rough diamonds prices • Low levels of skills / education / expertise • Cost of technology • Delays in Diamond Act amendments

STRATEGIC OBJECTIVES AND PERFORMANCE INDICATORS

The entity has based its strategic focus on two outcomes:

9. OUTCOME 1: ECONOMICALLY FEASIBLE, TRANSFORMED BENEFICIATION OF DIAMONDS

The purpose of Outcome 1 is to ensure that the activities of the entity are linked to its core mandate as provided for in the Diamonds Act, which is to ensure that there is equitable access to rough diamonds for beneficiation and to transform the diamond industry by making it inclusive. The key outputs are to ensure that there are rough diamonds traded, suitable for local beneficiation, and

Outcome	Outputs	Outcome Indicators	Audited /Actual Performance			Estimated performance	MTEF Period		
			2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Economically feasible, transformed beneficiation of diamonds	Rough diamonds traded suitable for local beneficiation	1.1 Percentage of purchased rough diamonds inspected		5.8%	4%	5%	6%	7%	7%
		1.2 Number of producers bought from	-	13	15	18	20	25	25
		1.3 Percentage growth in volume of carats sold to HDSA	-	-	-	1%	2%	3%	4%
	Diamond beneficiation promoted	1.4 Number of industry research reports provided	-	-	-	New indicator	2	2	2
		1.5 Percentage access to market initiatives implemented versus planned	-	-	-	New indicator	80%	80%	80%
		1.6 Percentage performance on EDP annual plan	-	-	80%	100%	80%	80%	80%

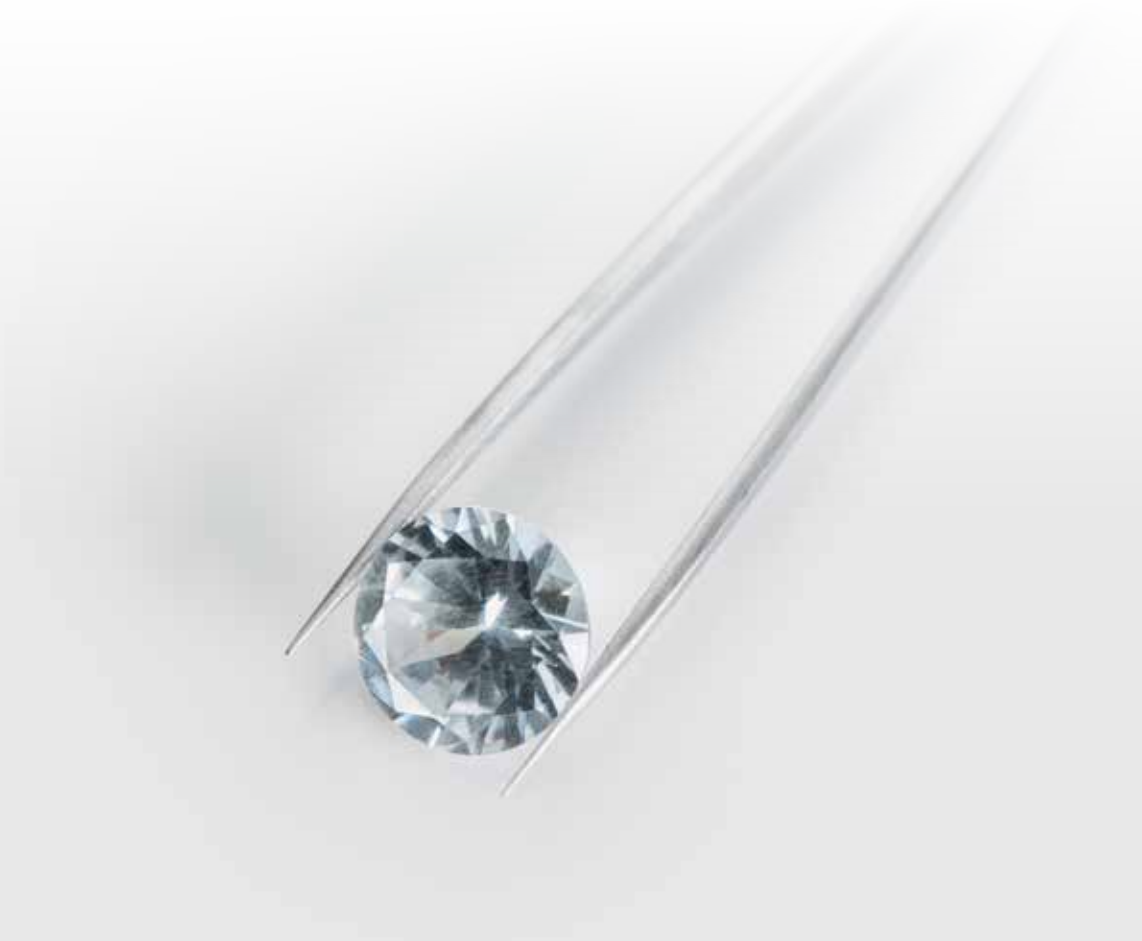
10. OUTCOME 2: ORGANISATIONAL SUSTAINABILITY

Outcome 2 aims to ensure the entity's sustainability by developing various business units that are critical to the functioning of the State Diamond Trader.

The key measures that will drive organisational sustainability are achieving business leadership excellence, growing human capital excellence, financial management, and improved technology and information knowledge management, which will be tracked through the monitoring of key output indicators.

Outcome	Outputs	Outcome Indicators	Audited /Actual Performance			Estimated performance	MTEF Period		
			2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Organisational sustainability	Business management / leadership excellence achieved	2.1 Audit opinion	-	-	-	Unqualified	Unqualified	Unqualified	Unqualified
		2.2 Percentage of the implementation of the annual Combined Audit Action Plan	-	100%	73%	80%	80%	95%	95%
		2.3 Percentage of corporate communication plan implemented versus planned	-	-	100%	100%	80%	100%	100%
		2.4 Percentage of organisation culture / staff satisfaction improvement initiatives implemented versus planned	-	-	-	-	80%	80%	80%
		2.5 Number of stakeholder satisfaction survey conducted	-	-	-	New indicator	1	-	-
	Corporate governance excellence achieved	2.6 Number of Reports on the Risk maturity rating on 5-point scale	-	-	-	New indicator	1	-	-
		2.7 Number of Board evaluations conducted	-	-	-	New indicator	1	1	1
	Human capital management	2.8 Percentage of approved positions filled	-	-	New indicator	90%	90%	90%	90%
		2.9 Percentage implementation of WSP	-	-	New indicator	80%	80%	80%	80%

Outcome	Outputs	Outcome Indicators	Audited /Actual Performance			Estimated performance	MTEF Period		
			2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Organisational sustainability	Financial management excellence achieved	2.10 Ratio of working capital	-	-	≥ 5:1	≥ 5:1	≥ 2:1	≥ 2:1	≥ 2:1
		2.11 Percentage overspent on operational budget allowed	-	-	New indicator	≤ 5%	≤ 5%	≤ 5%	≤ 5%
	Technology management excellence achieved	2.12 Percentage of digital transformation plan implemented	-	-	New indicator	50%	60%	70%	80%
	Information/ knowledge management	2.13 Percentage knowledge management improvement initiatives implemented versus planned	-	-	New indicator	70%	75%	80%	85%



PART C

FINANCIAL PLAN

FINANCIAL PLAN FOR THE PERIOD

11. PROJECTED STATEMENT OF COMPREHENSIVE INCOME

PROJECTED STATEMENT OF COMPREHENSIVE INCOME FOR A THREE-YEAR PERIOD					
		BASELINE	MTEF		
	2023/24	2024/25	2025/26	2026/27	2027/28
Sales	631 455 104	290 341 645	481 152 468	593 650 200	613 101 482
Cost of Sales	(621 449 729)	(279 174 659)	(459 500 607)	(563 967 690)	(582 010 000)
Gross Profit - Local	**10 005 375**	**11 166 986**	**21 651 861**	**29 682 510**	**31 091 482**
Gross Profit Pecentage	**1,58%**	**3,85%**	**4,50%**	**5,00%**	**5,07%**
Other Income	360 267	378 280	747 194	767 054	787 907
Gross Profit - Total	**10 365 642**	**11 545 266**	**22 399 055**	**30 449 564**	**31 879 389**
Less Operating costs	**(27 461 101)**	**(36 115 403)**	**(34 363 481)**	**(33 960 219)**	**(35 021 501)**
Salaries	17 287 507	16 772 131	19 131 244	18 850 132	19 981 140
Leases	1 706 567	1 778 330	1 920 597	2 185 229	2 111 003
Computer and other IT costs	926 494	1 479 460	1 340 000	1 427 100	1 427 600
Travel	3 585 401	5 031 079	2 526 998	2 577 538	2 578 038
Project costs/Consulting Fees	599 000	888 785	2 247 303	1 443 601	1 444 101
Marketing -Exhibitions and Shows	284 143	6 481 771	2 254 000	2 286 113	2 287 113
Other operating costs	1 000 814	1 141 234	1 629 032	1 710 484	1 711 484
Professional Fees	2 071 175	2 542 614	3 314 307	3 480 022	3 481 022
EBITDA	**(17 095 459)**	**(24 570 136)**	**(11 964 425)**	**(3 510 655)**	**(3 142 112)**
Depreciation	(1 472 972)	(1 558 918)	(1 714 810)	(1 851 995)	(2 000 154)
Finance Income	9 233 054	9 239 559	9 221 380	9 313 594	9 406 730
Less: Finance Costs	(1 017 654)	(968 810)	(1 009 018)	(1 073 474)	(1 372 143)
Net Profit (Loss)	**(10 353 031)**	**(17 858 305)**	**(5 466 873)**	**2 877 470**	**2 892 321**

PROFITABILITY

- Revenue is projected to increase to R481 million in FY2025/26, with an additional increase of 23% in FY2026/27, and a further 3% increase in FY2027/28. The projected revenue growth in FY2027/28 can be attributed primarily to the projected benefits resulting from the Financial Sustainability Plan.
- Gross Profit is budgeted to amount to R21,6 million in FY2025/26 and will increase by 23 % in FY2026/27 and 3 % in FY2027/28.

OPERATING EXPENDITURE: BASELINE: FY2024/25

Operating expenditure that will be incurred in FY2025/26 can be attributed to several key factors essential for SDT's growth and operational effectiveness. This includes investments in strategic projects aimed at fulfilling the entity's mandate that will require substantial funding. Additionally, there are costs associated with initiatives designed to drive operational efficiencies which are critical for reducing costs and driving the growth of the entity and competitiveness.

