2023/24

ANNUAL REPORT

state diamond trader
REPUBLIC OF SOUTH AFRICA

STATE DIAMOND TRADER

ANNUAL REPORT 2023/24

RP238/2024

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CONTENTS

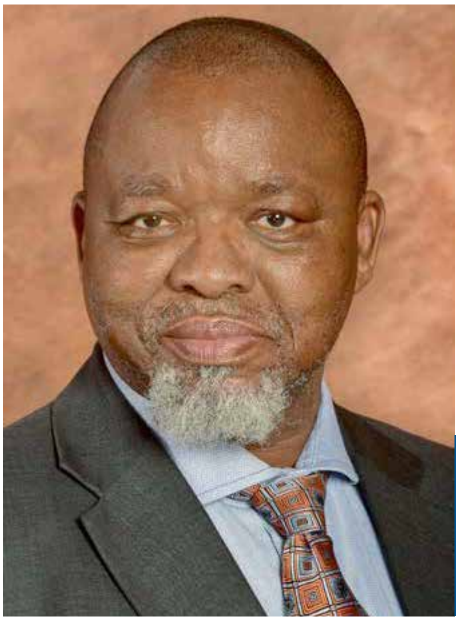
GENERAL INFORMATION

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
Shareholder	Government of the Republic of South Africa, Represented by the Minister of Mineral Resources and Energy
External Auditor	Auditor-General of South Africa

ABBREVIATIONS AND ACRONYMS

The Act	Diamonds Act (Act No. 56 of 1986) as amended
ADPA	African Diamond Producers Association
AGSA	Auditor-General of South Africa
ARC	Audit and Risk Committee
BEE	Black Economic Empowerment
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGU	Cash Generating Unit
CSI	Corporate Social Investment
CSIR	Council for Scientific and Industrial Research
DBCM	De Beers Consolidated Mines
DMRE	Department of Mineral Resources and Energy
Dtic	Department of Trade, Industry and Competition
EA	Executive Authority
EDP	Enterprise Development Programme
FVLCD	Fair Value Less Cost of Disposal
GM	Gross Margin
GM%	Gross Margin percentage
HDSA	Historically Disadvantaged South Africans
HR	Human Resources
HR, RE&SE	Human Resources, Remuneration, and Social and Ethics Committee
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IDC	Industrial Development Corporation
IFRS	International Financial Reporting Standards
IFRIC	International Financial Reporting Interpretation Committee
KPCS	Kimberley Process Certification Scheme
MOU	Memorandum of Understanding
MPRDA	Mineral and Petroleum Resources Development Act (Act No. 28 of 2002) as amended
MQA	Mining Qualifications Authority
NDP	National Development Plan
OHS	Occupational Health and Safety
PAA	Public Audit Act (Act No. 25 of 2004) as amended
PFMA	Public Finance Management Act (Act No. 1 of 1999) as amended
PPC	Parliamentary Portfolio Committee
R	Rand(s)
ROM	Run of Mine
SADPMR	South African Diamonds and Precious Metals Regulator
SARS	South African Revenue Services
SDT	State Diamond Trader
SETA	Sector Education and Training Authority
SMME	Small, Medium and Micro-Enterprises
SOE	State-Owned Entity
TOR	Terms of Reference
USD	United States Dollar
VAT	Value-Added Tax
VIU	Value in use
WSP	Workplace Skills Development Plan



MINISTER'S NOTE
TO PARLIAMENT

Minister of Mineral Resources and Energy Honourable Speaker of Parliament

Annual Report of the State Diamond Trader for the year ended 31 March 2024

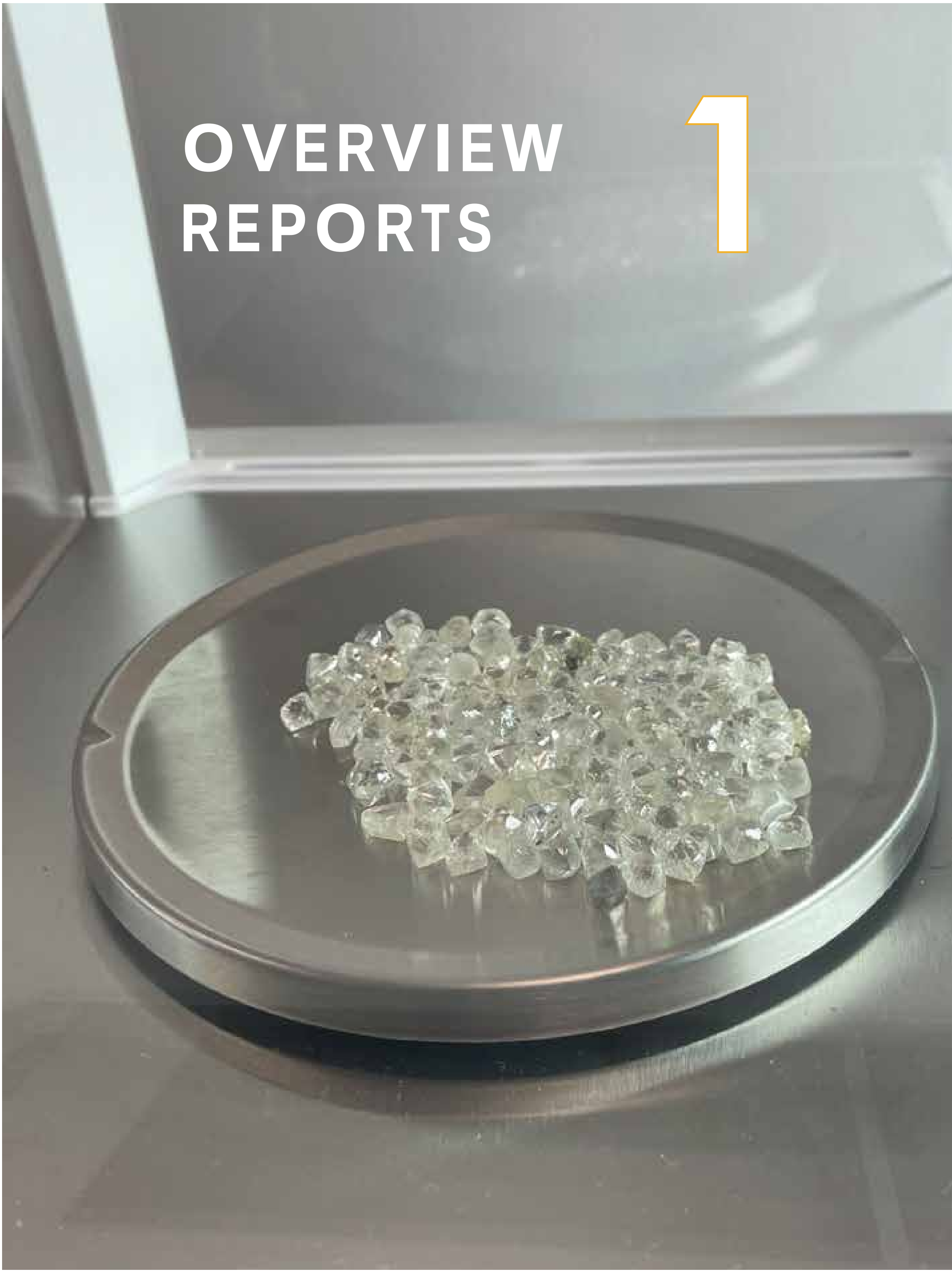
I have the honour in terms of section 65 (1) (a) of the PFMA, Act No. 1 of 1999 (as amended), to present the Annual Report of the State Diamond Trader for the year ended 31 March 2024.

Mr SG Mantashe (MP)
Minister of Mineral Resources and Energy

31 August 2024

OVERVIEW REPORTS

1



CHIEF EXECUTIVE OFFICER'S
OVERVIEW

It is an honour to present to you the State Diamond Trader's (SDT) Annual Report for the year ended on 31 March 2024.

Following an exceptional performance from the past 2 (two) consecutive financial years, the entity had anticipated a good performance during the financial year ended on 31 March 2024. However, an unexpected turn around in the diamond industry occurred during the financial year under review resulting in a sharp decrease in production levels. The situation was exacerbated by an influx of polished diamonds in the market due to low demand for polished diamonds and high inflation rates resulting in a depressed market. Subsequently, the entity was unable to achieve its planned targets due to low rough diamond production inspected and purchased resulting in low supply to clients and low margins gained by the entity.

Once again, the entity proved its resilience by navigating another challenging financial year. Strategies such as reduced operational costs, supplier agreements and pre-finance sales were implemented to avert inventory build-up.

Operational and Financial Environment

The 2023/2024 financial year was challenging for the diamond industry; however, the entity was able to purchase R606 million worth of rough diamonds and sold rough diamonds to the value of R631 million to its clients. Sales to Historically Disadvantaged South Africans (HDSA) were R119 million in comparison to R575 million by value that was sold in the previous financial year; this drastic decrease in sales can be attributed to the negative impact the depressed diamond markets had on the entity's performance.

To address the negative impacts the depressed diamond markets had on the entity's performance, management has developed a strategy to address issues of the declining South African production levels and the inconsistent supply of rough diamonds to its clients.

Facilitation of Access to Markets

Although the diamond markets faced instability during 2023/24 financial year, the entity continued to assist its clients to access international markets. This was done through assisting clients to exhibit and sell their polished diamonds and jewellery at the annual Hong Kong Jewellery and Gem fair that was held in Hong Kong on

8 to 12 September 2023. The depressed markets had a negative impact on the show and the client's turnover, however measures to improve footprint and sales for the entity's client at the September 2024 show have been put in place.

To promote growth in the diamond industry the entity also facilitated participation at the Africa Mining Indaba 2024 for one of its Enterprise Development Programme (EDP) Alumni. Other EDP graduates will also be granted this opportunity during the 2024/25 financial year.

Financial Position

The entity recorded a loss during the 2023/24 financial year due to the depressed diamond markets, however mitigating measures through cost containment were put in place. Subsequently a saving of R5 million was realised on the budgeted expenditure. As of year-end on 31 March 2024, the entity closed with R182.5 million in cash reserves and continues to remain a going concern.

Programmes and Projects

As part of its mandate to grow the diamond industry, the entity resuscitated its EDP programme by recruiting 5 (five) EDP participants in February 2023 for a period of 3 (three) years. An extensive training programme was developed for the participants to ensure that they will be skilled to enter the diamond industry when the programme ends in 2026.

Human Resources

The secondment of the Acting Chief Executive Officer, Mr Kagiso Menoe ended on 31 September 2023, which was followed by my appointment on 10 October 2023. My sincere gratitude to him for providing leadership to the entity during a period of uncertainty and ensuring an efficient transition in leadership.

Capacity constraints remains a major hindrance for the entity to fulfil its mandate, thus one of the strategies I will be addressing during my tenure is the revision of the entity's organogram for the purpose of growth and sustainability of the entity. The entity revised its organisational structure in March 2024 and management will present the proposed structure to the Board for approval once appointed.

Training and Development remained a priority during the financial year ended 31 March 2024, with 61% of employees trained on courses such as project management, finance and supply chain management and 2 (two) bursaries were awarded, 1 (one) Undergraduate degree and 1 (one) Master's in Business Administration (MBA).

Governance and Compliance

The Board term came to an end on 31 October 2023 and the appointment of a new Board for the entity is still in progress. Management held the fort in the absence of the Board and ensured that the entity achieved its compliance obligations to both the Shareholder and National Treasury.

To ensure that Governance and Administration functions that required Board oversight were not hindered by the absence of the Board, management submitted a request to the Shareholder to appoint an Interim Audit and Risk Committee to provide oversight on Governance and Administrative matters for the entity. The entity received the requested approval from the Shareholders on 4 March 2024 and the Interim Committee commenced their duties on 28 March 2024. Management is sincerely grateful for the leadership and guidance the Interim Committee has provided thus far.

2023/24 Audit

To improve the entity's audit performance from the previous financial year, Management acted with intent in ensuring that the entity's governance processes including internal controls and Annual Performance Information reporting were improved. Thus, the entity achieved an unqualified audit opinion with no material findings for the current financial year.

Conclusion

I would like to thank the Honourable Minister S.G Mantashe and the Department of Mineral Resources and Energy for entrusting me with the leadership of this entity, my sincere gratitude to the former Board members for their guidance and oversight. To Management and all staff members, thank you for your continued support and commitment to the entity. I look forward to a transformative and successful tenure.

Ms Nosiphiwo Mzamo
Chief Executive Officer

31 August 2024

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

The Annual Report for the financial year ended 31 March 2024 presents all information and amounts that are consistent with the audited annual financial statements, as verified by the Auditor-General.

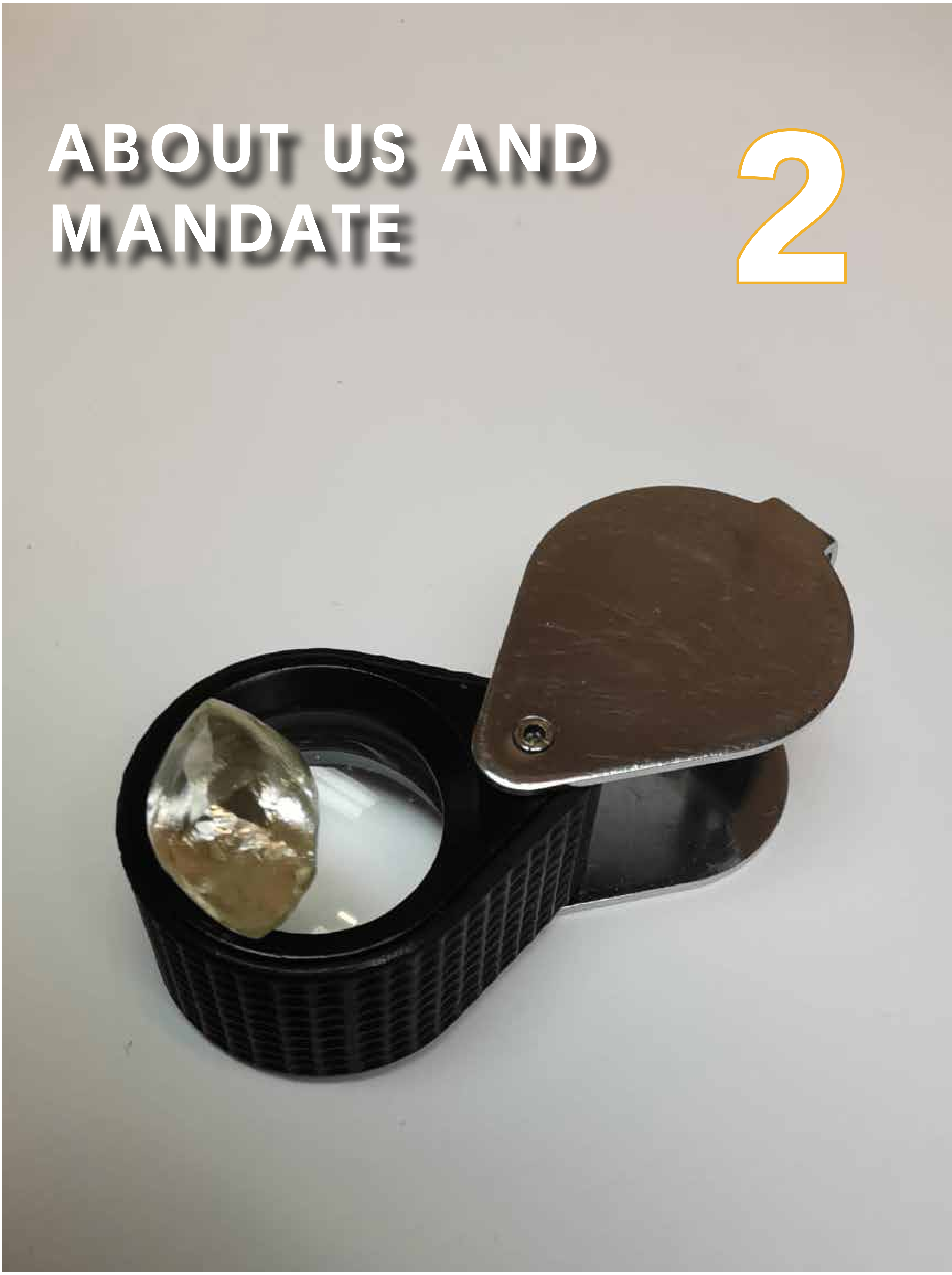
Independent external auditors were appointed to provide an unbiased opinion on the annual financial statements.