Operating expenditure is projected to decline by 4% from R36.1 million in FY2024/25 to R34.3 million in FY2025/26. Subsequently, it is expected to decrease by 1% in FY2026/27 rise by 3% in FY2027/28.

The following austerity measures will be implemented as outlined:

Strict Enforcement of Procurement Controls: Enhanced procurement controls will be established to monitor procurement expenditures, and purchase orders will be subject to approval in alignment with procurement policies, procedures, and the delegation of authority policy.

Supplier and Contractor Efficiencies: All current supplier and contractor agreements will undergo a comprehensive review, emphasising the scope of work, business criticality, and potential cost reduction opportunities.

Travel: To achieve a reduction in operating expenditures, travel will be limited whenever feasible. Online meetings will be set up as the primary method of communication, the number of travellers will be minimised, and economy class will be prioritised for flights for staff members.

Discretionary expenditure: All discretionary expenditure will be minimised and deferred to subsequent years of profitability, such as the ongoing CSIR Research and Development Project and the Inventory Management System.

Capital expenditure: Capital expenditure will be reviewed continuously and will be limited to essential fixed assets needs e.g Computer Equipment.

Grants, Sponsorships and partnerships: Grants, partnerships, and sponsorships will be sought to reduce expenses, including those associated with exhibitions, training, and trainees.

OPERATING EXPENDITURE BY CATEGORY

SALARIES

- Salaries are anticipated to increase by 19% from R16.7 million in 2024/25 to R19,1 million in 2025/26 and 10% thereafter.
- The current staff composition is as follows (29 employees):
- 4 Executive Management
- 2 Senior Management
- 5 Middle Management
- 4 Skilled Technical academic qualified
- 2 Semiskilled
- 12 Interns and Trainees

The table below includes indicates the changes in the Salaries Budget for FY2025/26:

Salaries Budget	Amount
Salaries: FY2024/25 - Forecast	18 372 131,00
Adjustment: Provision for performance bonus reversal - FY2024/25	(1 600 000,00)
Total Salaries: FY2024/25 - Forecast	**16 772 131,00**
Salary increase (COLA-6%)	948 698,02
Critical Incident Cover insurance	117 580,20
2 x Vacancies - Operations Department	452 834,78
Cellphone allowances	840 000,00
Budgeted Salaries: FY 2025/26	**18 131 244,00**

- As a result of the high operating costs and the projected net loss, no provision has been set aside for performance bonuses for FY2025/26. A review of the performance incentive provision will be conducted during the Mid-Term Budget Review process in September.

LEASES

Leases payments are a fixed cost, and they relate to rental payments to GIDZ, and these are projected to increase by 8% to R1.9 million. The projected increase mainly relates to additional parking bays that were under construction and were completed towards the end of 2024. The increase is also due to the escalation of the lease payments in terms of the lease agreement with GIDZ.

ICT COSTS

ICT Costs relate to expenses to be incurred for outsourced ICT services, and these are projected to decrease by 9 %. The outsourced costs are a combination of fixed and variable costs. The fixed costs relate to services encompassing a wide range, including connectivity, communication solutions, ICT security, hardware and system maintenance. The variable component includes website upkeep, helpdesk and incidents management, among others. Included in ICT are costs for licenses for SAGE, ESET anti-virus, Microsoft Office 365, Kerio Firewall and Clod Back Up -N-Able amongst others.

Additional costs will be incurred to implement the digital transformation plan. Digital Transformation Project is a strategic initiative that emerged out of an ICT Gap Analysis conducted in FY2023/24. SDT appointed a service provider to carry out an ICT Gap Analysis to thoroughly assess the existing ICT operations of SDT, with the aim of identifying areas that could be enhanced and ensuring alignment with best practices.

The following major findings from the gap analysis were identified:

- **Infrastructure Gaps:** Critical gaps in SDT's ICT infrastructure, including hardware vulnerabilities and security protocol inadequacies were identified.
- **Operational Shortcomings:** The gap analysis identified that manual processes, particularly in finance, purchasing and sales had a negative impact in operational efficiency.
- Security Vulnerabilities: The gap analysis highlighted cybersecurity gaps.

Table 1 below includes a breakdown of the projected ICT Costs.

Description	Amount
ICT Support -Fixed	500,000
ICT Support -Variable	300,000
Microsoft, SAGE, CaseWare, ESET, Kerio Security.	230,000
SAGE Upgrade and CaseWare	160,000
SAGE -Cloud Migration	150,000
TOTAL	**1 340 000**

TRAVEL

The travel budget will decrease by 50% from the R5 million incurred in FY2024/25 to R2.5 million.

LOCAL TRAVEL

Local travel incorporates mandatory travel for reporting at the Parliament Portfolio Committee, local inspections, shows and exhibitions, Mining Indaba and mandatory invitations from the Shareholder and collaborative engagements with other stakeholders with the purpose of growing the diamond industry.

INTERNATIONAL TRAVEL

In its endeavour to source suitable rough diamonds for its clients for the purpose of growing the diamond industry and establishing trading relations with other diamond producing countries, the employees will be travelling to other African countries such as Botswana, Zimbabwe, Angola and the Central Africa Republic. The budget also incorporates the Kimberley Process (KP) and ADPA travel activities as and when required as the entity plays a vital role in providing strategic and diamond expert knowledge to both organisations. As part of its efforts to facilitate access to international markets for its clients the entity will again participate at the Hong Kong Jewellery and Gem show and at the Las Vegas show, these will be carried out with possible assistance from the DTIC to minimise cost thereto.

PROJECT COSTS AND CONSULTING FEES

Project costs and Consulting Fees, as shown in Table 2, include the following costs:

Project Costs/Consulting Fees Description	Amount
Employee Wellness	R20 000
Payroll Services	R120 000
Salary Benchmarking Project	R186 000
Enterprise Development Project	R1 300 000
Risk Management Maturity Assessment	R80 000
Board Training	R164 000
Board Evaluation	R100 000
Strategy Planning Session	R130 125
Caseware and IFRS	R97 178
Executive Coaching	R50 000
Total	**R2 247 303**

ENTERPRISE DEVELOPMENT PROGRAMME (EDP)

The Enterprise Development Programme is in its last year of implementation from the three-year program. SDT has appointed a service provider through a competitive bidding process to provide a comprehensive enterprise development programmes specifically designed for diamond manufacturing entrepreneurs. The progamme emphasizes mentorship, training, legal compliance and market readiness equipping participants with the skills and knowledge to succeed, The programme is designed to foster sustainable entrepreneurial growth and long term success by leveraging innovative tools and methodologies. The duration of the programme is one year and will be offered to 5 EDP candidates.

MARKETING COSTS

The marketing budget is projected to decrease from R6.4 million to R2. 2million. The projections for the marketing and exhibitions budget highlight the critical need to intensify initiatives focused on both natural diamond marketing and beneficiation. The entity is strategically positioned to lead efforts in ensuring that the promotion of natural diamonds, along with the advancement of beneficiation, remains a top priority, driving industry engagement, consumer awareness, and sustainable growth within the sector. Marketing and Advertising reflects the strategic focus on expanding brand awareness and client's engagement.

Furthermore, funds have been allocated considerable for the entity's flagship projects under Conferences and Exhibitions, including key industry events such as the Mining Indaba, Diamond Show, and Hong Kong Show, which will serve as critical platforms for strengthening stakeholder relationships and identifying new business prospects. Additionally, investments in Strategic Marketing Projects and internal initiatives will enable the entity to gather valuable insights, refine our strategies, and ensure alignment with market needs and organizational goals.

The proposed budget allocations underscore SDT's commitment to sustained growth and long-term market leadership. By leveraging these resources effectively, SDT has the potential to drive meaningful results, enhance our competitive positioning, and build a strong foundation for future success. It is anticipated that the marketing budget will be set off by sponsorship and partnerships specifically with DTIC.

Table 3 below includes a breakdown of the marketing budget:

Description	Amount
Corporate Plan and Annual Report Design and Printing	R300,000
Mining Indaba	R300,000
Diamond Show	R954,000
Hong Kong Show	R600,000
Other exhibitions and Events	R100,000
	R2, 254,000

OTHER OPERATING COSTS

Other operating costs include the office running costs, training and bursaries is shown in Table 4 below, and they include the following:

Description	Amount
General Office Expenses	R587 844
Water and Electricity	R344 440
Communication: Telephone	89 085
Security Services	195 566
Office Supplies	112 860
Bursaries and Training	299 237
	R1 629 032

PROFESSIONAL FEES

Professional Fees relate to Internal Audit Fees, External Audit Fees and Board Fees and are projected to amount to R3.3 million. Board fees are expected to increase during FY2025/26 compared to FY2024/25 as the Board was appointed in October 2024. Internal and External Audit Fees are expected to increase in line with inflation.

Professional Fees, as shown in Table 5, include the following:

Description	Amount
Board Fees	R1 215 207
AGSA	R1 300 000
Internal Audit	R799 100
TOTAL	**R3 314 307**

PROFIT BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (PBITDA)

A reduction of the FY2024/25 projected loss from R24.5 million to a loss of R11.9 million is projected and this is mainly due to a projected increase in revenue and reduction in operating expenses.

FINANCE INCOME

Finance income relates to interest generated from the entity's short-term investments with commercial banks and this projected to decrease marginally from R9.23 million in FY2024/25 to R9.22 million in FY2025/26.

FINANCE COSTS

This is the interest expense related to the lease liability for Office Buildings. The interest expense is allocated over the lease term based on the outstanding balance of the lease liability and the interest rate implicit in the lease.

Projected finance costs include the following:

Description	Amount
Interest - Lease Liability	R1 009 018
Total	**R1 009 018**

NET LOSS

The net loss is projected to decrease from the R17.8 million loss forecasted for FY2024/25 to a R5.4 million loss in FY2025/26.

12. PROJECTED STATEMENT OF FINANCIAL POSITION

PROJECTED STATEMENT OF FINANCIAL POSITION FOR A THREE-YEAR PERIOD					
SOFP	**2023/2024**	**2024/2025**	**2025/2026**	**2026/2027**	**2027/2028**
ASSETS					
Non-current assets	**10 589 129**	**9 988 425**	**10 793 425**	**11 293 425**	**11 793 425**
Property and equipment	10 589 129	9 988 425	10 793 425	11 293 425	11 793 425
Current assets	**186 897 614**	**112 285 541**	**101 532 529**	**103 844 908**	**107 449 476**
Inventory	822 546	-	-	-	-
Trade and other receivables	3 572 219	7 434 888	1 681 133	531 102	531 102
Cash and cash equivalents	182 502 849	104 850 653	99 851 396	103 313 806	106 918 374
Total Assets	**197 486 743**	**122 273 966**	**112 325 954**	**115 138 333**	**119 242 901**
EQUITY AND LIABILITIES					
Equity	**122 482 167**	**106 904 421**	**95 350 708**	**100 028 655**	**105 926 740**
Retained income	122 482 167	106 904 421	95 350 708	100 028 655	105 926 740
Non Current Liabilities	**10 288 909**	**11 002 789**	**11 420 588**	**9 838 368**	**8 705 779**
Lease liabilities	10 288 909	11 002 789	11 420 588	9 838 368	8 705 779
Current liabilities	**64 715 667**	**4 366 755**	**5 554 658**	**5 271 310**	**4 610 383**
Lease liabilities	-	-	719 938	912 517	1 132 590
Trade and other payables	63 078 511	3 171 544	4 834 720	2 658 793	1 658 793
Incentive bonus provision	1 637 156	1 195 211	-	1 700 000	1 819 000
Total equity and liabilities	**197 486 743**	**122 273 966**	**112 325 953**	**115 138 333**	**119 242 901**

Total assets: Total assets for FY2025/26 are projected to amount to R112 million, the assets primarily consist of projected cash balances of R99.8 million, which underlines the organisation's strong liquidity position and ability to meet its short-term obligations.

Total Liabilities: The total liabilities are projected to amount to R16 .8 million during FY2025/26 and indicate SDT's drive to maintain low debt level.

Retained Income: Projected retained income stands at R95.3 million, reflecting the entity's ability to generate profits and reinvest in the entity's operations. The retained income enhances the overall equity position and provides a solid foundation for future growth and sustainability.

13. PROJECTED CASH FLOW STATEMENT

PROJECTED CASH FLOW STATEMENT FOR A THREE-YEAR PERIOD					
Cash Flows	**FY2023/24**	**FY2024/25**	**FY2025/26**	**2026/27**	**2027/28**
Opening balance : Cash and cash equivalents	**132 682 393**	**121 647 108**	**104 850 653**	**99 851 396**	**103 313 806**
Cash receipts from customers	631 455 104	290 341 645	481 152 468	593 650 200	613 101 482
Cash payments for diamond purchases	(621 449 729)	(279 174 659)	(459 500 607)	(563 967 690)	(582 010 000)
Net cash received from operations	10 005 375	11 166 986	21 651 861	29 682 510	31 091 482
Less payments to suppliers and employees	**(28 934 073)**	**(36 115 403)**	**(34 363 481)**	**(33 960 219)**	**(35 021 501)**
Salaries	17 287 507	16 772 131	19 131 244	18 850 132	19 981 140
Leases	1 706 567	1 778 330	1 920 597	2 185 229	2 111 003
Computer and other IT costs	926 494	1 479 460	1 340 000	1 427 100	1 427 600
Travel	3 585 401	5 031 079	2 526 998	2 577 538	2 578 038
Project costs/Consulting Fees	599 000	888 785	2 247 303	1 443 601	1 444 101
Marketing -Exhibitions and Shows	1 757 115	6 481 771	2 254 000	2 286 113	2 287 113
Other operating costs	1 000 814	1 141 234	1 629 032	1 710 484	1 711 484
Professional Fees	2 071 175	2 542 614	3 314 307	3 480 022	3 481 022
Cash Flow from Financing Activities	-	-	-	-	-
Loan raised	-	-	-	-	-
Loan repayment/	-	-	-	-	-
Interest Income	9 204 001	9 239 559	9 221 380	9 313 594	9 406 730
Interest Expense	(1 017 654)	(968 810)	(1 009 018)	(1 073 474)	(1 372 143)
Capital Expenditure	(292 934)	(118 787)	(500 000)	(500 000)	(500 000)
Closing balance: Cash and cash equivalents	**121 647 108**	**104 850 653**	**99 851 396**	**103 313 806**	**106 918 374**

PROJECTED STATEMENT OF CASH FLOW

During the financial year 2025/26, it is anticipated that SDT's cash and cash equivalents will total R99.8 million. The cash reserves will experience a consistent increase in FY2026/27 and FY2027/28. The strategy of maintaining cash reserves for the SDT will guarantee a stable financial position, which will enable the organisation to manage unexpected expenses and downturns in the diamond industry with flexibility.

14. PROJECTED CAPITAL EXPENDITURE

BUDGETED CAPITAL EXPENDITURE OF THE STATE DIAMOND TRADER THREE-YEAR PERIOD					
	2023/2024	2024/2025	2025/2026	2026/2027	2027/2028
Computer equipment and Software	206 737	102 845	200 000	200 000	250 000
Furniture & Fittings			300 000		
Building Improvements	99 000	-	-	100 000	150 000
Security equipment and Diamond Machinery	-	15 942	-	200 000	100 000
Total	**305 737**	**118 787**	**500 000**	**500 000**	**500 000**

PROJECTED CAPITAL EXPENDITURE

The budgeted investment in property, plant and equipment for the 2024/25 financial year is R500,000. Notwithstanding the fact that an item is included in the property, plant and equipment budget, the investment remains subject to approval as per SDT's Approval Framework and additional considerations such as strategic alignment, return on investment and available cash flow.

BORROWING PLAN

During FY2025/26 the entity intends to source funding of R20 million through an overdraft facility. Purchases of rough diamonds, operating and capital expenditure will be mainly funded from cash generated from operating activities and cash balances. however the entity intends to obtain a R20 million overdraft from financial institutions, and this will act as a buffer against uncertainty. Having access to the overdraft will provide a safety net during economic downturns or unexpected expenses and will enhance overall financial stability of the entity. The SDT's strategic priority is to balance the company's financial needs and sustainability with its ability to obtain financing. It is imperative to preserve continuity in the flow of funds so that strategic programs or initiatives do not fail due to lack of funds.

15. BORROWING PLAN

PROJECTED BORROWINGS: R20 000 000 Overdraft					Year 1	Year 2	Year 3
	Q1	Q2	Q3	Q4	FY 2025/26	FY 2026/27	FY 2027/28
No of days - usage	7	10	10	10	9	110	110
Withdrawals	27 333 746	40 670 643	41 566 712	44 254 566	153 825 667	182 000 319	287 000 000
Repayments	(27 333 746)	(40 670 643)	(41 566 712)	(44 254 566)	(153 825 667)	(182 000 319)	(287 000 000)
Interest	82 376	122 569	125 270	133 370	463 584	547 029	864 306
Other Finance Charges	200 000	-	-	-	200 000	200 000	200 000
Total (Interest and Finance Charges)	282 376	122 569	125 270	133 370	663 584	747 029	1 064 306
Total Repayment (Interest and Finance Charges)	**(282 376)**	**(122 569)**	**(125 270)**	**(133 370)**	**(663 584)**	**(747 029)**	**(1 064 306)**
Total Repayment (Capital plus Interest)	**(27 616 122)**	**(40 793 212)**	**(41 691 981)**	**(44 387 936)**	**(154 489 251)**	**(182 747 349)**	**(288 064 306)**
Balance	**-**	**-**		**-**	**-**	**-**	**-**

During FY2025/26, the entity intends to raise R20 million through an overdraft facility The overdraft is expected to strengthen SDT's liquidity and operational flexibility and will enhance profitability and cash flows.

PART D

SHAREHOLDERS COMPACT

SHAREHOLDER COMPACT

SHAREHOLDER PERFORMANCE AGREEMENT

("SHAREHOLDER COMPACT")

between

STATE DIAMMOND TRADER (SDT)

herein represented by:

MS NOSIPHIWO MZAMO

(in her capacity as the Accounting Officer)

and

THE GOVERNMENT OF THE REPUBLIC OF THE SOUTH AFRICA

herein represented by:

The Minister of Mineral and Petroleum Resources

MR SAMSON GWEDE MANTASHE (MP)

.....

Ms Nosiphiwo Mzamo

Accounting Officer

February 2025

.....

Mr Samson Gwede Mantashe

Minister of Mineral and Petroleum Resources

February 2025

SHAREHOLDER COMPACT
AGREED PRINCIPLES

1. Introduction

1.1 In terms of Regulation 29 of the Treasury Regulations issued in terms of the Public Finance Management Act (Act No. 1 of 1999), as amended by Act No. 29 of 1999 ('PFMA'), the accounting authority for a public entity listed in Schedule 3B must, in consultation with its executive authority, annually conclude a Shareholder Compact.

1.2 The State Diamond Trader (SDT) is an entity established in terms of Section 14 of the Diamonds Act (Act No. 56 of 1986) as Amended ('the Act') and is classified as a national government business in terms of Schedule 3B of the PFMA.

The Shareholder Compact documents the mandated key performance measures and indicators to be attained by the SDT as agreed between the accounting authority and the executive authority.

2. Interpretation

In this Shareholder Compact, unless otherwise indicated or contrary to the context, the words and phrases set out below shall have the meanings ascribed to them as follows:

2.1 'Accounting authority' means the Board of the State Diamond Trader.

2.2 'Diamonds Act' means the Diamond Act (Act No. 56 of 1986) as amended.

2.3 'Executive Authority' means the Minister of Mineral Resources and Petroleum

2.4 'SDT' means the State Diamond Trader

2.5 'SOE' means State Owned Enterprise

2.6 'Party' means either the Executive Authority or the Accounting Authority, and parties means both.

2.7 'Shareholder Compact' means this agreement, together with all appendices attached hereto

2.8 'PFMA' means the Public Finance Management Act (Act No. 1 of 1999) as amended and read with Treasury Regulations.

3. Nature of the Shareholder Compact

3.1 The Shareholder Compact is designed solely to regulate the relationship between the Accounting Authority and the Executive Authority.

3.2 This Compact is not intended to interfere in any way with the principles of corporate governance, law principles, or the normal relationship between the Executive Authority and the Accounting Authority.

3.3. It is hereby recorded that the agreed principles set out, although subject to review annually, are principles that are applicable beyond a period of one year. In the event that they are amended, the parties shall take into account the Strategic Plan and actions already commenced based on such principles.

4. Period

4.1 This Shareholder Compact is effective for the period 1 April 2024 to 31 March 2026.

5. Mandate of the SDT

5.1 The mandate of the SDT is set out in the Diamonds Act (Act No. 56 of 1986), as amended.

6. Budget and Corporate Plan

6.1 In accordance with sections 52 (a) and (b) of the PFMA, the Accounting Authority shall submit to the Executive Authority, at least one month before the start of the financial year –

6.1.1 A projection of revenue, expenditure and borrowings for that financial year in the prescribed format; and

6.1.2 A Corporate Plan in the prescribed format covering the affairs of the State Diamond Trader for the following three (3) years.