In our assessment, the Annual Report provides a fair and accurate representation of the entity's operations, performance information, human resources information, and financial affairs for the financial year ending 31 March 2024.

Signature of Chief Executive Officer

ABOUT US AND MANDATE

2



ABOUT US AND MANDATE

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).

Mandate

The mandate of the State Diamond Trader is to buy and sell rough diamonds and to promote equitable access to and beneficiation of the country's diamond resources. The entity aims to grow and transform 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.

Vision

Heartbeat of diamond beneficiation

Mission

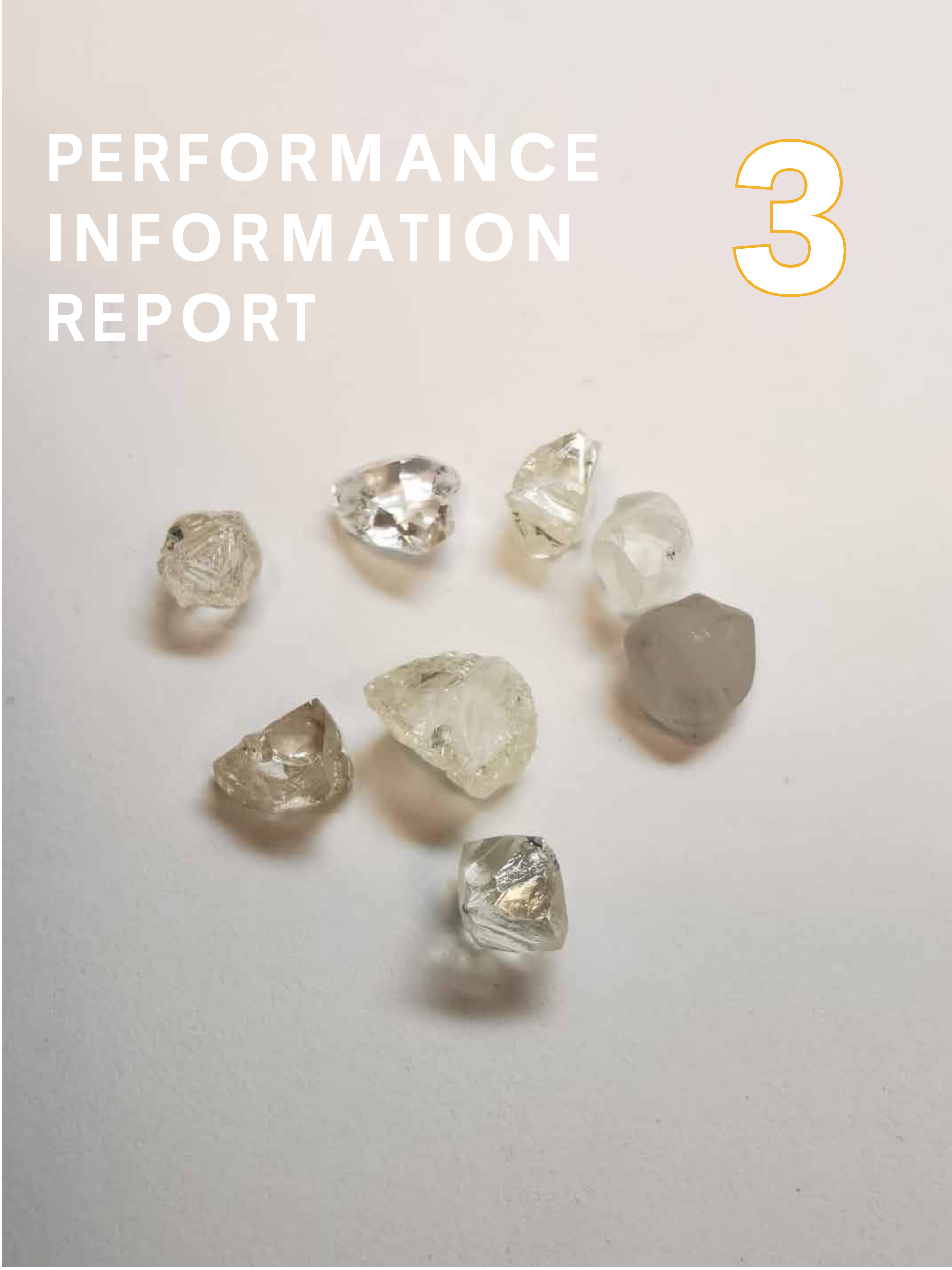
To catalyse the South African Diamond beneficiation industry in support of inclusive socio-economic participation.

Values

- Integrity
- Service Excellence
- Transformation
- Agility
- Collaboration

PERFORMANCE INFORMATION REPORT

3



OPERATIONS OVERVIEW

OUR OPERATIONS

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

PURCHASING

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

- Diamond producers extend an offer for the State Diamond Trader to inspect production mined in that cycle by Section 59B of the Diamonds Act (Act No. 56 of 1986) as amended and invite the Government Diamond Valuator to attend all its inspections.
- The State Diamond Trader is presented with all unpolished diamonds at the end of every production cycle by a producer together with reserve price. The State Diamond Trader can select up to 10% representative sample of all unpolished diamonds presented. Once completed, the Government Diamond Valuator verifies the price set by the producer.
- The State Diamond Trader either accepts the reserve price and makes a purchase or negotiates further with the producer or declines the purchase.

PRODUCTION (SORTING AND VALUATION)

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

CLIENT RELATIONS

The role of Client Relations is to engage with the State Diamond Trader's current and potential clientele on all matters except those related to the sale of rough diamonds. In this regard, the activities of the Client Relations Department are summarised as follows:

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

SALES

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

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

SUPPORTING SERVICES

Supporting services include:

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

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

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

Human Resources: Deals with human resources issues, including recruitment of personnel, training and development, employee benefits, employee wellness, labour relations and others.

Legal and Secretariat: Responsible for the Board secretariat and related matters, legal compliance, and litigation, risk management and corporate planning.

PERFORMANCE AGAINST STRATEGIC OBJECTIVES

To achieve its mandate the entity had 3 (three) outcome goals aimed at growing the diamond industry and ensuring that the entity is financially sustained. During the 2023/24 financial year the entity had 12 (twelve) strategic targets planned and due to the depressed diamond markets only 5 (five) targets were achieved. Subsequently, the percentage achieved was 42%. The table below depicts the overall performance of the entity based on its strategic outcomes.

Annual targets	Status
Achieved	5
Not achieved	7
Total planned targets	12

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

Achievement				Non-achievement	
Strategic outcome	**Outcome indicator**	**Annual target**	**Actual achievement**	**Deviation from planned target**	**Comments**
Growth of the industry access to markets and supply of rough diamonds.	1.1 Facilitate and participate in five events to ensure growth of the industry (i.e. local, and international exhibitions, and shows)	5 (Five) events through facilitation of exhibitions/ events	**Achieved:** 6 (six) local events and 2 (two) international events were attended in the financial year under review.	The target was over – achieved by 3 (three) events attended due to several invitations received from relevant stakeholders and availability of budgeted funds.	N/A
	1.2 Host SA diamond show	To host the diamond show.	**Not achieved**	During 2023/24 Financial Year the diamond markets faced significant challenges resulting in a depressed market. The show was deferred due to financial constraints in the diamond markets as the entity had planned to collaborate with the industry.	The diamond show was deferred due to financial constraints, and it will be hosted during Q4 of 2024/2025 financial year.
	1.3 Purchase a percentage of rough diamonds inspected by value	Purchase 7.5% of rough diamonds inspected by value	**Not achieved:** Purchased 3.9% of rough diamonds inspected by value.	There is a variance of 3.6% due to the depressed diamond markets.	The diamond market has faced significant challenges since the beginning of the financial year, with slumps attributed to global inflation and higher interest rates, particularly affecting spending among middle- and lower-income consumers. This resulted in a depressed market.

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

Achievement				Non-achievement	
Strategic outcome	**Outcome indicator**	**Annual target**	**Actual achievement**	**Deviation from planned target**	**Comments**
Growth of the industry access to markets and supply of rough diamonds.	1.4 Carats (Volume) of rough diamonds supplied to Clients	478 699 Carats (Volume) supplied to Clients	**Not achieved:** 232,183.52 carats of rough diamonds were supplied to clients.	There is a variance of 246,515.48 carats due to the depressed diamond markets.	The diamond market has faced significant challenges since the beginning of the financial year, with slumps attributed to global inflation and higher interest rates, particularly affecting spending among middle- and lower-income consumers. This resulted in a depressed market.
To transform the diamond industry	1.5 Value of rough diamonds sold to 100% HDSA	A sale of rough diamonds to the value of R553,702,369 to 100 % HDSA	**Not achieved:** R119,074,980 rough diamonds were sold to 100% HDSA.	There is a variance of R434,627,389 due to the depressed diamond markets.	The diamond market has faced significant challenges since the beginning of the financial year, with slumps attributed to global inflation and higher interest rates, particularly affecting spending among middle- and lower-income consumers. This resulted in a depressed market. It is anticipated that the diamond markets will have a positive turn around during the first quarter of 2024/2025.
	1.6 Enterprise Development Programme (EDP) Implemented	A facilitation of training for participants of the EDP in rough diamond valuation and polishing	**Achieved:** EDP participants were trained on rough diamond valuation and polishing.	N/A	N/A

OUTCOME GOAL 2: A financially viable and sustainable entity

Achievement				Non-achievement	
Strategic outcome	**Outcome indicator**	**Annual target**	**Actual achievement**	**Deviation from planned target**	**Comments**
Improved governance	2.1 Implement audit combined action plan	100% Implementation of Combined Audit Action Plan	**Not achieved** The entity implemented 68% of the audit action plans.	The variance is 32%: The non achievement is mainly due to policies that were not yet approved by the Board. The policies were discussed and approved by Exco. In addition, there were audit findings pertaining to the APP and these indicated that targets lacked clear definition and measurability.	The policies will be submitted for approval to the Interim ARC – Oversight Committee in June 2024. The targets in the 2023/24 and 2024/25 Corporate Plans have been enhanced to ensure they meet the SMART criteria.
Improved profitability	2.2 Net profit margin percentage	2% Net profit margin	**Not achieved** The entity recorded a net of loss 2.04%	The variance is -4.04%. This is mainly due to a decline in revenue as a result of the depressed diamond market because of global Inflation, increased polish diamond inventory in the pipeline, little to no demand from consumers and increased rough diamond prices.	It is anticipated that the diamond markets will have a positive turn around during the first quarter of 2024/2025. Therefore, such a turnaround will have a positing impact on the entity's net profit margins.
Improved liquidity	2.3 Ratio of working capital	Ensure that by 31 March 2024, the working capital ratio is not less than 10:1	**Not achieved** The working capital ratio achieved was 2.78:1	The variance is 7.22:1. The decline in the working capital ratio is mainly due to an advance payment received from a client at year end, and this amount was recognised as a current liability despite the lower working capital ratio, SDT's liquidity position remained strong at year end.	The working capital ratio target will be adjusted in future to accommodate unexpected prepayments from clients.
Improved liquidity	2.4 Number of days for payment of invoices on receipt	Payment of invoices within 15 days on receipt	**Achieved** Invoices were paid within 11.9 days during 2023/2024 financial year.	The target was over – achieved by 3.1 days.	The variance is due to the entity's strategy of ensuring that service providers are paid timeously as part of growing the economy.
Enhanced governance: clean audit	2.5 Maintain unqualified Audit Opinion	Unqualified Audit Opinion	**Achieved**	N/A	The entity achieved an unqualified audit opinion with no material findings

OPERATIONS OVERVIEW
Continued

OUTCOME GOAL 3: A capable workforce and developmental industry

Achievement				Non-achievement	
Strategic outcome	**Outcome indicator**	**Annual target**	**Actual achievement**	**Deviation from planned target**	**Comments**
Skills development and employee wellness	3.1 Number of employees trained, granted bursaries and wellness programmes coordinated	• 8 (eight) employees trained • 2 (two) employees granted bursaries • 2 (two) employee wellness programmes coordinated	**Achieved:** 13 (thirteen) employees were trained, 2 (two) bursaries were awarded and 5 employee wellness programmes were coordinated.	There is a variance of 5 (five) additional employees trained and 3 (three) employee wellness programmes conducted.	The target was over – achieved due to availability of budgeted funds.

TRADING REPORT

State Diamond Trader trading performance 2023–2024

	2019/ 2020	2020/ 2021	2021/ 2022	2022/ 2023	2023/ 2024
State Diamond Trader Inspections US$* (US$million)	768	972	1 299	1 320	**836**
Carats inspected	7 126 213	8 666 911	9 374 383	9 013 034	**6 416 370**
US$ per carat	108	112	139	146	**130**
Number of producers	15	14	13	13	**35**
Number of Inspections conducted	242	164	170	167	**205**
State Diamond Trader Purchases ZAR (Rmillion)*	226	650	1 352	1 269	**606**
% purchased	2%	3%	7%	6%	**4%**
Carats	32 322	268 147	600 179	492 118	**248 550**
Number of purchases	67	71	117	86	**82**
State Diamond Trader Sales ZAR (Rmillion)	231	683	1 430	1 316	**631**
COGS	225	662	1 358	1 254	**621**
GM	5	21	72	62	**10**
GM%	2%	3%	5%	5%	**2%**
Carats	32 866	268 061	600 670	488 718	**251 604**
Number of clients sold to	38	30	39	43	**25**
State Diamond Trader Stock ZAR (as of 31/03)	18	4	–	–	**-**
Average of stock (days)	>800	>900	–	–	**-**

* *The values exclude shipping cost*

Table 1: SDT Year-on-year comparison of inspections, purchases, and sales

Trading summary and annual comparison

- The value of purchases was R606 million for 2023/24 compared to the value of R1.269 billion for purchases in the 2022/23 financial year. This shows a drastic decrease of 109% in the value of rough diamonds purchased.
- The volume purchased was 248 550 carats in 2023/24 compared to the volume of 492 118 carats in the 2022/23 financial year. This shows a drastic decline in carats purchased by 49%. The decreases in value and volume are contributed to the estimated decline of production levels by an average of 60% decrease by the largest producers which contribute 70% of the total revenue of State Diamond Trader amidst a depressed market.
- The number of production purchases made from producers was 82 for the year under review in comparison to 86 purchases in 2022/23. This shows a decrease of 5% in the number of purchases made for the financial year under review.