6.2 The SDT undertakes to ensure that it's Corporate Plan and its goals and objectives are aligned with the strategic direction and intent of the Executive Authority.

6.3 The Annual Performance Plan that follows in this document shall be the measure for monitoring of performance by the Executive Authority.

7. Objectives for the Year 2025/26 – Key Performance Targets

7.1 In pursuance of the State Diamond Trader's Corporate Plan and strategies, the SDT's key objectives for a year must be agreed upon on an annual basis.

7.2 The parties agree to renegotiate the key performance indicators and targets if they are not achievable and/or are unlikely to be achieved as set out in the Annual Performance Plan and/or there is a reasonable likelihood that they would not be achieved.

7.3 The State Diamond Trader's performance shall be evaluated against the achievement of its performance targets on a quarterly basis through performance reports submitted to the Executive Authority and through the audited and approved financial results as they become available.

8. Governance

8.1 This Shareholder Compact is based on the PFMA and Treasury Regulations, the Protocol for Corporate Governance in the Public Sector (2007), and the Corporate Governance prescripts in South Africa. The SDT subscribes to the principles of good corporate governance and reassesses its systems of governance on an ongoing basis.

8.2 The Accounting Authority undertakes to maintain an effective system of governance and the highest standards of ethics.

8.3 The Accounting Authority shall adhere to and encourage good governance practices and the highest ethical behaviour.

9. Role and Responsibilities of the Accounting Authority

9.1 The Accounting Authority is mandated to control, supervise, manage and run the business in accordance with the SDT mandate in terms of the Act, the PFMA, the strategic intent, the Corporate Plan and corporate governance principles. The Accounting Authority shall exercise its fiduciary duties and skill at all times to pursue the objectives and targets as set out in the Corporate Plan.

9.2 The Accounting Authority –

9.2.1 commits to the achievement of the vision, mission, objectives, and strategic intent of the State Diamond Trader and to acting, at all times, in the best interests of the SDT;

9.2.2 accepts its responsibility to direct and guide the business in a proper manner, in keeping with good governance practices, the PFMA, the Diamonds Act, and this Shareholder Compact;

9.2.3 recognises the importance of speedy decision-making, and shall use its best endeavours to prevent undue delays with regards to critical decisions; and

9.2.4 undertakes to deliver on the targets agreed to in this Compact.

10. Undertakings by the Shareholder

The Executive Authority undertakes, for the duration of this Compact –

10.1 not to introduce new or additional requirements during the validity of this Compact other than through a process of consultation with the accounting authority. Reasonable notice shall be given in writing before the introduction of any new or additional requirements. In addition, the parties shall, in such an event, amend the key performance indicators and targets, failing which, no new requirements or targets may be introduced;

10.2 not to impede or in any way restrict the discretion of the Board regarding matters falling within its authority, as provided for in this Compact;

10.3 not to delay critical decisions, including the proper constitution of the Board and the prompt filling of vacancies that may arise from time to time;

10.4 not to cause the Accounting Authority or any of its individual members to perform any actions that may result in a breach of any legal duty;

10.5 to support and give guidance to the Accounting Authority where necessary;

10.6 to provide financial support to the State Diamond Trader, more particularly where this is required for the achievement of the targets agreed to in this Compact;

10.7 to facilitate and support the initiatives of the State Diamond Trader in pursuance of funding for the purposes of achieving the objectives of this Compact and the mandate of the State Diamond Trader in general; and

10.8 to support the initiatives of the Accounting Authority as necessary from time to time.

11. Notices and Domicilia

For the purposes of this Shareholder Compact the parties' respective addresses shall be:

11.1 Executive Authority at:

The Ministry of Mineral and Petroleum Resources, Trevenna Campus, Pretoria

For attention: Chief of Staff, Ministry of Mineral and Petroleum Resources.

11.2 The State Diamond Trader at: ACSA Precinct

Corner Bonaero Drive and Elgin Road Kempton Park, 1619

Tel: +27 11 334 2691 Fax: +27 11 334 1540 Email:

nosiphiwom@statediamondtrader.gov.za

For attention: The Chief Executive Officer: State Diamond Trader

12. Variation

No addition to or variation, consensual cancellation or novation of this Shareholder Compact, or waiver of any right arising from this Shareholder Compact or its breach or termination shall be of any force or effect unless reduced to writing and signed by both the parties and their duly authorised representatives.

13. Key Performance Measures and Indicators

The key performance measures and indicators as contemplated are detailed in the Annual Performance Plan that follows. It is hereby recorded that these shall be submitted to the Shareholder at least one month before 1 April 2025.

ANNUAL PERFORMANCE PLAN

No	Strategic Output	Output	Output Indicators	Annual Target	Baseline	Q1	Q2	Q3	Q4
1.1	Economically feasible, transformed beneficiation of diamonds	Rough diamonds traded suitable for local beneficiation	Percentage of purchased rough diamonds inspected	6%	5%	6%	6%	6%	6%
1.2			Number of producers bought from	20	18	-	-	-	20
1.3			Percentage growth in volume sold to HDSA	8%	New Indicator	2%	2%	2%	2%
1.4		Diamond beneficiation promoted	Number of industry research reports provided	2	New Indicator		1		1
1.5			Percentage access to market initiatives implemented versus planned	80%	New Indicator	10%	30%	20%	20%
1.6			Percentage performance on EDP annual plan	80%	100%	10%	30%	20%	20%
2.1	Organisational sustainability	Business management /leadership excellence achieved	Audit opinion	Unqualified		-	-	-	Unqualified audit opinion
2.2			Percentage of the implementation of the combined Audit Action Plan	80%	100%	20%	20%	20%	20%
2.3			Percentage of corporate communication plan implemented versus planned	80%	100%	20%	20%	20%	20%
2.4		Business management /leadership excellence achieved	Percentage of organisation culture/ staff satisfaction improvement initiatives implemented versus planned	80%	New indicator	—	20%	20%	40%
2.5			Number of stakeholder satisfaction survey conducted	1	New indicator				1

No	Strategic Output	Output	Output Indicators	Annual Target	Baseline	Q1	Q2	Q3	Q4
2.6	**Organisational sustainability**	Corporate governance excellence achieved	Number of Reports on the Risk maturity rating on 5-point scale	1	New indicator	-	-	-	1
2.7			Number of Board evaluations conducted	1	New indicator	-	-	-	1
2.8		Human capital management excellence achieved	Percentage of approved positions filled	90%	80%	-	-	-	90%
2.9			Percentage implementation of WSP	80%	80%	-	20%	40%	20%
2.10		Financial management excellence achieved	Ratio of working capital	≥ 2:1	5:1	≥ 2:1	≥ 2:1	≥ 2:1	≥ 2:1
2.11			Percentage overspent on operational budget allowed	≤ 5%	10%	≤ 5%	≤ 5%	≤ 5%	≤ 5%
2.12		Technology management excellence achieved	Percentage digital transformation plan implemented	60%	50%	10%	10%	20%	20%
2.13		Information/ knowledge management achieved	Percentage knowledge management improvements initiatives achieved versus planned	75%	70%	10%	30%	10%	25%

TECHNICAL INDICATORS

INDICATOR TITLE 1.1	PERCENTAGE OF PURCHASED ROUGH DIAMONDS INSPECTED
Definition	The indicator tracks the percentage of rough diamonds purchased in relation to the value of rough diamonds inspected in US Dollars.
Source of data	Purchase Certificated Log and Integrated Trading Report
Method of Calculation/ Assessment	The US Dollar value of purchased rough diamonds divided by the US Dollar value of rough diamonds inspected, times 100
Means of verification	Purchase Certificate Log
Assumptions	N/A
Disaggregation of Beneficiaries (where applicable)	N/A
Spatial Transformation (where applicable)	N/A
Calculation Type	Non-cumulative
Reporting Cycle	Quarterly and annually
Desired Performance	To purchase 6% or more by the value of rough diamonds inspected
Indicator Responsibility	Operations Manager

INDICATOR TITLE 1.2	NUMBER OF PRODUCERS BOUGHT FROM
Definition	This indicator tracks the number of producers utilised to source diamonds.
Source of data	Purchasing Log and Integrated Trading Report
Method of Calculation/ Assessment	Number of producers utilised to source diamonds
Means of verification	Purchasing Log and Integrated Trading Report
Assumptions	That the price of producers are fair market value
Disaggregation of Beneficiaries (where applicable)	N/A
Spatial Transformation (where applicable)	N/A
Calculation Type	Non-cumulative
Reporting Cycle	Annually and Quarterly
Desired Performance	To purchase from 20 or more producers in FY2025/26
Indicator Responsibility	Operations Manager

INDICATOR TITLE 1.3	PERCENTAGE GROWTH IN VOLUME OF CARATS SOLD TO HDSA
Definition	This indicator tracks the percentage growth in the volume of carats sold to 100% black- owned companies as a percentage of total sales in the Equitable Access and Growth and Transformation segments
Source of data	Client Application Documents (verify HDSA status), HDSA identified in the Equitable Access and Growth and Transformation segments, Financial System (Pastel) Sales Analysis Report, Integrated Trading Report
Method of Calculation/ Assessment	The volume of carats sold to HDSA clients in FY2025/26 as a percentage of the total sales in volume.
Means of verification	Client Application Documents (verify HDSA status), Financial System (Pastel) Sales Analysis, Integrated Trading Reports
Assumptions	That market conditions improve and HDSA clients have demand for rough diamonds
Disaggregation of Beneficiaries (where applicable)	N/A
Spatial Transformation (where applicable)	N/A
Calculation Type	Non-cumulative
Reporting Cycle	Quarterly and annually
Desired Performance	To increase the percentage supplied to HDSA clients by 2% or more carats sold in FY2025/26 as a percentage of total sales in volume when compared to carats sold HDSA clients in FY2024/25 as a percentage of total sales
Indicator Responsibility	Operations Manager

INDICATOR TITLE 1.4	NUMBER OF INDUSTRY RESEARCH REPORTS PROVIDED
Definition	This indicator tracks the number of the industry research reports produced in the financial year
Source of data	Research reports
Method of Calculation/ Assessment	Number of the industry research reports produced
Means of verification	Research reports submitted to the CEO
Assumptions	N/A
Disaggregation of Beneficiaries (where applicable)	N/A
Spatial Transformation (where applicable)	N/A
Calculation Type	Non-cumulative
Reporting Cycle	Quarterly and annually
Desired Performance	2 industry research report produced
Indicator Responsibility	Operations Manager