- Sales value for 2023/24 was R631 million compared to the previous year's sales of R1.316 billion. This reflects a drastic decrease of 52% in sales for the financial year under review.
- Gross margin percentage achieved was 2% in 2023/24 (R10 million) compared to the 5% gross margin percentage achieved in 2022/23 (R62 million).

Actual performance and budget comparison 2023/24

		2023/24
Purchases	Budget	**896 000 000**
	Actual	**606 361 670**
	Diff	**(289 638 326)**
	Diff %	**(32.33%)**
Sales	Budget	**940 800 000**
	Actual	**631 455 104**
	Diff	**(309 344 896)**
	Diff %	**(32.88%)**
Gross Margin	Budget	**44 800 000**
	Actual	**10 452 906**
	Diff	**(34 347 094)**
	Diff %	**(76.67%)**

Table 2: SDT trading performance against budget 2023/24

The State Diamond Trader underperformed against its budgeted purchases target by R290 million, purchasing rough diamonds to the value of R606 million (Table 2). The SDT underperformed against its budgeted sales target by R309 million, achieving a sales value of R631 million and achieving a gross margin of only R10 million, underperforming against its budgeted gross margin by R34 million.

- It should be noted that the Purchasing figures relate only to purchases made during the 2023/24 financial year.
- The Sales figures relate to all purchases made during 2023/24 financial year and includes stock that was carried over from the 2022/23 financial year. It should be noted that the stock that was carried over incurred losses due to drastic decline in rough diamond prices because of the depressed markets.
- The gross margin considers the profit and loss that was made from all trading activities within the 2023/24 financial year.

Rough Diamond Inspections

South African Diamond Production – State Diamond Trader Inspections 2023/24

Trading activity at the State Diamond Trader is determined by the amount of rough diamonds produced in the country.

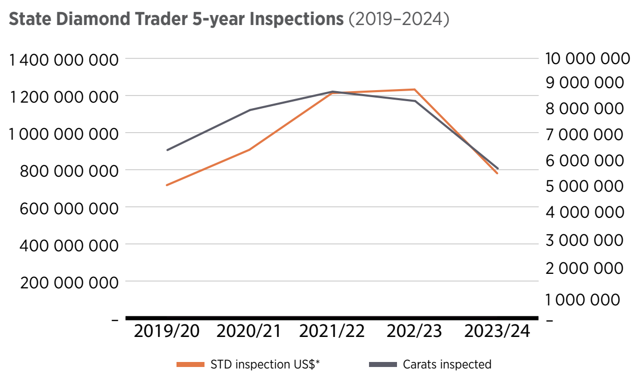


Figure 1: State Diamond Trader rough diamond production inspections

Figure 1 above indicates a decrease in both carats (volume) and value inspected by 29% and 37% respectively of rough diamonds presented to State Diamond Trader to inspect by 35 producers. The average dollar price per carat also decreased by 11% compared to 2022/23. The decline is due to decreased production levels of the largest producers by more than 60%.

State Diamond Trader Purchases 2023/24 financial year

The State Diamond Trader purchased rough diamonds from 25 producers of the 35 producers inspected in the financial year compared to 13 producers purchased from in 2022/23. There has been a drastic and welcomed increase in the number of producers complying with legislation because of effective collaborative efforts between State Diamond Trader and the South African Diamond Precious Metals Regulator.

OPERATIONS OVERVIEW
Continued

State Diamond Trader Inspections 2023/24 (by Producer)

	Producer Name	Number of inspections	Number of purchases	Number of declines	% Purchases
1	Alexkor SOC Limited	6	5	1	83%
2	Belton Park Trading 127 (Pty) Ltd	5	5	0	100%
3	Bitflow Investments 20 (Pty) Ltd	1	1	0	100%
4	Fourpret (C.W.J Van der Merwe)	1	0	1	0%
5	De Beers Consolidated Mines (Pty) Ltd	10	9	1	90%
6	DMI Minerals South Africa (Pty) Ltd	1	0	1	0%
7	Ekapa Resources (Pty) Ltd	12	7	5	58%
8	Eristrep Mining Pty Ltd	1	0	1	0%
9	Gateway Plans (Pty) Ltd	2	0	2	0%
10	Helam Mining (Pty) Ltd	7	0	7	0%
11	Jagersfontein Developments (Pty) Ltd	7	6	1	86%
12	Kareelaagte Diamante (Pty) Ltd	1	0	1	0%
13	Kareevlei Mining (Pty) Ltd	1	0	1	0%
14	Kimswa Mining (Pty) Ltd	4	4	0	100%
15	Lower Orange River Diamonds (Pty) Ltd	11	5	6	45%
16	Trans Hex Operations (Pty) Ltd	6	5	1	83%
17	Morgenson Mining (Pty) Ltd	3	2	1	67%
18	Nabas Mining (Pty) Ltd	1	1	0	100%
19	Namakwa Diamonds Holdings (Pty) Ltd	11	4	7	36%
20	Naswa Mining (Pty) Ltd	4	4	0	100%
21	Northern Spark Trading 428	2	1	1	50%
22	Daniel Jacobus Van Wyk (Pty) Ltd	1	1	0	100%
23	Daniel Jalin Boerdery (Pty) Ltd	1	0	1	0%
24	Jalin Boerdery (Pty) Ltd	1	0	1	0%
25	Ettienne Smith	1	0	1	0%
26	Marfra Farming (Pty) Ltd	1	0	1	0%
27	Papavangelo Trading 26 (Pty) Ltd	2	1	1	50%
28	Petra Diamonds Southern Africa (Pty) Ltd	9	6	3	67%
29	Pioneer Minerals (Pty) Ltd	1	1	0	100%
30	RooipoortDevelopments (Pty) Ltd	7	6	1	86%
31	Rushtail 31 (Pty) Ltd	4	3	1	75%
32	RenRock (Pty) Ltd_ Skud Skud BK	1	1	0	100%
33	Squirewood Invesments 65 (Pty) Ltd	3	1	2	33%
34	Thunderflex 78 (Pty) Ltd	1	0	1	0%
35	Zandfontein Delwery	3	1	2	33%
		133	80	53	60%

Table 3: Number of productions inspected, purchased and declined. 2023/24 SDT trading performance against budget

State Diamond Trader inspected 133 productions presented to it from the 35 compliant producers inspected, purchased 80 of these productions and declined 53 productions based on either the size of the production or price asked for the production.

The implementation plan regarding non-compliant producers entails robust engagements with the tripartite structure of the SADPMR, the SDT, and the South African Diamond Producer's Organisation (SADPO) to discuss concerns of producers and to identify all licenced producers that are currently operational yet have not complied with the provisions set out under Section 59B of the Diamonds Act of 1986 as amended in 2005. A task team was established between State Diamond Trader and the South African Diamond Precious Metals Regulator to verify the level of compliance by non-compliant producers who sell productions through the Tender Houses. This task team ensures that all previously non-compliant producers are assisted to understand their obligations and to deliberate on logistical issues about other concerns. The increase in compliance from producers is due to effective collaboration between State Diamond Trader and the South African Diamond Precious Metals Regulator.

The following is a list of those producers that are compliant with legislation in 2023/24:

List of producers in 2023/24

1.	Alexkor SOC Limited
2.	Belton Park Trading 127 (Pty) Ltd
3.	Bitflow Investments 20 (Pty) Ltd
4.	Fourpret (C.W.J Van der Merwe)
5.	De Beers Consolidated Mines (Pty) Ltd
6.	DMI Minerals South Africa (Pty) Ltd
7.	Ekapa Resources (Pty) Ltd
8.	Eristrep Mining Pty Ltd
9.	Gateway Plans (Pty) Ltd
10.	Helam Mining (Pty) Ltd
11.	Jagersfontein Developments (Pty) Ltd
12.	Kareelaagte Diamante (Pty) Ltd
13.	Kareevlei Mining (Pty) Ltd
14.	Kimswa Mining (Pty) Ltd
15.	Lower Orange River Diamonds (Pty) Ltd
16.	Trans Hex Operations (Pty) Ltd
17.	Morgenson Mining (Pty) Ltd
18.	Nabas Mining (Pty) Ltd
19.	Namakwa Diamonds Holdings (Pty) Ltd
20.	Naswa Mining (Pty) Ltd
21.	Northern Spark Trading 428
22.	Daniel Jacobus Van Wyk (Pty) Ltd
23.	Daniel Jalin Boerdery (Pty) Ltd
24.	Jalin Boerdery (Pty) Ltd
25.	Ettienne Smith
26.	Marfra Farming (Pty) Ltd
27.	Papavangelo Trading 26 (Pty) Ltd
28.	Petra Diamonds Southern Africa (Pty) Ltd
29.	Pioneer Minerals (Pty) Ltd
30.	RooipoortDevelopments (Pty) Ltd
31.	Rushtail 31 (Pty) Ltd
32.	RenRock (Pty) Ltd_ Skud Skud BK
33.	Squirewood Invesments 65 (Pty) Ltd
34.	Thunderflex 78 (Pty) Ltd
35.	Zandfontein Delwery

The average price of diamonds purchased by the State Diamond Trader was US$132 per carat, which is 14% down from the previous financial year's price of US$153 per carat. Although the producer numbers increased this financial year, the drop in the average price reflects that the entity continues the purchasing of run-of-mine productions from producers. The State Diamond Trader is currently permitted to purchase up to 10% run-of-mine of South African diamond production by carats and value to meet its objectives in terms of supporting local beneficiation. The entity was able to purchase 4% by carats and 4% by value of the rough diamonds it inspected (Figure 2 and Figure 3).

OPERATIONS OVERVIEW
Continued

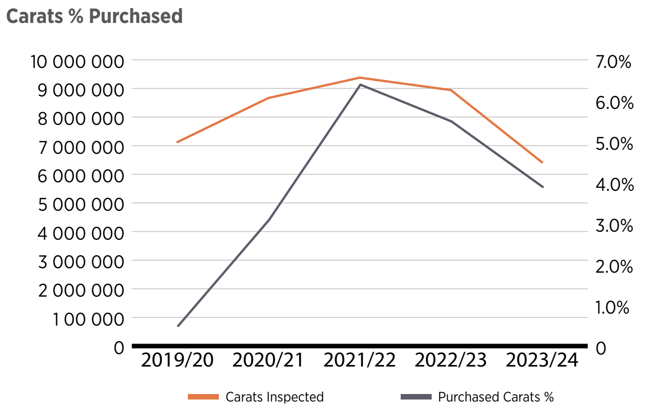


Figure 2: SDT purchases in carats and as a percentage of total rough diamond production inspected

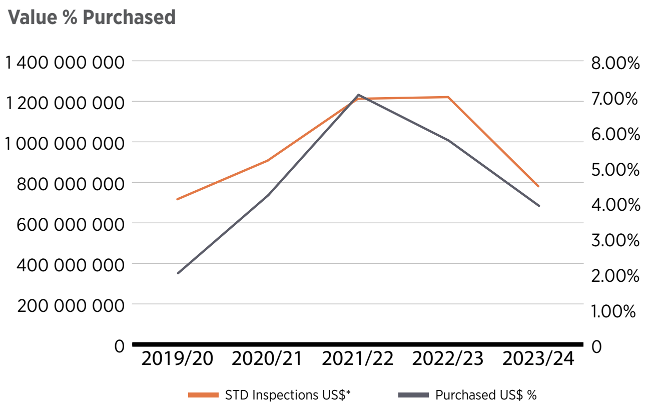


Figure 3: SDT purchases in value and as a percentage of the rough diamond production inspected

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

- The general depressed market conditions impacted by macroeconomic factors.
- Lacklustre demand for rough diamonds.
- The sales and pricing methodologies of the producers make some selections too expensive for the State Diamond Trader and its clients.
- The State Diamond Trader's legislated position as a passive role player "price-taker" in the inspection and purchasing of diamonds from those producers that are not open to negotiations.

State Diamond Trader sales 2023/24

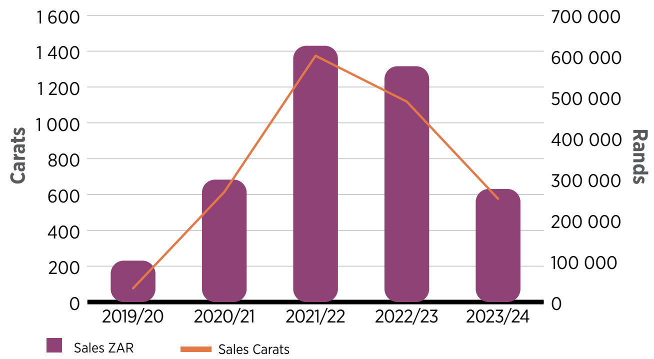


Figure 4: SDT rough diamond sales to clients

Figure 4 indicates that the sales by value and carats (volume) for 2023/24 have drastically decreased by 109% and 94% respectively when compared to the previous financial year. Sales value decreased by R685 million to the value of R631 million compared to the previous financial year's sales value of R1.3 billion. The gross margin percentage achieved of 2% resulted in a gross margin value of R10 million, and the carats sold decreased by 237 114.

The State Diamond Trader sold to 25 clients in total, which is a drastic decrease from the 43 clients sold in 2022/23. Of the 25 clients that purchased in the year under review, 15 of the clients were 100% Black-owned companies which is a slight decrease compared to the number of 100% Black-owned companies sold to in 2022/23 which tallied to 16. The following should be noted:

- The top five (5) clients that purchased accounted for 70% of the total sales, with no 100% Black-owned clients among the top five. In the 2022/23 financial year the top five clients that purchased accounted for more than 60% of the total sales and among these clients were two (2) clients that are 100% Black-owned. There was a decrease in the number of Black-owned clients.
- The top ten (10) clients that purchased accounted for 97% of the total sales; among these clients were three (3) clients that are 100% Black-owned. In 2022/23 there were five (5) clients that are 100% Black-owned and one (1) client with 51% Black ownership. There was a decrease in the number of Black-owned clients.

- The top fifteen (15) clients that purchased accounted for more than 99% of the total sales; among these clients were seven (7) that are 100% Black-owned and one (1) client with 51% Black ownership. In 2022/23 there were seven (7) clients that are 100% Black-owned and one (1) client with 51% Black ownership. The result remains unchanged from 2022/23.

A decrease in 100% Black-owned client participation across all the sections is noticeable. Access to finance is still required to increase the number of Black-owned companies in the top tiers in order to ensure effective transformation and inclusiveness.