INDICATOR TITLE 1.5	PERCENTAGE ACCESS TO MARKET INITIATIVES IMPLEMENTED VERSUS PLANNED
Definition	This indicator tracks access to market initiatives that are implemented versus planned
Source of data	Access to Market Plan
Method of Calculation/ Assessment	Number of market initiatives planned for the financial year and implemented divided by the total number of market initiatives planned for the financial year, times 100
Means of verification	Access to Market Plan, and Quarterly Reports
Assumptions	N/A
Disaggregation of Beneficiaries (where applicable)	N/A
Spatial Transformation (where applicable)	N/A
Calculation Type	Cumulative
Reporting Cycle	Quarterly and annually
Desired Performance	80% more of the activities planned for FY2025/26 implemented
Indicator Responsibility	Marketing and Communication Manager

INDICATOR TITLE 1.6	PERCENTAGE PERFORMANCE ON EDP ANNUAL PLAN
Definition	This indicator tracks the implementation of the EDP Annual Plan
Source of data	EDP Plan and Quarterly Report
Method of Calculation/ Assessment	Number of EDP activities implemented for FY2025/26 divided by the number of EDP activities planned for FY2025/26, times 100
Means of verification	EDP Plan and Quarterly Report
Assumptions	That participants complete the following: • A business management course. • A two-week rough evaluation course. • Successfully placed at a cutting and polishing factory for further training
Disaggregation of Beneficiaries (where applicable)	N/A
Spatial Transformation (where applicable)	N/A
Calculation Type	Cumulative
Reporting Cycle	Quarterly and annually
Desired Performance	80% or more of planned activities in the EDP for FY2025/26
Indicator Responsibility	Operations Manager

INDICATOR TITLE 2.1	AUDIT OPINION
Definition	This measure confirms that the Annual Financial Statements and annual performance reports of the SDT are free of material errors and omissions (financially unqualified audit opinion) and there are no material findings on the entity's performance objectives or compliance with laws and regulations.
Source of data	FY2025/26 AGSA Audit Report and Management Report
Method of Calculation/ Assessment	One unqualified Audit Report
Means of verification	FY2025/26 AGSA Audit Report and Management Report
Assumptions	N/A
Disaggregation of Beneficiaries (where applicable)	N/A
Spatial Transformation (where applicable)	N/A
Calculation Type	Non-cumulative
Reporting Cycle	Annually
Desired Performance	Unqualified Audit Report
Indicator Responsibility	Chief Financial Officer

INDICATOR TITLE 2.2	PERCENTAGE OF THE IMPLEMENTATION OF THE ANNUAL COMBINED AUDIT ACTION PLAN
Definition	This indicator monitors the level of completion or progress in executing the recommended actions or measures outlined in the Combined Internal and External Audit Action Plan for the 2024/25 financial year. The Audit Action Plan indicates measures put in place by management to address audit findings raised by both internal and external auditors.
Source of data	Combined Internal and External Audit Reports – FY2024/25
Method of Calculation/ Assessment	Number of deliverables implemented divided by the total number of deliverables times 100
Means of verification	Quarterly and Annual Combined Audit Action Plan
Assumptions	N/A
Disaggregation of Beneficiaries (where applicable)	N/A
Spatial Transformation (where applicable)	N/A
Calculation Type	Non-Cumulative
Reporting Cycle	Quarterly and annually
Desired Performance	80% implementation of the deliverables for the financial year
Indicator Responsibility	Chief Financial Officer

INDICATOR TITLE 2.3	PERCENTAGE OF CORPORATE COMMUNICATION PLAN IMPLEMENTED VERSUS PLANNED
Definition	This indicator is used to track the percentage which the corporate communication plan is implemented versus planned
Source of data	Corporate Communication Plan
Method of Calculation/ Assessment	Number of Corporate Communication Plans implemented divided by the total number of deliverables times 100
Means of verification	Annual Corporate Communication Plan
Assumptions	N/A
Disaggregation of Beneficiaries (where applicable)	N/A
Spatial Transformation (where applicable)	N/A
Calculation Type	Non-cumulative
Reporting Cycle	Annual
Desired Performance	80%
Indicator Responsibility	Marketing and Communications Manager

INDICATOR TITLE 2.4	PERCENTAGE OF ORGANISATION CULTURE / STAFF SATISFACTION IMPROVEMENT INITIATIVES IMPLEMENTED VERSUS PLANNED
Definition	This indicator tracks the percentage of organisation culture / staff satisfaction improvement initiatives implemented versus planned in the approved Culture Survey Implementation Plan It is a performance metric that assesses the culture temperature of the entity quantifying the extent to which planned initiatives actions have been executed compared to those outlined in the Culture Survey Implementation Plan.
Source of data	Culture Survey Implementation Plan for the Fy 2025/26 which is approved by the Chief Executive Officer.
Method of Calculation/ Assessment	Number of initiatives implemented divided by the number of planned initiatives, times100
Means of verification	Quarterly and Annual Report on the initiatives implemented versus planned for in the Strategic Risk Register for FY2025/26 that is submitted to the CEO
Assumptions	N/A
Disaggregation of Beneficiaries (where applicable)	N/A
Spatial Transformation (where applicable)	N/A
Calculation Type	Cumulative
Reporting Cycle	Quarterly and annually
Desired Performance	80% or more of the initiatives implemented versus planned for in the approved Culture Survey Implementation Plan
Indicator Responsibility	Human Resource Manager

INDICATOR TITLE 2.5	NUMBER OF STAKEHOLDER SATISFACTION SURVEY CONDUCTED
Definition	This indicator tracks the number of stakeholder satisfaction surveys conducted in the financial year 2025/26
Source of data	Stakeholder satisfaction survey report
Method of Calculation/ Assessment	Number of stakeholder satisfaction survey conducted
Means of verification	Stakeholder satisfaction survey report submitted to the CEO
Assumptions	N/A
Disaggregation of Beneficiaries (where applicable)	N/A
Spatial Transformation (where applicable)	N/A
Calculation Type	Non-cumulative
Reporting Cycle	Quarterly and annually
Desired Performance	One stakeholder satisfaction survey conducted
Indicator Responsibility	Marketing and Communication Manager

INDICATOR TITLE 2.6	NUMBER OF REPORTS ON THE RISK MATURITY RATING ON 5-POINT SCALE
Definition	The risk maturity assessment to determine the level of maturity of SDT's risk management process. The assessment covered the 8 key elements of the revised COSO II ERM Framework 2017 as well as the ISO 31000 (2018) Risk Principles.
Source of data	The assessment report on the Risk maturity rating on 5- point scale
Method of Calculation/ Assessment	Number of assessment report
Means of verification	Assessment report on the Risk maturity rating on 5- point scale
Assumptions	ERM Policy and Framework are in place The implemented risk management process and its supporting systems, mechanisms and arrangements are adequate and effective.
Disaggregation of Beneficiaries (where applicable)	N/A
Spatial Transformation (where applicable)	N/A
Calculation Type	Non-Cumulative
Reporting Cycle	Annual
Desired Performance	One report on the Risk maturity rating on 5-point scale
Indicator Responsibility	Company Secretary / Legal Manager

INDICATOR TITLE 2.7	NUMBER OF BOARD EVALUATIONS CONDUCTED
Definition	This indicator track the number of evaluations undertaken on the Board
Source of data	Board Evaluation Report
Method of Calculation/ Assessment	Number Board Evaluation Reports
Means of verification	Board Evaluation Report submitted to the Board
Assumptions	N/A
Disaggregation of Beneficiaries (where applicable)	N/A
Spatial Transformation (where applicable)	N/A
Calculation Type	Non-cumulative
Reporting Cycle	Annually
Desired Performance	One Board evaluation report
Indicator Responsibility	Company secretary / Legal Manager

INDICATOR TITLE 2.8	PERCENTAGE OF APPROVED POSITIONS FILLED
Definition	This indicator tracks the percentage of approved positions to be filled for FY2024/25 on the active organogram. The target is filling 80% of the approved positions at the end of 2025/26 financial year.
Source of data	Board approved organogram and active positions to be filled in the FY2025/26 Annual Recruitment Plan
Method of Calculation/ Assessment	The number of active positions filled at the end of the year divided by the total number of approved active positions, times 100
Means of verification	Board approved organogram, approved positions to be filled in FY2025/26 and the Annual Recruitment Plan and Annual Recruitment Report
Assumptions	N/A
Disaggregation of Beneficiaries (where applicable)	N/A
Spatial Transformation (where applicable)	N/A
Calculation Type	Non-cumulative
Reporting Cycle	Annual
Desired Performance	The target is to fill 90% of the active positions
Indicator Responsibility	Human Resources Manager

INDICATOR TITLE 2.9	PERCENTAGE IMPLEMENTATION OF WSP
Definition	This indicator tracks the progress of the implementation of the WSP for FY2025/26
Source of data	Approved WSP and Training Report 2025/26
Method of Calculation/ Assessment	Total number of activities implemented divided by the number of activities planned times 100
Means of verification	Approved WSP and Training Report 2025/26
Assumptions	N/A
Disaggregation of Beneficiaries (where applicable)	N/A
Spatial Transformation (where applicable)	NA
Calculation Type	Cumulative
Reporting Cycle	Quarterly and annually
Desired Performance	80% or more of the WSP implemented
Indicator Responsibility	Human Resources Manager

INDICATOR TITLE 2.10	RATIO OF WORKING CAPITAL
Definition	This indicator tracks the working capital ratio (current ratio) which measures the entity's ability to meet its short-term obligations. A working capital ratio above 1 indicates that the company has enough liquidity to cover its short-term obligations. A ratio below 1 indicates that the entity may have difficulty meeting its short-term obligations.
Source of data	SAGE Trial Balance and Financial Statements
Method of Calculation/ Assessment	Current ratio = Current assets divided by current liability expressed as a ratio Current assets include cash and short-term deposits, inventory, accounts receivable and other current assets Current liabilities include accounts payable, VAT liability, current portion of long-term liabilities and other current liabilities
Means of verification	SAGE Trial Balance and Financial Statements
Assumptions	The market will be favourable and there will be adequate cash reserves
Disaggregation of Beneficiaries (where applicable)	N/A
Spatial Transformation (where applicable)	N/A
Calculation Type	Ratio
Reporting Cycle	Quarterly and annually
Desired Performance	Current ratio should be equal to or greater than
Indicator Responsibility	Chief Financial Officer