Sales by client segment 2023/24

Segment	Number of clients	Carats	ZAR Sales	ZAR Cost	GM	GM %	% of Sales (ZAR)
Equitable Access Small	5	393	7 822 265	7 843 346	(21 081)	0%	1%
Equitable Access Medium	3	57	1 117 902	1 086 787	31 115	3%	0%
Equitable Access Large	3	9 302	53 937 479	52 748 296	1 189 182	2%	9%
Growth and Transformation	4	6 338	63 142 943	61 122 110	2 020 833	3%	10%
Niche Small	1	40 842	78 355 893	75 774 884	2 581 009	3%	12%
Niche Large	5	131 022	353 117 010	345 955 476	7 161 534	2%	56%
Other	4	63 651	73 961 613	76 471 301	(2 509 688)	-3%	12%
	25	251 604	631 455 104	621 002 200	10 452 904	1.66%	

Table 4: Breakdown of SDT rough diamond sales by client segment

Table 4 provides details of the volume and value purchased by the different segments of clients and represents the percentage that each segment has contributed to the total sales. The lack of funding that persists in the diamond industry forces most of these companies to partner with larger companies to conclude transactions in the acquisition of rough diamonds, however with the depressed market most clients declined to purchase in this financial year. Sales to the 100% Black-owned clients declined drastically as an effect of depressed market conditions.

The Niche and Large/Medium Beneficiators contributed 68% of the total sales value of the entity when compared to the previous financial year where it contributed 38% of the total sales value. State Diamond Trader's focus to address the disparity that has been seen over the years was hampered severely by the depressed market conditions.

Sales by suitability

2023/24	Carats	ZAR Sales	ZAR Cost	GM	GM %	% of total	
						Carats	Value
Suitable for beneficiation	27 581	353 425 138	347 102 022	6 323 116	2%	19%	75%
Not suitable for beneficiation	224 024	278 029 966	273 900 176	4 129 790	1%	81%	25%
	251 604	631 455 104	621 002 198	10 452 906	2%		

Table 5: Suitability of rough diamonds sold to SDT clients for local beneficiation

OPERATIONS OVERVIEW
Continued

Sales of rough diamonds deemed suitable for beneficiation remained the same as the previous financial year at 75% by value of the total sales for this financial year. The volume also remained the same at 19% by value of the total sales in this financial year.

Registered State Diamond Trader Clients

The purpose of registering clients is to ensure compliance with the laws of the country pertaining to the holding of a valid diamond beneficiation licence and South African Revenue Services Tax Clearance Certificate. The 2023/24 process saw the addition of five (5) new clients registered with the entity, with thirteen (13) clients removed from the list due to non-compliance ranging from expired beneficiation licences and non-compliance with tax clearance.

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

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

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

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

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

Equitable Access Large – Large Black-owned beneficiating companies that have partners that are non-Black and have an international reach. These companies have two to ten permanent employees.

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

Niche Medium – Medium non-Black-owned beneficiating companies that can purchase small to medium productions. These companies have two to ten permanent employees as well as an international and local reach for polished diamonds.

Niche Large – Larger non-Black-owned beneficiating companies that can purchase a larger and wider range of quantities of rough diamonds. These companies have over ten permanent employees and some are subsidiaries of international companies.

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

The entity ended the financial year with 88 registered clients which indicates a decrease from the 96 clients reported in the previous financial year. The entity removed 8 clients due to non-compliance due to expired beneficiation licence and not being able to produce tax clearance certificates. These clients are segmented within the following segments:

Growth and Transformation	**05**
Growth and Transformation Incubation	**05**
Equitable Access Small	**43**
Equitable Access Medium	**04**
Equitable Access Large	**05**
Niche Small	**10**
Niche Medium	**07**
Niche Large	**09**

Diamond and Beneficiation Industry Development Programmes

Sales to HDSA clients

One of State Diamond Trader's strategic objectives is to promote the growth and transformation of the diamond beneficiation industry through various interventions such as facilitation of market access. This also includes striving for increased sales to HDSA clients (Figure 4). Figure 4 indicates the sales trends to HDSA clients for the past five years.

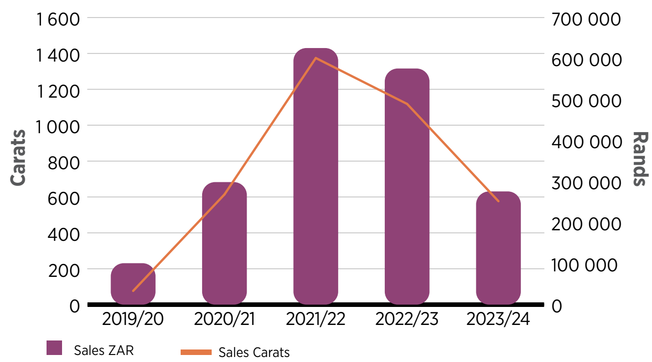


Figure 6: Annual sales to Historically Disadvantaged South Africans 2023/24

Sales to HDSA/Black Clients

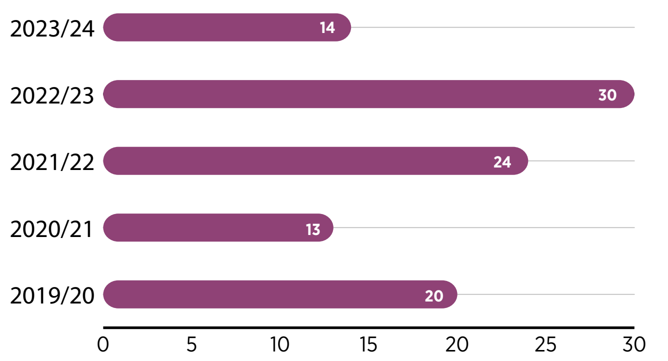


Figure 6: Number of HDSA clients SDT annually sold rough diamonds to

Sales to the number of HDSA clients decreased to 14 for 2023/24 when compared to the 30 HDSA clients sold to in the previous financial year, which demonstrates challenges that clients in this segment experience when there is a depressed market. State Diamond Trader offered goods to 32 clients and 18 of those clients declined to purchase because of the depressed market (Figure 5).

HDSA Sales ZAR

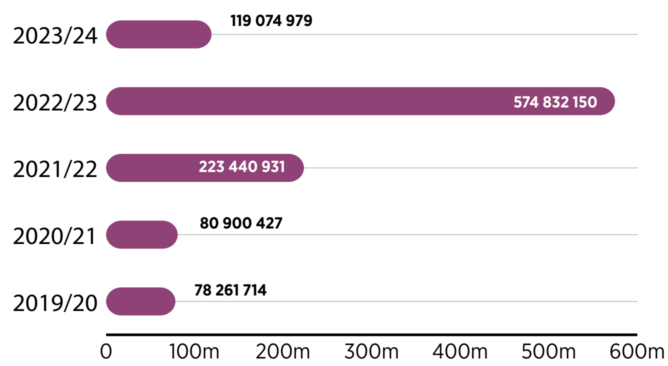


Figure 7: Value of rough diamonds sold annually to 100% HDSA clients

	2023/24	2022/23
Clients sold to	**14**	30
Sales value	**R119 074 979.00**	R574 832 150.00
Sales carats/ volume	**15 715.76**	149 494.09

Table 6: Summary of sales to HDSA clients

- The sales value sold to HDSA/Black clients drastically decreased to a realised value of R119 million in 2023/24 when compared to the R575 million that was sold in the previous financial year (Figure 6). This equates to a decrease in sales value by R456 million.
- Sales to companies with 51% Black ownership decreased to R6.5 million in this financial year when compared to R169 million in 2022/23.
- The carats/volume sold also drastically decreased from 149 494 carats purchased by HDSA clients in 2022/23 to 15 716 carats sold in the reporting period for this financial year.

The breakdown of sales are as follows:

Annual Sales and Development of the Growth and Transformation Segment

Clients must identify markets for polished diamonds and have shown a continuous willingness to participate in all State Diamond Trader's initiatives. It is important to indicate that these clients' main source of rough supply is the State Diamond Trader, but some do purchase from other sources such as producers, accredited local tender houses, and dealers. The Growth and Transformation segment comprises six (6) clients and includes a sub-segment called the Growth and Transformation Incubation which comprises five (5) clients. Clients within this sub-segment are groomed for the Growth and Transformation segment.

During the year under review the Growth and Transformation segment comprised six (6) clients compared to eight (8) in 2022/23. This was due to most of these clients having moved back to the Equitable Access segment based on performance and growth while being in the Growth and Transformation Segment.

	2023/24	2022/23
Clients sold to	**4**	8
Sales value	**R63 142 942.00**	R391 654 090.00
Sales carats/ volume	**6 338.17**	136 376.78

Table 7: Sales to the Growth and Transformation segment for the 2023/24 financial year in comparison to the previous financial year

It should be noted that the value sold to these clients decreased by R328 million and carats/volume decreased by 130 038.61 carats (Table 5). The decrease in sales to this segment is due to the depressed market experienced in 2023/24.

Marketing and Communications Report

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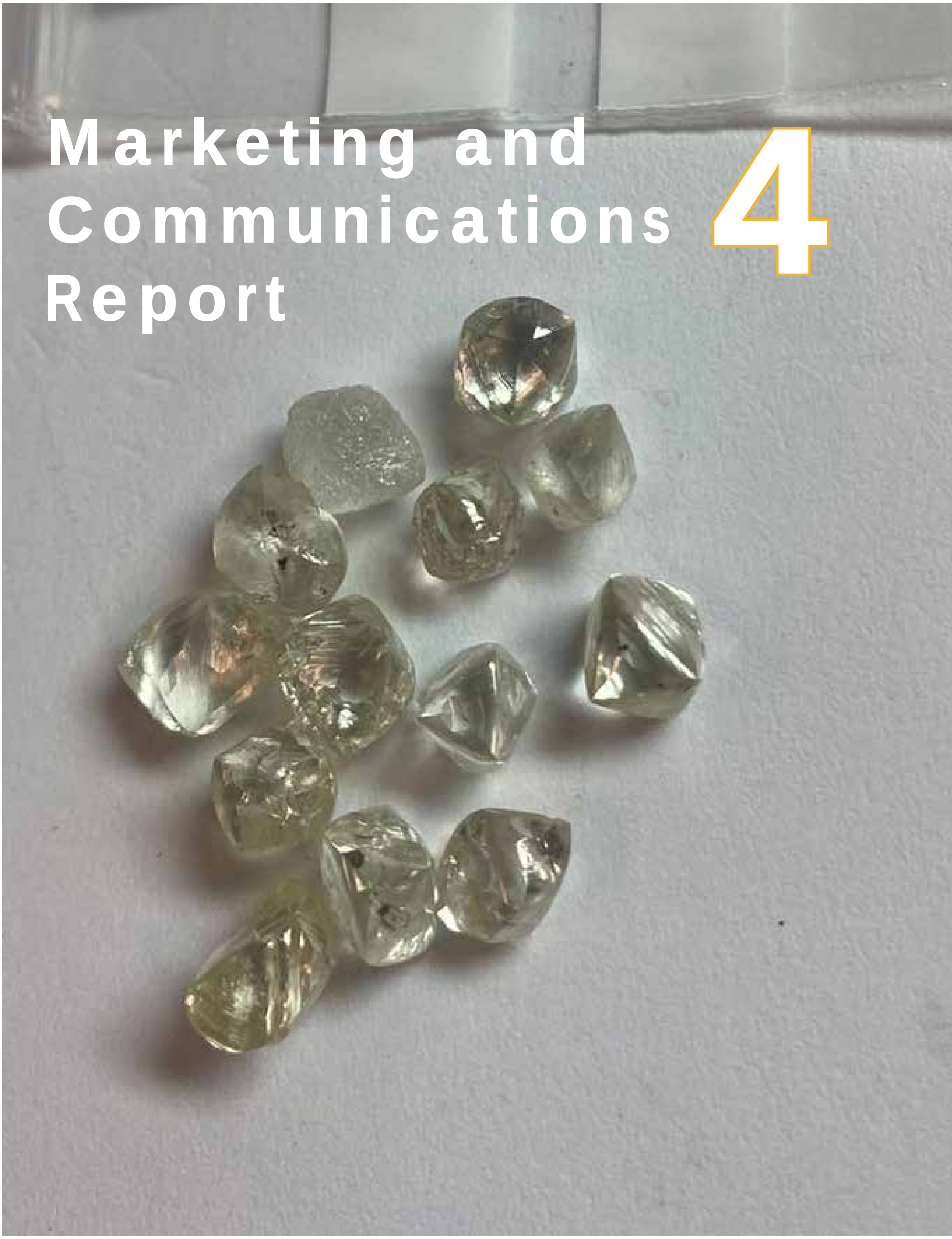


MARKETING AND COMMUNICATIONS ACTIVITIES

The Marketing and Communication programmes aim to enhance the visibility of the State Diamond Trader through various activities. This financial year, we successfully implemented our Marketing and Communications strategy, transforming our brand from unknown to familiar, and ultimately, well-known by the public and media houses.

Facilitating Access to Local and International Markets

The entity's mandate is to promote and grow the industry through support and development. The Marketing and Communications division is dedicated to enhancing the entity's presence by strengthening relationships with internal and external stakeholders, participating in strategic exhibitions to elevate the brand, expanding social media platforms, maintaining strong media relations, and closely monitoring our reputation.

A key highlight was the participation of the entity and its clients at the Hong Kong Jewellery and Gem Fair after it took a break due to the COVID-19. Participation in such events provides South African diamond beneficiators with valuable opportunities to enter the international market and establish, build, and strengthen their global clientele. The financial year under review marked the eighth year of the South African National Pavilion. This year, we partnered with eight local companies: Rez Diamonds, Wintana Diamond Cutting Works, Millennium Diamonds, Nungu Diamonds, Star Gems, Exotic Diamonds, Sunrise Gems, and House of Phoenix.

Conferences and exhibitions

The entity participated in the 2024 Mining Indaba, the Natural Diamond Summit to address and discuss challenges facing the diamond sector and Lesotho Mining Indaba khotla media and stakeholder briefing.

Local exhibitions

- The entity participated in the 2024 Africa Mining Indaba hosted at ICC, Cape Town
- Career Expo hosted at Gugulethu, Western Cape
- Women in Mining and Energy conference hosted by the South African Youth Economic Council
- Kimberley International Diamond Symposium
- Third Limpopo Investment Conference
- North West International Market Access (NWIMA)
- Annual Consultative Conference (AGM) and Mining Skills Lekgotla event
- Brand South Africa Media engagement collaboration Event

Media interviews

Media interviews served as a vital platform for the entity to communicate its mission, achievements, and future goals to a broader audience. During the 2024 Africa Mining Indaba, the entity engaged in a series of insightful interviews with prominent media outlets. These interviews provided an opportunity to discuss our strategic initiatives, industry insights, and contributions to the mining sector. Through these interviews, key messages were conveyed effectively, highlighting our commitment to sustainability, innovation, and stakeholder engagement. Each interaction with the media allowed us to showcase our expertise, share success stories, and address relevant industry challenges.

- **Newzroom Africa** – Interview on State Diamond Trader strategic direction under new CEO 7 February 2024
- **Sunday Times** – on "Diamonds are best, naturally", 18 February 2024
- **Rough and polished** – "Outline the SDT mandate and strategic direction" 19 February 2024
- **Newzroom Africa** – "Diamond Manufacturing" 10 March 2024
- **Lesotho TV** – Unpacking the SDT mandate 21 March 2024

Marketing and Communications Report
Continued

Brand strengthening

To strengthen the brand, the entity was prominently featured in several key publications. These features helped to enhance our visibility and reputation within the industry. Among the notable publications were:

- On 10 October 2023 a media advisory was issued and published by SA Mining and Modern Mining's electronic newsletters.
- Modern Mining – "The Global diamond industry in a state of depressed demand, January 2024.
- During the 2024 Africa Mining Indaba, the entity conducted interview sessions with various media outlets and met with editors from the Sunday Times, Rough and Polished publication, and Modern Mining Magazine.

Stakeholder engagement

To fulfil our mandate, it is essential to engage with a diverse range of internal and external stakeholders, including employees, international and national departments, state-owned entities, private companies such as diamond producers, clients, and the public. Throughout the year under review, the State Diamond Trader undertook numerous initiatives to establish strong relationships with strategic stakeholders, particularly within the diamond sector. Key stakeholder engagements included:

DTIC stakeholder meeting

The SDT team had an engagement with DTIC on 27 June 2023, to introduce our projects and explore potential collaboration.

Collaboration between DMRE and the Department of Women, Youth and People Living with Disabilities in the Northern Cape

On 28 June 2023, we engaged in a stakeholder session organised by DMRE, concentrating on a pilot intervention for small-scale mining. The objective was to investigate potential collaboration between the Department of Minerals and Energy and the Department of Women, Youth, and People Living with Disabilities. This collaboration aims to assist rights holders in the Northern Cape region who face challenges related to financial and technical resources. The ultimate aim is to boost the involvement of Historically Disadvantaged South Africans (HDSAs) in the broader mining sector.

Meetings with SADPO and Kimberly Diamond Exchange

On 30 June 2023, the entity had meetings with SADPO and the Kimberly Diamond Exchange to reinforce stakeholder relations with producers in the Northern Cape. Our focus was on underlining the significance of compliance within the industry.

Visit by SODIAM

SODIAM, with the assistance of our client Kwame Diamonds, visited the entity on 17 August 2023. During the visit, we showcased our work, and representatives from SODIAM briefed us on their enterprise development programme, which was launched following a feasibility study we conducted together the previous year.

CEO's client engagements

On 27 to 29 November 2023 the CEO led a three-day session aimed at comprehending the challenges and constraints faced by our clients. The sessions were tailored for different categories: Niche clients on 27 November, Growth and Transformation clients on 28 November, and Equitable Access clients on 29 November. In total, 41 clients participated across these sessions.

GUILD stakeholder meeting

On 26 March 2024, the entity met with the GUILD to familiarise the CEO with their organisation and deliberate on strategic projects. During the meeting, the GUILD emphasised challenges concerning access to finance and skills development within the diamond sector.

Overview Enterprise Development Programme

The Enterprise Development Programme, initiated by the State Diamond Trader in 2015, is a diamond processing skills development initiative. The programme aims to recruit South African youth with entrepreneurial interests in the South African Diamond Beneficiation Industry. Participants receive training in rough diamond sorting and valuation, cutting and polishing, as well as marketing and trading skills. They are also educated on international diamond processing and trading standards.

As the State Diamond Trader is not a training or academic institution, the success of the Enterprise Development Programme relies on collaboration with industry stakeholders, such as training colleges and operational diamond processing institutions.

The programme typically spans three years, with the primary goal of issuing participants a Rough Diamond Beneficiation License upon completion. This license allows candidates to legally trade diamonds within South Africa.

Since its inception, the Enterprise Development Programme has trained over 30 young South Africans in diamond processing and trading. More than 10 of these participants have been absorbed into the diamond beneficiation industry, and four businesses have been established by the graduates. In February 2023, the programme recruited six new participants, who are currently undergoing training until January 2026 and will receive their Diamond Beneficiation Licenses upon completion.

GOVERNANCE REPORT

5

Governance Report

Board Members until 30 October 2023

Ms MM Ledingwane

Ms SMB Nyakale

Mr G Du Plessis

Mr L Rapoo

Ms M Mosing

Ms T Mokwena

Mr B Deka

Mr C Khosa

Mr J Hugo

Mr M Sanane

Mr JK Menoe
(ex-officio until 30 September 2023)

Ms Nosiphiwo Mzamo

Brigadier Petrus Makuoane

Updates to Board Membership during FY2023/24

Mr Kagiso Menoe served as an ex-officio member of the Board by virtue of his position as the acting Chief Executive Officer. The permanent Chief Executive Officer was appointed and commenced duties on 11 October 2023, replacing Mr Kagiso Menoe on the Board.

Brigadier Petrus Makuoane was appointed on 26 May 2023 replacing Major Mokwena who had resigned in the previous financial year.

The Board's tenure came to an end on 31 October 2023, concluding three years. We extend heartfelt thanks to the Chairperson and members of the outgoing Board for their selfless dedication in overseeing the SDT during their tenure. Their efforts are sincerely acknowledged and deeply appreciated.

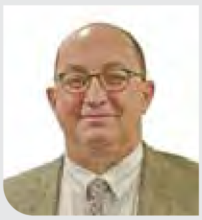
The process to appoint a new Board is ongoing, supervised by the Minister of the Department of Mineral Resources and Energy. To maintain governance and oversight during this transition an alternative structure is necessary in compliance with the Public Finance Management Act (PFMA).

Under Section 49 (2) (a) of the PFMA, if a public entity does not have a controlling body the CEO or the person in charge of the public entity becomes the Accounting Authority. Consequently, in the absence of a Board the CEO of the State Diamond Trader serves as the interim Accounting Authority.

To address potential conflicts arising from the dual role of Accounting Authority and Accounting Officer the CEO sought approval from the Minister to appoint an Interim Audit and Risk Committee (ARC) to oversee administrative and governance matters.

The Committee was appointed on 28 March 2024 in accordance with the recommendation from the Internal Auditors wherein they recommended that the previous ARC members be appointed in the interim for continuity pending the imminent finalisation of the appointment of the Board.

Composition of the Interim Audit and Risk Committee (ARC)

Name	Designation	Educational Background	Area of Expertise
Ms M Mosing 	Member	Law, Public Management	Legal, Public Management, HR Management and Business Leadership
Mr J Hugo 	Member	Business Management, Business Administration	Business Leadership, Finance, Labour, and Dispute Resolution
Mr C Khosa 	Member	Earth Sciences	Compliance, Mining, Business Management

Key Matters Attended to by the Board

Portfolio Committee

The SDT appeared before the Parliamentary Portfolio Committee (PPC) on Mineral Resources and Energy in May 2023 to present the Annual Performance Plan FY2023/24.

Reports Submitted to the Executive Authority

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

Period	Document
Quarter 1	• 4th Quarterly Report FY2022/23 • Draft Unaudited Annual Report FY2022/23
Quarter 2	• Board Assessment Report • 1st Quarterly Report FY2023/24 • Audited Annual Report FY2022/23
Quarter 3	• 2nd Quarterly Report FY2023/24
Quarter 4	• 3rd Quarterly Report FY2023/24 • Corporate Plan FY2024/24

Quarterly reports include the following:

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

Governance Structure of the Board

Board

Introduction

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

The State Diamond Trader is listed in Schedule 3B of the Public Finance Management Act (Act No. 1 of 1999) (the PFMA). Its shareholder is the government of the Republic of South Africa represented by the Minister of DMRE who exercises executive authority on behalf of the government. The Board is the designated Accounting Authority and governs the State Diamond Trader by the laws of the Republic of South Africa, particularly the Diamonds Act (Act No. 56 of 1986) as amended (the Act), and the PFMA read with applicable Treasury Regulations.

Primary Responsibilities of the Board

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

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

- Approval of Policies.
- Approval of the strategy, shareholder's compact, business plans and budgets and of any subsequent material changes in strategic direction or material deviations from strategies and business plan.
- Determination of the structure, composition, and terms of reference of Committees and approval of all changes to the management of the organisation and the schedule of delegation.

- High-level monitoring of both financial and operational progress and performance, including an annual performance review covering the key performance indicators.
- Significant impacts on human resources and financial resources of the organisation.
- High-level stakeholder interfaces such as reporting to the Minister and overall policies on communications with regulated entities, the press and the public.

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

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

Until the end of its tenure on 31 October 2024 the Board met seven (7) times during the year under review, of which two (2) were special meetings. Attendance was recorded as follows:

Board Member	Meetings attended
Ms MM Ledingwane	6
Mr L Rapoo	7
Mr J Hugo	7
Ms M Mosing	7
Mr C Khosa	6
Mr W Mabapa*	0
Mr B Deka	5
Ms SMB Nyakale	6
Ms T Mokwena	7
Mr G Du Plessis	7
Mr M Sanane	4
Brigadier Petrus Makuoane	0
Mr JK Menoe	5
Ms Nosiphiwo Mzamo	2

* *Resigned in April 2023*

Committees of the Board

The tenure of all Committees of the Board lapsed with the termination of the term of the Board at the end of October 2023.

Audit and Risk Committee

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

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

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

The Committee is satisfied with the quality of work produced by internal and external auditors and with the internal control environment of the organisation.

The Committee is not aware of any adverse indicators that may impact the organisation. A report of the Audit and Risk Committee is also included on page 40 of this Annual Report.

The Audit and Risk Committee met four (4) times during the year under review, of which one (1) was a special meeting.

Audit and Risk Committee Meeting Attendance

Board Member	Meetings attended
Ms SMB Nyakale (Chairperson)	4
Mr J Hugo	4
*Ms M Mosing	1

* *Low attendance as Ms Mosing was only appointed to the ARC in July 2023.*

Human Resource, Remuneration, and Social Ethics Committee

The Human Resource, Remuneration, and Social Ethics Committee (HR, RE and S&E) assist the Board with the human resources strategy and the attraction, development, and retention of required staff competencies. The Committee is also entrusted with the oversight of the entity's social and ethics compliance. The Committee has conducted its affairs in compliance with the terms of reference and has discharged its responsibilities contained therein.

The HR, RE and S&E Committee met six (6) times during the year under review, of which two (2) were special meetings.

HR, RE and S&E Committee Meeting Attendance

Board Member	Meetings attended
Mr G Du Plessis (Chairperson)	6
Ms M Mosing	6
*Mr M Sanane	2

* *Low attendance as Mr Sanane was only appointed to the HR committee in September 2023.*

Trading and Industry Promotions Committee

The Trading and Industry Promotion Committee (known as the Trading Committee) assists the Board with trading-related activities and the promotion of the diamond beneficiation industry and is responsible for the development and implementation of trading rules and sales strategies. The Committee operates by the terms of reference approved by the Accounting Authority. The Trading and Industry Promotions Committee met six (6) times during the year under review, of which two (2) were special meetings.

The Committee has conducted its affairs in compliance with the terms of reference and has discharged its responsibilities contained therein.

Trading and Industry Promotion Committee Meeting Attendance

Board Member	Meetings attended
Mr L Rapoo (Chairperson)	6
Ms T Mokwena	4
Mr B Deka	5
Mr C Khosa	2

Governance Committee

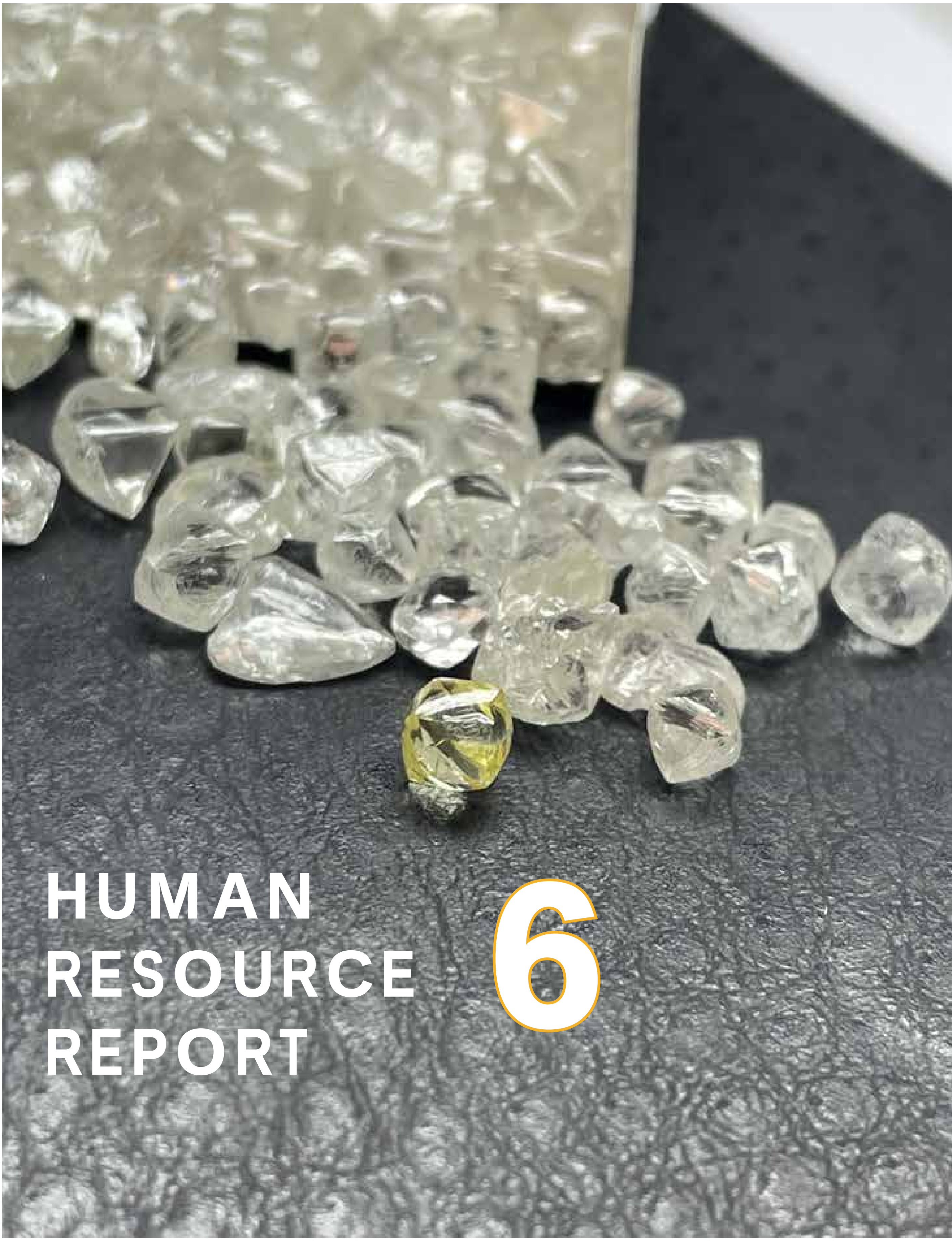
The Governance Committee was established to assist the Chairperson of the Board in initiating and managing overall performance evaluations of the Chief Executive Officer. The Board has extended the Governance Committee's terms of reference to include coordinating the activities of all Board Committees,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

Additionally, the Governance Committee's function was further extended to include the review of all governance documents and to make recommendations to the Board on any necessary updates or revisions. The Committee has conducted its affairs in compliance with the terms of reference and has discharged its responsibilities contained therein. The Governance Committee met four (4) times during the year under review, of which one (1) was a special meeting.