INDICATOR TITLE 2.11	PERCENTAGE OVERSPENT ON OPERATIONAL BUDGET ALLOWED
Definition	This indicator tracks the variance between operating expenditure and budgeted operating expenditure to reveal over-expenditure.
Source of data	Trial Balance, Quarterly Financial Reports and Annual Financial Statements
Method of Calculation/ Assessment	(Actual operating expenditure - Budgeted operating expenditure) divided by Budgeted operating expenditure, times 100
Means of verification	Trial balance, Quarterly Financial Reports and Annual Financial Statements
Assumptions	SDT's performance is predominantly dependent on diamond market conditions. The assumption is that diamond market conditions will be favourable.
Disaggregation of Beneficiaries (where applicable)	N/A
Spatial Transformation (where applicable)	N/A
Calculation Type	Non-cumulative
Reporting Cycle	Quarterly and annually
Desired Performance	Not more than 5% expenditure variance on the operating expenditure
Indicator Responsibility	Chief Financial Officer

INDICATOR TITLE 2.12	PERCENTAGE OF DIGITAL TRANSFORMATION PLAN IMPLEMENTED
Definition	This is a plan that outlines how the entity will leverage digital technologies to improve its operations, processes, and overall business performance. The plan involves adopting and integrating digital technologies into various aspects of the organisation to drive innovation, enhance customer experience and increase efficiencies.
Source of data	Digital Transformation Plan, and Quarterly Reports
Method of Calculation/ Assessment	Number of digital transformation activities planned for the financial year and implemented divided by the total number of digital transformation activities planned for the financial year, times 100
Means of verification	Digital Transformation Plan, and Quarterly Reports
Assumptions	N/A
Disaggregation of Beneficiaries (where applicable)	N/A
Spatial Transformation (where applicable)	N/A
Calculation Type	Cumulative
Reporting Cycle	Quarterly and annually
Desired Performance	80% or more of the activities planned for FY2025/26 implemented
Indicator Responsibility	Chief Financial Officer

INDICATOR TITLE 2.13	PERCENTAGE KNOWLEDGE MANAGEMENT IMPROVEMENT INITIATIVES IMPLEMENTED VERSUS PLANNED
Definition	This indicator tracks the implementation of the planned initiatives to improve knowledge management
Source of data	Knowledge Management Plan for FY2025/26 Quarterly Reports
Method of Calculation/ Assessment	The number of activities implemented divided by the total number of activities planned for the financial year, times 100
Means of verification	Knowledge Management Plan for FY2025/26 Quarterly Reports
Assumptions	N/A
Disaggregation of Beneficiaries (where applicable)	N/A
Spatial Transformation (where applicable)	N/A
Calculation Type	Cumulative
Reporting Cycle	Annual and quarterly
Desired Performance	75% or more planned initiatives for FY2025/26 implemented
Indicator Responsibility	Marketing and Communications Manager

PART E

ANNEXURES

ANNEXURE A: MATERIALITY AND SIGNIFICANCE FRAMEWORK

LEGISLATIVE REQUIREMENTS

Section 54(2) of the Public Finance Management Act (Act No. 1 of 1999) (PFMA) states that before a public entity concludes any of the following transactions, the accounting authority for a public entity must promptly and in writing inform the relevant treasury of the transaction and submit relevant particulars to its executive authority for approval of the transaction:

- participation in a significant partnership, trust, unincorporated joint venture or similar arrangements [section 54(2)(b)];
- acquisition or disposal of a significant shareholding in a company [section 54(2)(c)];
- acquisition or disposal of a significant asset [section 54(2)(d)];
- commencement or cessation of a significant business activity [section 54(2) (e)]; and
- a significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement [section 54(2)(f)].

Section 55(2)(b) of the PFMA states that the Annual Report and Financial Statements of a public entity must include particulars of any material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that has occurred during the financial year.

The State Diamond Trader reports the following, on a quarterly basis to National Treasury through its Quarterly Financial reports: Irregular expenditure incurred; and Fruitless and wasteful expenditure incurred.

Treasury Regulation 28.3.1 states that "for purposes of material (section 55(2) of the Act [PFMA]) and significant (section 54(2) of the Act [PFMA]), the accounting authority must develop and agree a framework of acceptable levels of materiality and significance with the relevant executive authority."

International Accounting Standard 1 (IAS1) defines materiality as follows: Information is material if its omission or misstatement of items could, individually or collectively, influence the economic decisions that users make based on the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.

FACTORS CONSIDERED IN DEVELOPING THE FRAMEWORK

NATURE OF THE BUSINESS

The nature of State Diamond Trader's activity is to buy and sell rough diamonds. The Materiality and Significance Framework (the framework) should consider the impact thereof. The objectives of the State Diamond Trader are to promote equitable access to and beneficiation of the country's diamond resources. The main aim of the State Diamond Trader is to address distortions in the diamond industry and correct historical market failures to develop and grow South Africa's diamond cutting and polishing industry.

In the development of the framework, the State Diamond Trader should be guided by its accountability and the sensitivity of its accounts, activities and functions regarding its regulatory duties.

The State Diamond Trader is driven by its financial position in buying and selling rough diamonds. This allows the State Diamond Trader to meet its mandate.

NON-FINANCIAL MATERIALITY

Non-financial materiality is derived from legislation that requires the State Diamond Trader to report certain incidents or alternately legislation that requires disclosure in the Annual Report.

The following qualitative factors have been considered:

- All losses in respect of criminal conduct;
- Any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial period;
- Any criminal or disciplinary steps taken as a consequence of such losses;

- Any losses recovered or written off;
- Changes in key personnel and departure of key executives;
- Application of new or changes in existing accounting policy; and
- Unusual transactions that are not of a repetitive nature and that can be disclosed purely due to the nature thereof and which will affect the decision- making of the user of the Financial Statements.

FINANCIAL MATERIALITY

The materiality amount was calculated following the guidelines issued in National Treasury's Practice Note. A percentage range of 0.5% to 1% of Revenue, as per the guideline, was considered. The Board chose a percentage of 0.5% of the Revenue in line with the previous financial year. Consequently, the materiality figure is determined as follows:

Revenue for the financial year 2023/24 =
R 631 455 104

Materiality Factor: (R631 455 104* 0.5%) =
R 3 157 276



ANNEXURE B:
STRATEGIC RISKS AND GOVERNANCE

The Board of Directors is ultimately accountable for overseeing risk governance to ensure the organisation's strategic objectives are achieved, in line with the King IV Report on Corporate Governance. While the Board retains this responsibility, the Audit and Risk Committee (ARC) is tasked with providing oversight of the risk management function.

As part of its mandate, the ARC assesses and monitors the organisation's risk appetite, ensuring that the nature and extent of risks taken align with its strategic objectives. The responsibility for implementing risk management processes, however, lies with executive management, who ensure that risks are identified, evaluated, and managed effectively.

Strategic Risks and Proposed Mitigation Actions for FY2026 – 25 have (numbered) strategic risks identified during the corporate plan's development. These risks were evaluated in collaboration with executive management, ARC and the Board. It is important to note that additional risks may arise due to the rapidly evolving industry, regulatory changes, and technological advancements. When such risks are identified, they are monitored and, where necessary, incorporated into the Risk Register to maintain robust risk management practices.

KEY RISKS TO IMPLEMENTATION OF THE STRATEGY

RISK	POTENTIAL IMPACT	MITIGATION
Limitations of the 80/20 principle for beneficiation of diamonds	Limited growth opportunity, which threatens the growth and sustainability of the SDT.	SDT communicates to the inspectorate (suitable and unsuitable rough diamonds).
Inequitable and inconsistent access and supply of rough diamonds suitable for beneficiation	Supply of unsuitable diamonds for beneficiation.	Task team has been set-up to look at the issue and find a workable solution.
Delays in Diamond Act amendments	Threaten the sustainability and growth of the SDT as the act in its current form inhibit growth and sustainability which may result in SDT becoming irrelevant as it is not able to change its operating model.	Engagement with the Department of Mineral and Petroleum Resources on fast-tracking the amendments to the Diamond Act.
Limited access to funding to support the growth of SDT	Threaten the growth and sustainability of the business which may result in limited opportunity for diamond beneficiation and inability to achieve mandate goals and objectives.	SDT to continue to engage financial institutions on provision of credit facility.
Human capacity constraints and loss of key staff	Lack of segregation of incompatible functions and employees are overstretched.	SDT structure is being reviewed to look at additional capacity.

ANNEXURE C:
FRAUD PREVENTION PLAN AND POLICY

1. Purpose

1.1 The State Diamond Trader has adopted a Code of Ethics articulating acceptable values and ethical conduct to which all persons associated with the entity are required to adhere. Nevertheless, the State Diamond Trader acknowledges that in today's business environment, fraud and corruption are prevalent, and all business organisations are susceptible to the risk of fraud. In this regard, the purpose of the Fraud Prevention Policy and Plan is to articulate policy and to set out a plan in terms of which management shall deal with instances of fraud in the State Diamond Trader's environment.

1.2 The Plan is premised on the organisation's core ethical values driving the business of the State Diamond Trader, the development of its systems, policies, and procedures, interactions with clients, the public, and other stakeholders, including decision-making by individual managers representing the organisation and is an update on the existing Fraud Prevention Plan.

1.3 The policy, guidelines, and procedures set out in this document are important because they will help the entity ensure that:

- Business is conducted professionally and with integrity;
- Risk-mitigating measures with regard to fraud and corruption are in place;
- The entity is in compliance with national and international anti-fraud and corruption legislation;
- Guidance on the processes that must be followed when investigating fraud and corruption is provided;
- Guidance to all our stakeholders on how to prevent and report fraud and corruption is provided;
- Ensure timely reporting of fraud and corruption to the authorities as required by law; and
- Adequately protect those who report fraud and corruption

2. Background

2.1 The Public Finance Management Act, No. 1 of 1999, and Treasury Regulations, 2005 require the Board to adopt a risk management strategy that must include a formal Fraud Prevention Plan and submit the Fraud Prevention Plan and the Corporate Plan to the Executive Authority annually.

2.2 The Prevention and Combating of Corrupt Activities Act, No 12 of 2004 (PCCSA) strengthens the measures against corruption and has created specific offenses related thereto.

2.3 The Protected Disclosures Act, No 26 of 2000, makes provisions for procedures in terms of which employees may disclose information regarding unlawful or irregular conduct by their employers or fellow employees. The Act accords protection to employees for disclosures made in good faith under defined circumstances and encourages organisations to adopt internal whistleblowing mechanisms.