The Chairperson of the Board chairs the Committee, and the Committee is also comprised of the chairpersons of the Board Committees.

Governance Committee Meeting Attendance

Board Member	Meetings attended
Ms MM Ledingwane	4
Mr L Rapoo	4
Mr G Du Plessis	4
Ms SMB Nyakale	4



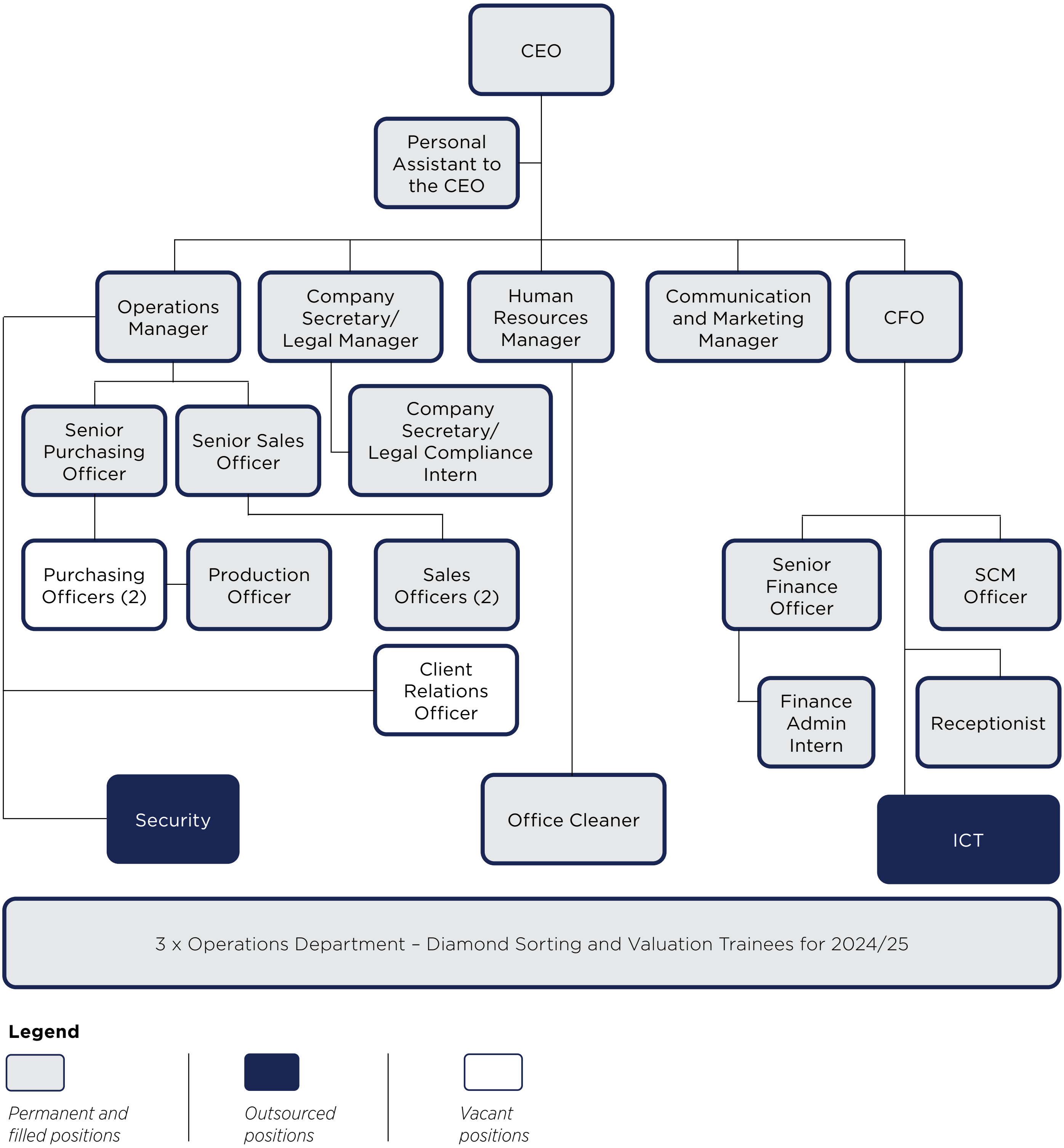
HUMAN RESOURCE REPORT

6

Human Resource Report

Organogram

Below is the 2023/24 Board-approved organogram



Executive Management Team

Name	Designation	Area of Expertise
Ms Nosiphiwo Mzamo 	Chief Executive Officer	Geological Science, Research and Development Management Human Resource Management Leadership Management
Ms Somikazi Madolo 	Chief Financial Officer	Accountancy, Auditing
Mr Conrad van der Ross 	Operations Manager	Diamond Industry, Technical Diamond Skills
Mr Sihle Mhlangu 	Company Secretary/ Legal Manager	Legal, Compliance, Governance

Management Changes in the 2023/24 Financial Year

There were significant changes in the management team in the 2023/24 financial year. Ms Nosiphiwo Mzamo was appointed as Chief Executive Officer for a five-year term, effective from 11 October 2023. Mr JK Menoe's term ended on 30 September 2023. He had been serving as the Acting Chief Executive Officer since September 2022.

Remuneration Report

Human Resource Statistics

State Diamond Trader Structure on 31 March 2024

As of 31 March 2024 the State Diamond Trader structure had twenty (21) Board approved positions. Three (3) positions at skilled technical and academically qualified level remained vacant thus resulting in a vacancy rate of 14%.

Executive Management Changes

The fiscal year of 2023/24 started with Acting Chief Executive Officer Mr Kagiso Menoe who was seconded by the Department of Mineral Resources and Energy. The current Chief Executive Officer Ms Nosiphiwo Mzamo was appointed by the Minister in September 2023, and she started on 10 October 2024 on her five (5) year fixed-term contract.

Remuneration

Through the Remuneration Policy and Performance Management Policy, the Board takes responsibility for the governance of remuneration and determines the approach to employee remuneration. During the 2023/24 fiscal year the Board served for nine (9) months as their term ended on 31 October 2023. The Department of Mineral Resources and Energy takes responsibility for the determination of remuneration for Board members. Remuneration details for Executives and Board members are available on pages 67 to 68 in the Annual Financial Statements.

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

Workforce Profile

Occupational Levels	Male				Female				Foreign		
	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	Total
Top Management	1	1	0	0	2	0	0	0	0	0	**4**
Mid-level Management	1	0	0	0	1	0	0	0	0	0	**2**
Professionally qualified and experienced specialists	2	1	0	0	2	0	0	0	0	0	**5**
Skilled technical and academically qualified workers	0	0	0	0	2	0	1	0	0	0	**3**
Semi-skilled and discretionary decision making	2	0	0	0	4	0	0	0	0	0	**6**
Unskilled and defined decision making	1	0	0	0	6	0	0	0	0	0	**7**
Total	**7**	**2**	**0**	**0**	**17**	**0**	**1**	**0**	**0**	**0**	**27**

Notes: According to the 2023/24 financial year organogram the State Diamond Trader position occupation levels are as follows:

- **Top Management** – Chief Executive Officer, Chief Financial Officer, Operations Manager and Company Secretary – Legal Manager.
- **Mid-Level Management** – Human Resources Manager and Communication and Marketing Manager.
- **Professionally Qualified and Experienced Specialist** – Senior Purchasing Officer, Senior Sales Officer, Senior Finance Officer, Supply Chain Management Officer, and Personal Assistant to the Chief Executive Officer.
- **Skilled Technical and Academically Qualified Workers** – Sales Officers, Production Officer, and Client Liaison Officer.
- **Semi-Skilled and Discretionally Decision Making** – Receptionist, Company Secretariat – Legal Office Intern, Finance and Administration Intern and Diamond Valuator Trainees.
- **Unskilled and Defined Decision Making** – Office Cleaner and Enterprise Development Programme Trainees.

FINANCIAL REPORT

7

Audit and Risk Committee Report

Audit and Risk Committee Report

The Interim Audit and Risk Committee[1] assumed office on 28 March 2024 after the Board's term ended in October 2023. The Interim Audit and Risk Committee is an interim body approved by the Executive Authority to provide oversight during the ongoing Board appointment process.

I am pleased to present the report of the Audit and Risk Committee of the State Diamond Trader for the year ended 31 March 2023. The Committee was established to assist in maintaining governance, compliance, and provide a transparent system for financial and risk management through internal control.

The Interim Audit and Risk Committee operates under formal terms of reference.

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

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

Ms Mpho Mosing
Chairperson of the Interim Audit and Risk Committee

1 *The Interim Audit and Risk Committee is a temporary committee approved by the Executive Authority to provide oversight during ongoing Board appointment processes.*

Statement of Responsibility for Financial Statements

The Accounting Authority of an entity is required by the Public Finance Management Act (Act No. 1 of 1999) (PFMA) to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report.

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

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

The State Diamond Trader establishes policies and sets of standards that are designed to provide reasonable assurance against material misstatements and losses. This enables the Board to execute its responsibilities as required.

The State Diamond Trader maintains internal financial controls, thereby providing assurance regarding the management and maintenance of its assets and the integrity of its financial records. The internal policies are underpinned by its policy framework and strategic objectives which provide strategic direction to management on the expected performance and outcomes.

These are regularly reviewed to ensure compliance and relevance.

The financial statements that appear hereunder were approved by the Interim Audit and Risk Committee signed on its behalf by:

Ms Nosiphiwo Mzamo
Chief Executive Officer

CHIEF FINANCIAL OFFICER'S
OVERVIEW

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

The State Diamond Trader's financial position remains robust, and with prudent financial management, it is poised for a stronger performance in the future.

Financial Performance

The diamond market continued to struggle during the 2023/24 financial year due to a reduction in rough diamond prices, weak polished diamonds demand, strong competition from synthetic diamonds and other geopolitical factors. The decrease is mainly due to depressed market conditions in the diamond market. Effective cost management strategies implemented during the year yielded favourable outcomes, with operating expenses remaining consistent at R28 million compared to the previous financial year. The challenging diamond market conditions resulted in the entity making a net loss of R10 million.

Cash Flow

Cash and cash equivalents increased from R113 million in 2022/23 to R183 million during 2023/24. The noteworthy increase in cash and cash equivalents indicates that the entity managed to effectively manage its cash flow and ensure a healthy financial position despite its loss in revenue.

Going Concern

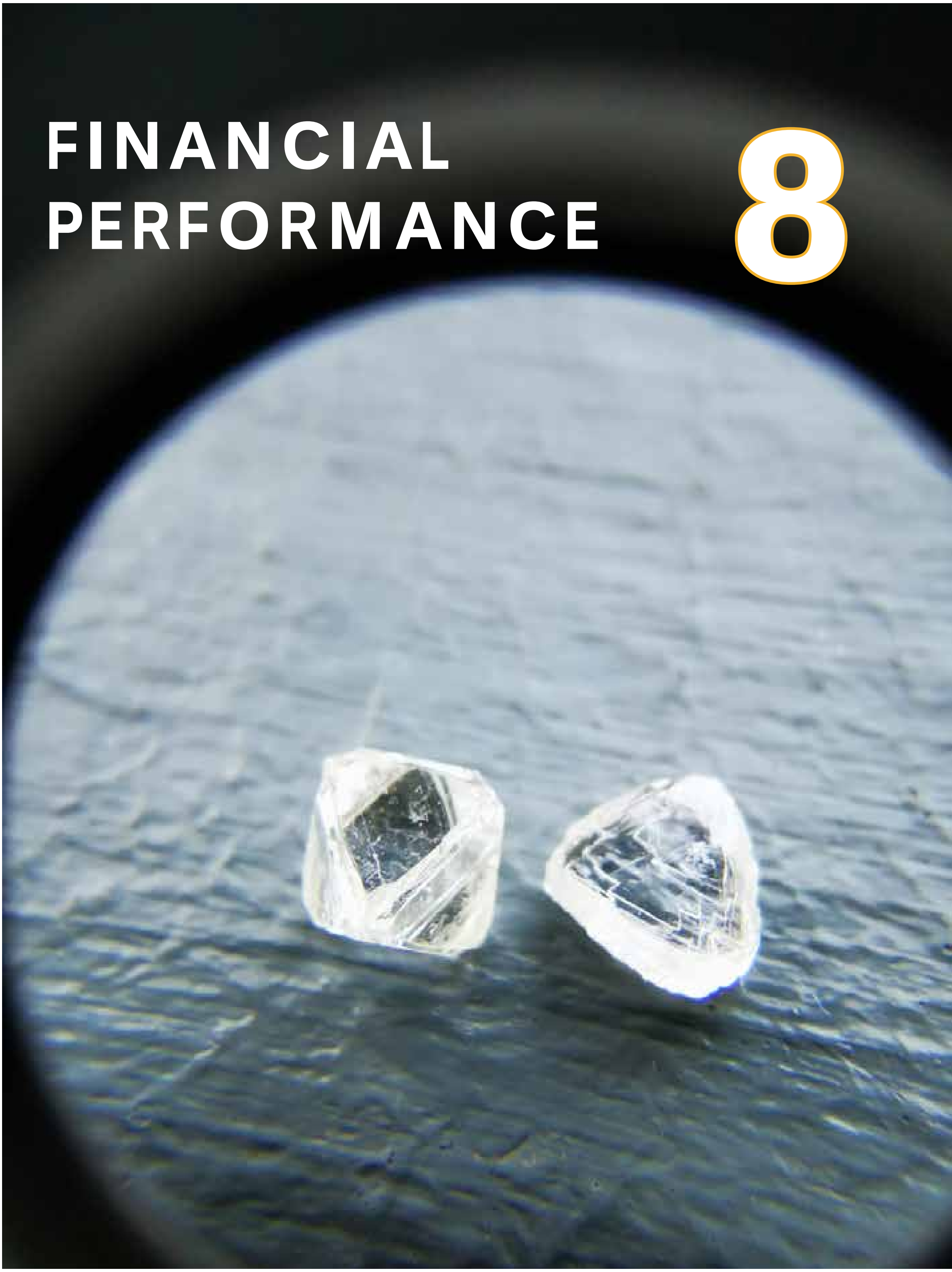
The Annual Financial Statements have been prepared on a going concern basis. There are no pending legal proceedings which have had or may have a material effect on the financial position of the entity.

Events After The Reporting Date

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

Ms Somikazi Madolo
Chief Financial Officer

FINANCIAL PERFORMANCE 8



Report of the Auditor-General to Parliament on the State Diamond Trader

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the State Diamond Trader set out on pages 50 to 72, which comprise the statement of financial position as at 31 March 2024, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the State Diamond Trader as at 31 March 2024 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and the Diamonds Amendment Act 29 of 2005 (DAA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor general for the audit of the separate financial statements section of my report.