3. Definitions of Concepts

Term	Definition
Fraud	Means the unlawful and intentional making of a misrepresentation, which causes actual and or potential prejudice to another. Fraud is also intended to include all aspects of economic crime and acts of dishonesty, as well as any conduct or behaviour of which a dishonest representation and/or appropriation forms an element.
Entity	Means the State Diamond Trader
Employee	Means employee as defined in Section 200A of the Labour Relations Act (Act No. 66 of 1995)
Employer	Means the State Diamond Trader

4. Legislative and Policy Framework

4.1 Constitution of the Republic of South Africa (Act No. 106 of 1996)

4.2 Public Finance Management Act (Act No. 1 of 1999)

4.3 Prevention and Combating of Corrupt Activities Act (Act No. 12 of 2004)

4.4 Protected Disclosures Act (Act No. 26 of 2000)

4.5 SDT's Corporate Governance Manual

4.6 Basic Conditions of Employment Act (Act No. 75 of 1997)

4.7 Companies Act (Act No. 71 of 2008)

4.8 Electronic Communications and Transmissions Act (Act No. 25 of 2002)

4.9 Financial Advisory and Intermediary Services Act (Act No. 37 of 2002) ("FAIS")

4.10 Financial Intelligence Centre Act (Act No. 38 of 2001) ("FICA")

4.11 Foreign Corrupt Practices Act of 1977 ("FCPA")

4.12 Labour Relations Act (Act No. 66 of 1995)

4.13 Promotion of Equality and Prevention of Unfair Discrimination Act (Act No. 4 of 2000)

4.14 Protection of Personal Information Act (Act No. 4 of 2013)

4.15 Other documents include but are not limited to the following:

- Delegations of Authority
- Sexual Harassment Policy and Procedure
- Grievance Procedure
- Procurement Policy and Procedures
- Disciplinary Policy and Procedure
- Sexual Harassment Policy

CODE OF CONDUCT

5. Scope of Applicability of the Policy

The policy applies to all officials and/or Board members, stakeholders, contractors, vendors/suppliers and any other party conducting business with the State Diamond Trader.

6. Roles and Responsibilities

6.1 Requirements

The State Diamond Trader requires that all role players:

- Have a positive, appropriate attitude towards compliance with laws, rules, and regulations;
- Be aware of common indicators/symptoms of fraudulent and/or corrupt activities or any other wrongful acts;
- Be aware of the risks and exposures inherent in their area of responsibility, such as the handling and use of public funds, whether they are involved with cash or payment systems, receipts, or dealing with clients, consultants, vendors, contractors, members of the public, outside agencies, and/or any other parties with a business relationship with the Diamond Trader;
- Report fraudulent and/or corrupt activities; and
- Act in accordance with the State Diamond Trader's standing orders and financial regulations, policies and procedures, and Code of Conduct and Ethics.

6.2 Fraud risk management oversight

(a) Accounting Authority

The Accounting Authority takes an interest in fraud risk management to the extent necessary to obtain comfort that properly established and functioning systems of risk management are in place to protect the entity against significant fraud risks.

(b) Audit and Risk Committee

The Audit and Risk Committee is an independent committee responsible for oversight of the entity's control, governance and risk management. The responsibilities of the Audit and Risk Committee regarding fraud risk management are formally defined in its Charter. The Audit and Risk Committee provides an independent and objective view of the SDT's fraud risk management effectiveness.

The Audit and Risk Committee is appointed by the Accounting Authority to assist in discharging their responsibility for fraud and risk management. The Committee's role is to review the fraud and risk management progress of the entity, the effectiveness of fraud and risk management activities, the key fraud and risk threats facing the entity, and the responses to address these key risks.

6.3 Risk management implementers

(a) Accounting Officer

The Accounting Officer is accountable for the entity's overall governance of fraud risk. By setting the tone at the top, the Accounting Officer promotes accountability, integrity and other factors that will create a positive control environment.

(b) Management

Management is responsible for executing their responsibilities outlined in the Fraud Risk Management Strategy and for integrating risk management into operational routines.

(c) Other officials

Other officials are responsible for integrating fraud risk management into their day-to-day activities. They must ensure that their delegated risk management responsibilities are executed and must continuously report on progress.

6.4 Risk management support

(a) Chief Risk Officer

The Chief Risk Officer is the custodian of the Fraud Prevention Strategy and the coordinator of fraud risk management activities throughout the entity. The primary responsibility of the Chief Risk Officer is to bring to bear his/her specialist expertise to assist the entity to embed risk management and leverage its benefits to enhance performance.

(b) Risk Champion

The Risk Champion's responsibility involves intervening in instances where fraud risk management efforts are being hampered, for example, by the lack of co-operation by Management and other officials and/or the lack of skills and expertise in the entity.

6.5 Risk management assurance providers

(a) Internal Audit

The role of Internal Auditing in fraud risk management is to provide an independent, objective assurance on the effectiveness of the entity's system of fraud risk management. Internal Auditing must evaluate the effectiveness of the entire system of fraud risk management and provide recommendations for improvement where necessary.

(b) External Audit

The external auditor (Auditor-General) provides an independent opinion on the effectiveness of fraud risk management.

7. Policy Statement

The State Diamond Trader recognises the importance of protecting the entity, its employees, its revenue, expenditure and assets, and the public funds and assets with which it has been entrusted from any attempt by any person to gain financial or other benefit in an unlawful, dishonest or unethical manner.

In carrying out its functions, the State Diamond Trader prescribes to a culture of integrity, openness and fairness. The State Diamond Trader declares a zero tolerance policy towards fraud, corruption, maladministration and any other acts of dishonesty. It is the entity's policy that corruption and fraud will not be tolerated and that all allegations of corruption and fraud will be investigated. Appropriate action will be taken against all perpetrators, both internally and externally, followed by the recovery of any losses that the entity might have incurred.

To ensure that our business is always conducted honestly and transparently, we are committed to the following:

- We have a zero-tolerance approach to fraud and corruption;
- We do not accept/pay facilitation fees or kickbacks;
- We keep proper records of dealings with third parties;
- We conduct due diligence on third-party service providers;
- We ensure awareness of our stance on fraud and corruption;
- We protect those who disclose fraud and corruption; and
- We take action against those who engage in fraud and corruption.

8. Fraud Control Strategies

The State Diamond Trader's approach to fraud risk management is focused on three (3) areas namely:

8.1 Structural strategies

Structural Strategies represent the actions to be undertaken to address fraud and corruption at the level of the organisation's governance structure as follows:

8.1.1 Good corporate governance

Good corporate governance is critical to promoting an organisational culture of ethical behaviour and integrity to prevent fraud and corporate crime by influencing employees' conduct and behavioural standards. The Board and Management shall strive to promote an organisational culture of good corporate governance and high ethical standards. The following corporate governance structures are in place at the State Diamond Trader:

8.1.1.1 The Audit and Risk Committee has oversight responsibility for the State Diamond Trader's systems of internal control and reports to the Board.

8.1.1.2 An independent Internal Audit function conducts reviews and tests the effectiveness of the systems of internal control, providing assurance, and reports to the Audit and Risk Committee.

8.1.1.3 The State Diamond Trader has written Delegations of Authority and documented financial control systems.

8.1.2 Assessment of fraud risk

Under the guidance of Internal Audit, the State Diamond Trader will conduct annual fraud risk assessments to identify potential fraud risk exposures to the entity. The process will ensure that appropriate actions are taken to address identified risk exposures and mitigate them.

8.1.3 Creating awareness

8.1.3.1 It is the responsibility of the Chief Executive Officer to ensure that all Board members and employees are made aware of the Fraud Prevention Policy and

Plan. The Chief Executive Officer shall further communicate the Fraud Prevention Policy and Plan to other stakeholders and upload it on the State Diamond Trader website.

8.1.3.2 Employee awareness workshops shall be undertaken annually to assist in the prevention, detection and reporting of fraud and corruption by raising the level of awareness of employees as to how fraud and corruption manifests in the workplace.

8.2 Operational strategies

8.2.1 Internal control

Internal controls are the first line of defence against fraud and corruption. While internal controls may not fully protect the State Diamond Trader against fraud and corruption, they are an essential element in the overall strategy of the entity. All areas of operations shall ensure internal controls for inter alia:

8.2.1.1 Physical control of State Diamond Trader assets;

8.2.1.2 Authorisation controls;

8.2.1.3 Supervisory controls (day-to-day staff management);

8.2.1.4 Data analysis;

8.2.1.5 Monthly, quarterly and annual financial statements; and

8.2.1.6 Monthly bank reconciliations.

8.3 Prevention strategies

A combination of initiatives shall be put in place for fraud and corruption prevention within the State Diamond Trader environment. These include but are not limited to:

8.3.1 Pre-employment screening

The State Diamond Trader shall undertake pre-employment screening procedures for all potential employees regardless of level, including employees acting in specific positions, seconded employees and temporary and contractual employees.

8.3.2 Recruitment procedures

All recruitment shall be undertaken in accordance with the State Diamond Trader's Recruitment Policy.

8.3.3 Disclosure of interests

All employees shall annually declare financial interests in the prescribed form in accordance with the Code of Ethics.

8.4 Detection strategies

8.4.1 Fraud detection may occur through:

8.4.1.1 Vigilance of employees, including senior management;

8.4.1.2 The Internal Audit Function;

8.4.1.3 Ad hoc management reviews;

8.4.1.4 Anonymous reports made in line with the Code of Ethics;

8.4.1.5 The application of detection techniques;

8.4.1.6 Segregation of duties; and

8.4.1.7 External Audit.

8.4.2 Response Strategies

All allegations of fraud or corruption shall be investigated in line with the requirements of the PFMA, read with the Treasury Regulations, the State Diamond Trader's Disciplinary Policy and Procedure, and/or the Code of ethics of the entity.

Investigations of suspected acts of fraud or corruption must have due regard for process and must respect the legal rights of those allegedly involved.

8.5 Collective responsibilities of all role players:

The State Diamond Trader requires that all role players:

- Have a positive, appropriate attitude towards compliance with laws, rules and regulations;
- Be aware of common indicators/symptoms of fraudulent and/or corrupt activities or any other wrongful acts;
- Be aware of the risks and exposures inherent in their area of responsibility; and
- Act with propriety in the use of the State Diamond Trader's resources and in the handling and use of public funds whether they are involved with cash or payment systems, receipts or dealing with clients, consultants, vendors, contractors, members of the public, outside agencies and/or any other parties with a business relationship with the Diamond Trader;
- Report fraudulent and/or corrupt activities;
- Act in accordance with the State Diamond Trader's:
  - standing orders and financial regulations
  - policies and procedures, and
  - Code of Conduct and Ethics.

8.6 Maintenance strategies

8.6.1 Annual review

This Policy and Plan shall be reviewed on an annual basis to ensure its effectiveness and relevance.

8.6.2 Standard operating procedure for reporting an alleged fraud matter

The procedure for reporting a fraud matter is set out in a Standard Operating Procedure.

8.7 Confidentiality

8.7.1 Privileged information

All information relating to fraud, which is reported and investigated, shall enjoy the status of a privilege; it shall be treated as privileged information.

8.7.2 Reputational damage, safety and security

The progression of the investigation shall be handled in a confidential manner and shall not be discussed with any person other than those with a legitimate right to such information. The latter is done to avoid damaging the reputation and or integrity of suspected persons, who at the end of the investigation may be found to be innocent of the alleged wrongful conduct, as well as to ensure the safety and security of the informant who has supplied the State Diamond Trader with the allegations.

8.7.3 Media disclosure

No person is authorised to supply any information concerning allegations or incidents of fraud to the media without the express permission of the authorised person within the State Diamond Trader.

8.8 Protection of informant

8.8.1 Penalties or retribution

No person shall suffer any penalty or retribution for reporting in good faith any suspected or actual incidents of fraud.

8.8.2 False allegations

Employees and the public shall be discouraged from making allegations, which are false, misleading and/or made with malicious intention. Where such allegations are discovered, the person who made such allegation shall be subjected to disciplinary action.

8.9 Application of prevention controls and detection mechanism

In respect of all reported incidents or fraud, the Chief Executive Officer shall immediately review and where possible improve the effectiveness of the controls, which have been breached, to prevent similar irregularities from taking place in the future.

8.10 Fraud Prevention Committee

To ensure smooth implementation of the State Diamond Trader Fraud and Prevention Policy and Plan, a Fraud Prevention Committee must be established which is composed of the following:

- Chief Executive Officer/Chairperson;
- Company Secretary/Legal Manager- Secretariat;
- Chief Financial Officer;
- HR Manager;
- Operations Manager; and
- A representative from Internal Audit Unit.

ANNEXURE D:
BORROWING PLAN

1. EXECUTIVE SUMMARY

During FY2025/26, the entity intends to raise R20 million through an overdraft facility The overdraft is expected to strengthen SDT's liquidity and operational flexibility and will enhance profitability and cash flows. Based on engagements with financial institutions and research conducted the overdraft will have the following characteristics:

- **Revolving credit facility:** The revolving nature of the overdraft means that it will operate like a line of credit and will allow SDT to withdraw and repay funds repeatedly within a specified limit.
- **Credit Limit:** SDT will have access to a maximum of R20 million at any given time.
- **Flexibility:** The overdraft will offer flexibility to SDT since the entity will only pay interest on the amount overdrawn, making it easier to manage seasonal fluctuations in cash flow or unexpected expenses.
- **Interest Payments:** Interest will be charged only on the amount that is overdrawn, not on the full limit. This means that if the SDT uses R10 million of the overdraft, interest is calculated on that amount, not the full R20 million.
- **Duration:** The overdraft will be available for a 12-month period, after which the terms may need to be renegotiated or renewed.

2. SDT FUNDING NEEDS AND STRATEGIC CONSIDERATIONS

2.1 Inventory Funding: Funding for "Primary Sales: State Diamond Trader internally generated funds are used to pay for rough diamond inventory and operating expenditure. Rough diamond purchases are paid for using the following trading processes, Primary Sales and Pre-Finance. Primary Sales means diamonds that are purchased from a producer utilising State Diamond Trader funds. These diamonds are purchased for inhouse assortment and pricing and to offer clients an opportunity to view before purchasing. Pre-Finance means diamonds that are allocated and sold to companies/ persons on paper (blindly). This means that these purchases are paid for by clients. According to historical data and trends, 70% of rough diamond purchases are acquired through the pre-finance method, while 30% are acquired through primary sales method. Pre-Finance might not be suitable for all SDT customer segments and as such there is a need to ensure that sufficient funds are available to finance purchases for primary sales purposes and client segments that cannot use Pre-Finance, specifically HDSA.

2.2 Diamond Market Conditions: Declining cash reserves for purchases and operating costs: Adverse market conditions in the diamond sector have led to a decline in cash balances and profitability.

2.3 Credit Rating: Through the overdraft, SDT aspires to improve its overall credit rating while establishing a stable credit profile. This will be accomplished by regular overdraft repayments of capital and interest, as well as a consistent trend of positive cash flows. A good credit rating will help the entity to develop a credit profile, allowing it to acquire more credit facilities from commercial banks and development financing agencies in future.

2.4 Continuity of Flow of Funds: SDT's strategic priority is to balance the company's financial needs and sustainability with its ability to obtain financing. It is imperative to preserve continuity in the flow of funds so that strategic programs or initiatives do not fail due to lack of funds. SDT also aims to protect the continuity of flow of funds so that even during turbulent markets or bad times the company can survive.

2.5 Timely pursuit of funding: Accordingly, an attempt is being made to broaden the range of financing alternatives, with the realization that delays involved in developing new sources of capital, especially when conditions are difficult, make the timely pursuit of funding critically important.

2.6 Uneven Cash Flows: The State Diamond Trader operates in a volatile rough diamond market and as a result cash flows are uneven and seasonal. The funds will therefore assist in managing the uneven cash flow and unexpected operating expenses.

3. BORROWING PLAN

The table below indicates the projected utilisation of the overdraft, interest and other finance costs for a three-year period:

PROJECTED BORROWINGS: R20 000 000 Overdraft					Year 1	Year 2	Year 3
	Q1	Q2	Q3	Q4	FY 2025/26	FY 2026/27	FY 2027/28
No of days - usage	7	10	10	10	9	110	110
Withdrawals	27 333 746	40 670 643	41 566 712	44 254 566	153 825 667	182 000 319	287 000 000
Repayments	(27 333 746)	(40 670 643)	(41 566 712)	(44 254 566)	(153 825 667)	(182 000 319)	(287 000 000)
Interest	82 376	122 569	125 270	133 370	463 584	547 029	864 306
Other Finance Charges	200 000	-	-	-	200 000	200 000	200 000
Total (Interest and Finance Charges)	282 376	122 569	125 270	133 370	663 584	747 029	1 064 306
Total Repayment (Interest and Finance Charges)	**(282 376)**	**(122 569)**	**(125 270)**	**(133 370)**	**(663 584)**	**(747 029)**	**(1 064 306)**
Total Repayment (Capital plus Interest)	**(27 616 122)**	**(40 793 212)**	**(41 691 981)**	**(44 387 936)**	**(154 489 251)**	**(182 747 349)**	**(288 064 306)**
Balance	**-**	**-**		**-**	**-**	**-**	**-**

4. FINANCIAL CONSIDERATIONS

4.1.1 SOLVENCY AND LIQUIDITY TEST

- A solvency and liquidity test has been conducted to determine the impact of the overdraft on SDT's financial sustainability.
- Although there are no PFMA and Treasury Regulations requirement for the SDT to conduct the test, Section 4 of the Companies Act, 2008 has been used for guidance. S4 of the Companies Act lays out the requirements of the Solvency and Liquidity Test that must be applied by both Management and the Board when entering certain transactions e.g debt arrangements. This test adopts an approach of stopping companies from trading recklessly in an insolvent situation by requiring that the company should be liquid and solvent before entering into certain transactions e.g debt transactions.
- A company satisfies the solvency and liquidity test at a particular time if, considering all the reasonably foreseeable financial circumstances of the company at that time:
  (a) the assets of the company, as fairly valued, equal or exceed the liabilities of the company, as fairly valued (solvency) and
  (b) it appears that the company will be able to pay its debts as they become due in the ordinary course of business for a period of 12 months after the date on which the test is conducted (liquidity).
- The Annual Financial Statements (Forecasts) for FY2024/25 have been used to conduct the test.
- The State Diamond Trader meets the Solvency and Liquidity requirements as per the Companies Act requirements

5. RISK MANAGEMENT

The following risks relating to the proposed overdraft facility have been identified. By identifying these risks and implementing mitigation measures, SDT will be able to manage the credit facility, ensuring the entity's financial stability and flexibility. Regular reviews and adjustments to both risk assessments and mitigation actions will be done to adapt to changes in the market.

Risk	Risk Description	Risk Mitigation
1. Interest rate risk	Potential increase in interest rates.	Interest rates will be negotiated with the financial institutions to decrease the cost of these debts.
2. Liquidity	In the unlikely event of the entity's inability to repay the facilities, this can lead to financial distress.	The cash flow of the entity will be closely monitored, and effective cash flow management techniques will be implemented, and adequate cash reserves will be maintained to cover unexpected expenses.
3. Credit risk	There is a risk that the financial institutions may revoke or reduce the facility if the SDT's credit worthiness deteriorates.	A good credit record will be maintained, regular management accounts and financial statements will be provided to the financiers to demonstrate performance overtime.
4. Over-utilization risk	Excessive utilization of the facilities may lead to dependency on short-term debt and may hinder long-term financial stability of the entity.	Clear limits will be set on the usage of the overdraft and IDC facility and the need for the overdraft will be regularly reviewed
5. Collateral Risk	There is a risk that the financial institutions might require collateral to secure the overdraft.	SDT will negotiate with the bank for no collateral for the. Other forms of finance will be considered.
6. Fees and charges	Overdrafts can incur significant fees if limits are exceeded or if not managed properly.	Clear limits will be set and daily activity will be monitored to avoid unnecessary charges

6. GOVERNMENT GUARANTEE

The entity will secure the short-term borrowings on the strength of its balance sheet and as such will meet its financial obligations for the overdraft from internally generated funds and available cash on hand. Therefore, the entity will not require a guarantee from its shareholder including National Treasury in the forecast period.

NOTES

CONTACT DETAILS

Jewellery Manufacturing Precinct, Superblock Building
OR Tambo International Airport Special Economic Zone
(ORTIA SEZ PRECINCT 1)
Bonaero Drive, ACSA Precinct, Bonaero Park, 1619

Telephone: 011 334 2691
Email: infosdt@statediamondtrader.gov.za

X: @SDT_RSA
Facebook: State Diamond Trader
Instagram: statediamondtrader
Youtube: statediamondtrader

RP61/2025
ISBN: 978-1-77997-641-3



www.statediamondtrader.gov.za