4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

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

Responsibilities of the accounting authority for the financial statements

6. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the requirements of the PFMA and the DAA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Responsibilities of the auditor-general for the audit of the financial statements

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

9. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located at page 48, forms part of my auditor's report.

Report on the annual performance report

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

11. I selected the following material performance indicators related to a transformed and inclusive diamond beneficiation industry that ensures an increased black ownership and participation in the sector presented in the annual performance report for the year ended 31 March 2024. I selected those indicators that measure the public entity's performance on its primary mandated functions and that are of significant national, community or public interest:
    - Facilitate and participate in five events to ensure growth of the industry (i.e. local, and international exhibitions, and shows)
    - Host South African diamond show
    - Purchase a percentage of rough diamonds inspected by value
    - Carats (volume) of rough diamonds supplied to Clients
    - Value of rough diamonds sold to 100% HDSA
    - Enterprise Development Programme (EDP) Implemented

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

13. I performed procedures to test whether:
    - the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives
    - all the indicators relevant for measuring the public entity's performance against its primary mandated and prioritised functions and planned objectives are included
    - the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
    - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
    - the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
    - the reported performance information presented in the annual performance report in the prescribed manner
    - there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

14. I performed the procedures to report material findings only; and not to express an assurance opinion or conclusion.

15. I did not identify any material findings on the reported performance information for the selected indicators no material findings.

Other matters

16. I draw attention to the matters below.

Achievement of planned targets

17. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- or under-achievements and measures taken to improve performance.

18. The table that follows provides information on the achievement of planned targets and lists the key indicators that were not achieved as reported in the annual performance report. The reasons for any underachievement of targets and measures taken to improve performance are included in the annual performance report on pages 13 to 16.

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

Targets achieved: 33%
Budget spend: 68%

Key outcome indicator not achieved	Planned target	Reported achievement
Host SA diamond Show	1	0
Percentage of purchased rough diamonds inspected by value	7.5%	3.9%
Carats (volume) of rough diamonds supplied to clients	478 699 carats	232 183.52 carats
Value of rough diamonds sold to 100% HDSA.	R553 702 370	R119 074 980

Report on compliance with legislation

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

20. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

21. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

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

Other information in the annual report

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

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

25. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected material indicators in the scoped-in strategic objectives presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Internal control deficiencies

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

28. I did not identify any significant deficiencies in internal control.

Other reports

29. I draw attention to the following engagement conducted by another party. This report did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

30. An independent consultant was appointed by the accounting authority to investigate an allegation that a member of management had flouted the public entity's supply chain management processes in the appointment of a service provider. The scope of the report covered the period from 28 June 2023 to 31 March 2024. The investigation was concluded on 14 July 2024. The recommendation was for the entity to disregard the allegation as it was not supported by evidence and to not investigate the matter further, as it was believed that another investigation would not yield a different conclusion. The investigation had concluded by the date of this audit report.

Auditor-General

Johannesburg

31 July 2024

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the Auditor's Report

The annexure includes the following:

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

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

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

Financial statements

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the public entity to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act 1 of 1999	Section 50 (3) (b) ; 51 (1) (a) (iii) ; 51 (1) (b) (i) ; Section 51 (1) (b) (ii) ; 51 (1) (e) (iii) ; 52 (b) ; Section 54 (2) (c) ; 54 (2) (d) ; 55 (1) (a) ; 55 (1) (b) ; Section 55 (1) (c) (i) ; 56; 57 (b) ; 57 (d) ; 66 (3) (b)
Treasury Regulations, 2005	Regulation 29.1.1; 29.1.1 (a) ; 29.1.1 (c) ; 29.2.1; Regulation 29.2.2; 29.3.1; 31.1.2 (c) ; 31.2.5; Regulation 31.2.7 (a) ; 33.1.1; 33.1.3
Companies Act 71 of 2008	Section 45 (2) ; 45 (3) (a) (ii) ; 45 (3) (b) (i) ; 45 (3) (b) (ii) ; Section 45 (4) ; 46 (1) (a) ; 46 (1) (b) ; 46 (1) (c) ; Section 112 (2) (a) ; 129 (7)
Construction Industry Development Board Act 38 of 2000	Section 18 (1)
Construction Industry Development Board Regulations, 2004	Regulation 17; 25 (7A)
Erratum National Treasury Instruction No. 5 of 2020/21	Paragraph 1
Erratum National Treasury Instruction No. 5 of 2020/21	Paragraph 2
National Treasury Instruction No. 4 of 2015/16	Paragraph 3.4
National Treasury Instruction No. 5 of 2020/21	Paragraph 4.8; 4.9; 5.3
National Treasury SCM Instruction No. 03 of 2021/22	Paragraph 4.2
National Treasury SCM Instruction No. 11 of 2020/21	Paragraph 3.1; 3.4 (b) ; 3.9
Preferential Procurement Policy Framework Act 5 of 2000	Section 1; 2.1 (a) ; 2.1 (f)
Preferential Procurement Regulations 2022	Regulation 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3; 5.4
Preferential Procurement Regulations, 2017	Regulation 4.1; 4.2; 5.1; 5.3; 5.6; 5.7; 6.1; 6.2; Regulation 6.3; 6.5; 6.6; 6.8; 7.1; 7.2; 7.3; 7.5; Regulation 7.6; 7.8; 8.2; 8.5; 9.1; 10.1; 10.2; Regulation 11.1; 11.2
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34 (1)

Statement of Financial Position

as at 31 March 2024

Figures in Rand	Note (s)	2024	2023
Assets			
Non-current assets			
Property, plant and equipment	2	1 946 244	1 960 944
Right of use asset	3	8 642 885	9 808 219
		10 589 129	**11 769 163**
Current assets			
inventories	4	822 546	15 463 075
Trade and other receivables	5	3 572 219	7 434 888
Cash and cash equivalents	6	182 502 849	113 537 616
		186 879 614	**136 435 579**
Total assets		**197 486 743**	**148 204 742**
Equity and liabilities			
Equity			
Retained income		122 482 167	132 835 197
Liabilities			
Non-curent liabilities			
Lease liabilities	7	10 288 909	11 002 860
Current liabilities			
Trade and other payables	9	62 364 631	2 659 255
Lease liabilities	7	713 881	512 219
Incentive bonus provision	8	1 637 156	1 195 211
		64 715 668	**4 366 685**
Total liabilities		**75 004 577**	**15 369 545**
Total equity and liabilities		**197 486 743**	**148 204 742**

Statement of Comprehensive Income

for the year ended 31 March 2024

Figures in Rand	Note (s)	2024	2023 (Restated)
Revenue	10	631 455 104	1 316 121 560
Cost of sales	11	(621 449 729)	(1 255 224 007)
Gross profit		**10 005 375**	**60 897 553**
Other income	12	360 267	124 783
Operating expenses	25	(28 934 073)	(28 634 347)
Operating profit (loss)		**(18 568 431)**	**32 387 990**
Finance income	14	9 233 054	6 309 740
Finance costs	16	(1 017 654)	(1 045 419)
Profit (loss) for the year		**(10 353 032)**	**37 652 309**
Other comprehensive income		–	–
Total comprehensive income (loss) for the year		**(10 353 032)**	**37 652 309**

Statement of Changes in Equity

for the year ended 31 March 2024

Figures in Rands	Retained income	Total equity
Balance at 1 April 2022	**95 182 889**	**95 182 889**
Profit for the year	37 652 309	37 652 309
Other comprehensive income	–	–
Total comprehensive income for the year	**37 652 309**	**37 652 309**
Balance at 1 April 2023	**132 835 199**	**132 835 199**
Profit (loss) for the year	(10 353 032)	(10 353 032)
Other comprehensive income	–	–
Total comprehensive income (loss) for the year	**(10 353 032)**	**(10 353 032)**
Balance at 31 March 2024	**122 482 167**	**122 482 167**

Statement of Cash Flows

for the year ended 31 March 2024

Figures in Rand	Note (s)	2024	2023
Cash flows from operating activities			
Cash generated from operations	17	61 584 113	7 670 578
Interest income		9 204 001	6 220 072
Finance costs		(1 017 654)	(1 045 419)
Net cash from operating activities		**69 770 459**	**12 845 231**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(305 739)	(138 675)
Loss on disposals of property, plant and equipment	2	12 804	417
Net cash from investing activities		**(292 935)**	**(138 258)**
Cash flows from financing activities			
Cash repayments on finance lease liabilities		(512 291)	(146 051)
Total cash movement for the year		**68 965 234**	**12 560 923**
Cash and cash equivalents at the beginning of the year		113 537 615	100 976 692
Total cash at end of the year	**6**	**182 502 849**	**113 537 615**

Accounting Policies

for the year ended 31 March 2024

1. Basis of preparation and summary of material accounting policies

a) Statement of compliance

The financial statements have been prepared in accordance with, and comply with, the International Financial Reporting Standards (IFRS) and the Public Finance Management Act No. 1 of 1999 (PFMA).

b) Basis of measurement

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

c) Presentation Currency

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

d) Use of estimates and judgement

The preparation of financial statements, in conformity with IFRS, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The practice also requires management to exercise its judgement in the process of applying the State Diamond Trader's accounting policies. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

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

Estimates of residual values and useful lives

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

Provisions

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

Contingent liabilities

A contingent liability is a condition or circumstance at the end of the reporting period of which the eventual result will only be confirmed upon the occurrence or non-occurrence of one or more uncertain future events that are beyond the control of the entity. Management applies its judgement to the patterns and advice it receives from its attorneys, advocates, and other advisors in assessing if an obligation is probable, more likely than not, or remote. This judgement application is used to determine whether the obligation is recognised as a liability or disclosed as a contingent liability.

Contingent assets

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

1.2 Leases

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

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

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

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

On the statement of financial position, right-of-use assets have been included in property and equipment and short-term lease liabilities have been included in Trade and other payables. The Lease liability will mature in 10 years.

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

1.3 Property, plant and equipment and Right of Use Asset

The cost of an item of property and equipment is recognised as an asset when It is probable that the future economic benefits associated with the item will flow to the State Diamond Trader; and the cost of the item can be measured reliably.

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

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

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

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

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	10%
Right of use asset	Straight line	10%
Leasehold improvements	Straight line	10%
Security equipment	Straight line	10%
Computer equipment	Straight line	20–33%
Diamond equipment	Straight line	10%

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

1. Basis of preparation and summary of material accounting policies (continued)

1.3 Property, plant and equipment and right of use asset (continued)

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

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

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

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

FVLCD may also take into consideration other market-based indicators of fair value.

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

1.4 Inventories

Inventories consist of rough diamonds and are measured at the lower of cost and net realisable value. The cost of inventories is based on the cost of acquiring the inventory and other costs incurred in bringing them to the existing location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Are measured at the lower of cost and estimated selling price less costs to complete and sell, State Diamond Trader use specification identification of cost for each rough diamond based on its identification characteristics i.e. colour, clarity, cut and carat weight.

1.5 Impairment of trade and other receivables

As per IFRS 9, the State Diamond Trader has elected to use a simplified approach to determine expected credit losses for trade receivables that do not contain a significant financing component. In terms of the simplified approach, the entity recognises a loss allowance equal to the lifetime expected credit losses on every reporting date.

These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. The entity uses its historical experience, external indicators, and forward-looking information to calculate the expected credit losses using a provision matrix.

Derecognition

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

1.6 Employee benefits

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

1.7 Revenue

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

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

Revenue

The entity generates revenue from rough diamonds sales. To recognize revenue the entity applies the following five steps:

a) Contracts with customers

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

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

The State Diamond Trader and the customer have approved the contract orally and in accordance with the customary business practices (Mazal).

The entity can identify each party's rights regarding the rough diamonds to be transferred.

The entity can identify the payment terms for the rough diamonds to be transferred. Sales of rough diamonds are on a cash basis.

The contract has commercial substance (i.e., the risk, timing or amount of the entity's future cash flow is expected to change as a result of the contract.

It is probable that the entity will collect the consideration to which it will be entitled in exchange for the rough diamonds.

b) Performance obligation

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

c) The transaction price

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

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

d) Allocation of the transaction price to the performance obligation

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

1. Basis of preparation and summary of material accounting policies (continued)

1.7 Revenue (continued)

e) Revenue recognition

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

1.7.1 Contract liability (income received in advance)

The entity recognizes a contract liability when a customer pays for goods prior to the fulfillment of a related performance obligation.

1.7.2 Critical estimates and judgements

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

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

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

1.8 Finance income and expense

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

1.9 Cost of sales

State Diamond Trader recognizes the carrying amount of inventory as an expense when it is sold, in the period in which the related revenue is recognised.

The amount of any write down of inventory to net realizable value is recognised as an expense in the period that the write down occurs.

The amount of any reversal of a write down of inventory, arising from an increase in net realizable value is recognised as a reduction in the amount of inventory recognised as an expense in the period in which the reversal occurs.

1.10 Financial instruments

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

Classification

Financial instruments are measured at fair value.

Recognition

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

Measurement

Financial instruments are initially measured at fair value and where applicable, adjusted for transaction costs. These financial instruments are subsequent measured as follows:

Cash and cash equivalents

Cash comprises cash balances with banks. Cash and cash equivalents are subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. These are initially measured at fair value and subsequently measured at amortised cost.

Trade and other receivables

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

Trade and other payables

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

1.11 Related parties

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

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

1.12 Irregular, fruitless, and wasteful expenditure

Irregular expenditure means expenditure incurred in contravention of, or not in accordance with a requirement of any applicable legislation, including the PFMA. Fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised. All irregular, fruitless and wasteful expenditure is charged against income in the period in which it is incurred.

1.13 Un-recognised commitments

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

1. Basis of preparation and summary of material accounting policies (continued)

1.14 Financial risk management

1.14.1 Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

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

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

a) Credit Risk

The entity is exposed to credit risk as a result of holding financial assets i.e cash and trade receivables. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

Management evaluates credit risk relating to recoveries from clients on an ongoing basis. Credit risk is mitigated by assessing the credit quality of the client by considering its financial position, past experience and other factors.

b) Liquidity Risk

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

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

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

c) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the State Diamond Trader's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising return on the risk. Although State Diamond Trader is based in South Africa, the industry that is its core, the trading of rough diamonds is a global industry phenomenon that is impacted both positively and negatively by various factors, the demand of rough diamonds being one of them. The entity is depended on the profit it can derive from the sale of rough diamonds, which is influence by the demand for rough diamonds.

d) Currency Risk

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

e) Interest Rate Risk

The State Diamond Trader invests its funds with major banks, and fluctuations in South African interest rates have an impact on the amount of interest revenue that the company receives. The table below shows the sensitivity of interest income to changes in interest rates.

1.15 Accounting policies, changes in accounting estimates and errors

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

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

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

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

Standard or Interpretation	Effective date	Expected impact
IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Non-current liabilities with Covenants	**1 April 2024**	**Impacting on SDT**

Notes to the Annual Financial Statements

for the year ended 31 March 2024

2. Property, Plant and Equipment

	2024 Cost or revaluation	2024 Accumulated depreciation	2024 Carrying value	2023 Cost or revaluation	2023 Accumulated depreciation	2023 Carrying value
Furniture and fixtures	659 839	(547 206)	112 634	668 249	(532 373)	135 876
Leasehold improvements	451 648	(95 631)	356 018	352 649	(55 502)	297 147
Security equipment	366 447	(85 733)	280 713	366 447	(50 619)	315 828
Computer equipment	802 845	(346 247)	456 599	618 904	(257 975)	360 929
Diamond equipment	1 477 612	(737 310)	740 302	1 477 609	(626 445)	851 164
Total	**3 758 390**	**(1 812 126)**	**1 946 264**	**3 483 858**	**(1 522 914)**	**1 960 944**

Reconciliation of Property, Plant and Equipment – 2024

	Opening balance	Additions	Disposals	Depreciation	Closing balance
Furniture and fixtures	135 842	–	(112)	(23 098)	112 634
Leasehold improvements	297 150	99 000	–	(40 133)	356 018
Security equipment	315 824	–	–	(35 111)	280 713
Computer equipment	360 955	206 739	(12 692)	(98 403)	456 599
Diamond equipment	851 186	–	–	(110 884)	740 302
	1 960 957	**305 739**	**(12 805)**	**(307 629)**	**1 946 264**

Reconciliation of Property, Plant and Equipment – 2023

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

Net carrying amounts of leased assets	**2024**	**2023**
Leasehold improvements	356 018	297 147

3. Right of Use Asset

3.1 Amounts recognised in the Statement of Financial Position

	2024 Cost	2024 Accumulated depreciation	2024 Carrying Value	2023 Cost	2023 Accumulated depreciation	2023 Carrying Value
Office building and parking bays	11 988 989	(3 346 104)	8 642 885	11 988 989	(2 180 770)	9 808 219

Reconciliation of Right of Use Asset – 2024

	Opening balance	Depreciation	Closing balance
Office building and parking bays	9 808 218	(1 165 333)	8 642 885

Reconciliation of Right of Use Asset – 2023

	Opening balance	Additions	Depreciation	Closing balance
Office building and parking bays	10 973 552	–	(1 165 333)	9 808 219

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

The entity's details about the entity's leasing policy are provided in Note 3.4.

3.2 Amounts recognised in the Statement of Comprehensive Income

	2024	2023
Depreciation charge of Right of Use (Office Building and Parking Bays) Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The Right-of-Use asset is depreciated over the underlying asset's useful life.	1 165 333	1 165 333
Interest expense	1 017 654	1 045 419

Expense relating to leases of low-value assets that are not shown above as short-term leases (included in operating expenses – Note 25). Expense relating to variable lease payments not included in lease liabilities (included in operating expenses – Note 25).

3.3 Amounts recognised in the Statement of Cash Flows

	2024	2023
The total cash outflow for leases	1 529 000	1 191 470

3.4 The entity's leasing activities and how these are accounted for

The entity leases various offices and parking bays. Rental contracts are for ten years and include an extension options as described below. The entity allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

The non-lease components are included in operating expenses.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security deposit or bank guarantee. Leased assets may not be used as security for borrowing purposes.

3. Right of Use Asset (continued)

3.5 Interest rate

The lease payments are discounted using the interest rate implicit in the lease. The entity's incremental borrowing rate used, is the rate that the entity would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions

3.6 Variable lease payments

The entity is exposed to potential future increases in variable lease payments based on the higher of CPI or 7%, which are not included in the lease liability until they take effect. When adjustments to lease payments based on CPI takes effect, the lease liability is reassessed and adjusted against the right-of-use asset.

3.7 Extension and termination options

Extension and termination options are included the lease of the office building and parking bays. These are used to maximise operational flexibility in terms of managing the assets used in the entity's operations. The extension and termination options held are exercisable only by the entity and not by the respective lessor.

4. Inventories

	2024	2023
Finished goods	822 546	15 463 075

5. Trade and other receivables

	2024	2023
Accrued income	230 700	201 647
Other receivables	630 760	6 947 689
Prepayments	2 710 759	285 552
	3 572 219	**7 434 888**

6. Cash and cash equivalents

	2024	2023
Cash and cash equivalents consist of:		
Cash and Short-Term Investments	**182 502 849**	**113 537 616**

7. Lease liabilities

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date.
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

	2024	2023
Net lease liabilities		
Non-current liabilities	10 288 909	11 002 860
Current liabilities	713 881	512 219
	11 002 790	**11 515 079**

8. Incentive bonus provision

Reconciliation of incentive bonus provision – 2024

	Opening balance	Amount paid	Adjustment	Closing balance
Incentive bonus provision	1 195 211	(1 193 307)	1 635 252	1 637 156

Reconciliation of incentive bonus provision – 2023

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

The entity has a performance bonus scheme for its employees, which is based on the achievement of specific performance targets. Payment of bonuses is also governed by the entity's performance management policy.

9. Trade and other payables

	2024	2023
Creditors	199 567	738 731
Income received in advance	60 855 748	–
Vat payables	195 284	–
Leave accrual	759 933	625 046
Accrued expenses	354 099	1 295 478
	62 364 631	**2 659 255**

10. Revenue

Sale of goods	631 455 104	1 316 121 560

11. Cost of sales

Sale of goods		
Cost of goods sold	621 449 729	1 255 224 007
Reconciliation		
Opening inventory	15 463 075	–
Purchases	606 361 670	1 269 506 337
Security and transport costs	447 531	1 180 745
Less: Carrying amount of inventory	(822 546)	(15 463 075)
	621 449 729	**1 255 224 007**

Figures in Rand	2024	2023
12. Other income		
Other income	360 267	149 082
13. Depreciation amortisation and impairments		
The following items are included within depreciation amortisation and impairments:		
Depreciation		
Property Plant and Equipment	1 472 972	1 468 943
14. Finance income		
Interest received	9 233 054	6 309 740

15. Impairment of assets

In terms of IAS 36 "Impairment of assets", entities are required to assess the impairment of its assets to comply with IFRS standards and assets management policy. State Diamond Trader has assessed the impairment of its assets for the financial year ended 31 March 2024. Indications of impairment have not been identified during impairment assessment and therefore impairment loss was not recognised at the reporting date.

16. Finance costs

Figures in Rand	2024	2023
Interest on lease liability	1 017 654	1 045 419
17. Cash generated from operations		
Net profit before taxation	(10 353 032)	37 652 309
Adjustments for:		
Depreciation, amortisation, impairments, and reversals of impairments	1 472 972	1 468 943
Investment income	(9 204 001)	(6 220 072)
Finance costs	1 017 654	1 045 419
Changes in working capital:		
(Increase) decrease in inventories	14 640 529	(15 463 075)
(Increase) decrease in trade and other receivables	3 862 669	6 744 788
Increase (decrease) in trade and other payables	60 147 321	(4 068 158)
	61 584 113	**7 670 578**
18. Commitments		
Unrecognised commitments		
Unrecognised commitments	3 198 341	4 138 476
Unrecognised Commitments relate to items that have been contracted for but not provided for		
Lease commitments		
Minimum lease payments due		
– within one year	1 683 670	1 561 247
– in second to fifth year inclusive	10 270 680	9 642 192
– in sixth to tenth year inclusive	3 590 832	5 926 466
	15 545 182	**17 129 905**

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

19. Contingencies

Contingent liabilities

The State Diamond Trader is not aware of any contingent liabilities that existed as at 31 March 2024.

Contingent assets

The State Diamond Trader is not aware of any contingent asset that existed as at 31 March 2024.

20. Related parties

The State Diamond Trader is wholly owned by the National Government of the Republic of South Africa represented by the Minister of Mineral Resources and Energy. The State Diamond Trader is a Schedule 3B public entity in terms of the PFMA. The following entities have been identified as related parties:

- Department of Mineral and Petroleum Resources
- South African Diamond & Precious Metals Regulator

21. Directors' and prescribed officer's remuneration

Executive	Directors remuneration 2024
Directors' emoluments	
Executive remuneration	
Ms N Mzamo (CEO: Appointed 1 October 2023)	1 150 247
Mr K Menoe (Acting CEO until 30 September 2023)	214 998
Ms S Madolo	1 633 662
Mr C van Der Ross	1 752 325
Mr S Mhlangu	1 267 750
	6 018 981

Executive	Directors remuneration 2023
Mr K Menoe	250 831
Mr S Mnguni (Resigned: September 2022)	895 831
Ms N Mncwango (Resigned: July 2022)	491 795
Ms S Madolo (Appointed: 1 December 2022	508 929
Mr C van der Ross	1 637 687
Mr S Mhlangu	1 184 813
	4 969 886
	10 988 867

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

Non-executive

	Directors' fees	Travel claims and data allowance	Total
2024			
Directors' remuneration			
Services as director or prescribed officer			
Mr J Hugo (From 1 November 2020 until 30 September 2023)	79 045	2 312	81 357
Mr GL Rapoo (From 1 November 2020 until 30 September 2023)	102 073	3 607	105 680
Ms T Mokwena (From 1 November 2020 until 30 September 2023)	57 545	2 312	59 857
Mr G du Plessis (From 1 November 2020 until 30 September 2023)	119 857	–	119 857
Ms M. Sanane (From 1 November 2020 until 30 September 2023)	33 431	1 387	34 818
Ms M Mosing (From 1 November 2020 until 30 September 2023)	89 837	2 312	92 149
Ms MM Ledingwane (From 1 November 2020 until 30 September 2023)	–	5 447	5 447
Ms Nyakale (From 1 November 2020 until 30 September 2023)	–	3 607	3 607
	481 788	**20 985**	**502 773**

	Directors' fees	Travel claims and data allowance	Total
2023			
Directors remuneration			
Services as director or prescribed officer			
Mr J Hugo (From 1 November 2020)	113 155	–	113 155
Mr GL Rapoo (From 1 November 2020)	187 056	26 700	213 756
Ms T Mokwena (From 1 November 2020)	90 550	1 490	92 040
Mr G du Plessis (From 1 November 2020)	162 222	–	162 222
Mr W Mabapa (From 1 November 2020)	28 916	–	28 916
Ms M Mosing (From 1 November 2020)	106 570	–	106 570
Ms MM Ledingwane (From 1 November 2020)	–	35 552	35 552
Ms Nyakale (From 1 November 2020)	–	10 500	10 500
	688 469	**72 242**	**762 711**

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

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

22. Change in accounting estimate

22.1 Property, plant and equipment

The entity has reassessed the useful lives of property, plant and equipment which resulted in certain assets' remaining useful lives changes; Diamond Equipment, Furniture and Fittings, Security Equipment and Computer Equipment useful lives increased by one (1) year on average. The effect of the change in accounting estimates has resulted in a decrease in depreciation amounting to R14 489 for the current period. The effect on future periods will increase the depreciation and amortisation by R14 489.

	2024	2023
Diamond equipment	8 769	–
Furniture and fittings	3 571	41 076
Security equipment	–	1134
Computer equipment	2 149	12 440
	14 489	**54 650**

Assuming the assets are held until the end of the estimated useful lives, the depreciation in future years in relation to these assets will be increased (decreased) by the following amounts:

Year ending	
2024	**(14 489)**
2025	7 244.50
2026	7 244.50

22.2 Prior period error

During FY2022/23, foreign exchange gains (losses) were incorrectly recognised as revenue and operating expenses. The comparative amounts for FY2022/23 have been restated. The effect of the restatement on the financial statements is as follows:

Statement of Profit (loss) – Extract

	2023	Decrease/ (increase)	2023 (Restated)
Revenue	1 332 249 066	(16 127 507)	1 316 121 560
Operating expenses	16 127 507	16 127 507	-

23. Subsequent events

There were no subsequent events identified for reporting purposes.

24. Segment reporting

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

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

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

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

25. Operating expenses

Included in operating expenses are the following:

Figures in Rand	2024	2023
Marketing and advertising	290 799	209 000
Auditors' remuneration	1 568 402	1 241 289
Bank charges	21 618	25 766
Consulting and professional fees	–	880 522
Depreciation, amortisation, and impairments	1 472 972	1 468 943
Office supplies	64 970	63 419
Conferences and exhibitions	1 466 316	2 687 442
Board fees	502 773	713 969
Water and electricity	309 159	249 694
General expenses	222 516	1 724 470
Employee benefits	17 287 507	14 255 928
IT expenses	926 494	863 804
Insurance	309 180	317 211
Legal services	224 385	170 848
Printing and stationery	103 226	157 044
Repairs and maintenance	20 788	27 102
Security	181 265	227 344
Telephone and fax	87 971	97 441
Training	288 332	321 975
Travel	3 585 401	2 931 137
	28 934 073	**28 634 347**

26. Financial risk management

26.1 Credit risk management

The entity is exposed to credit risk as result of holding cash and trade receivables. To manage the credit risk that the entity is exposed to as a result of holding these classes of financial assets, the following steps are taken:

- The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.
- Management evaluates credit risk relating to recoveries from clients on an ongoing basis. Credit risk is mitigated by assessing the credit quality of the client by taking into account its financial position, past experience and other factors.

The financial assets carried at amortised cost expose the entity to credit risk. The value of the maximum exposure to credit risk is as follows:

Financial assets carried at amortised cost:

Figures in Rand	2024	2023
Financial assets		
Cash and cash equivalents	182 502 849	113 537 614
Trade and other receivables	557 763	377 053
Total	**183 060 612**	**113 914 667**

26.2 Liquidity risk management

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

The table below analyses the entity financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to contractual maturity dates:

2024

Figures in Rand

Financial liabilities	Total	Not later than one month	Later than one month and not later than three	Later than three months and not later than one year	Later than one year
Lease liabilities	11 002 790	49 584	109 345	554 952	10 288 909
Trade and other payables	553 666	553 666	–	–	–
Total	**11 556 456**	**603 250**	**109 345**	**554 952**	**10 288 909**

2023

Figures in Rand

Financial liabilities	Total	Not later than one month	Later than one month and not later than three	Later than three months and not later than one year	Later than one year
Lease liabilities	11 515 151	18 087	64 236	429 968	11 002 860
Trade and other payables	2 034 209	2 034 209	–	–	–
Total	**13 549 360**	**2 052 296**	**64 236**	**429 968**	**11 002 860**

26. Financial risk management (continued)

26.3 Market risk management

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

26.3.1 Interest rate risk

The State Diamond Trader invests its funds with major banks, and fluctuations in South African interest rates have an impact on the amount of interest revenue that the company receives. The table below shows the sensitivity of interest income to changes in interest rates:

Figures in Rand

Year	Cash and cash equivalents	5%	6%	7%	8%	9%	10%
2024	182 502 849	9 125 142	10 950 171	12 775 199	14 600 228	16 425 256	18 250 285
2023	113 537 616	5 676 881	6 812 257	7 947 633	9 083 009	10 218 385	11 353 762

26.3.2 Currency risk

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

www.statediamondtrader.gov.za

Contact Details

011 334 2691

infosdt@statediamondtrader.gov.za

@SDT_RSA

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