2023-2024

state
diamond
trader
REPUBLIC OF SOUTH AFRICA

CORPORATE PLAN

STATE DIAMOND TRADER CORPORATE PLAN 2023/2024

RP63/2023
ISBN: 978-0-621-50984-7

TABLE OF CONTENT

ACRONYMS AND ABBREVIATIONS

ACRONYM	MEANING
AGSA	Auditor-General South Africa
ACT	Diamond Act (No. 56 of 1986, as amended)
APP	Annual Performance Plan
B-BBEEC	Broad-Based Black-Economic Empowerment Charter
B-BBEE	Broad-based Black-Economic Empowerment
CEO	Chief Executive Officer
CP	Corporate Plan
CSIR	Council for Scientific Industrial Research
DMRE	Department of Mineral Resources and Energy
EDP	Enterprise Development Programme
HDSA	Historically Disadvantage South Africans
MoU	Memorandum of Understanding
MTSF	Medium Term Strategic Framework
NDP	National Development Plan
PFMA	Public Finance Management Act (No.1 of 1999, as amended)
RoM	Run of Mine
R&D	Research and Development
SADC	Southern African Development Community
SMME	Small, Medium, and Micro Enterprises
SADPMR	South African Diamond and Precious Metals Regulator
SWOT	Strength, Weaknesses, Opportunities and Threats
SDT	State Diamond Trader
SA	South Africa
SoE	State Owned Enterprise
TID	Technical Indicator Description
WSP	Workplace Skills Plan

STATEMENT BY THE CHAIRPERSON

This document presents the State Diamond Trader 2023/2024 Corporate Plan, which outlines the activities to be implemented to fulfil the strategic objectives of the entity.

The Corporate Plan provides a clear indication of the financial and human resources allocated, as well as the annual performance plan and targets set out. The Corporate Plan links the work of the State Diamond Trader to that of the Department of Mineral Resources and Energy (DMRE).

I am pleased to present the Corporate Plan of the State Diamond Trader for the 2023/2024 reporting period in support of accelerating the delivery of our mandate, as inscribed in the Diamond Act, (No.56 of 1986 as amended). The Corporate Plan is closely aligned to the State Diamond Trader's strategy and integrates all critical components.

Monica Ledingwane
2023-02-28
19:16+02:00

Signature

Ms Maletlatsa Monica Ledingwane
Board Chairperson
State Diamond Trader

STATEMENT BY THE ACTING CHIEF EXECUTIVE OFFICER

It is an honour to present the State Diamond Trader's 2023/2024 Corporate Plan as it comes after the commendable performance of the entity during the previous financial year. In formulating this Corporate Plan, Management consulted various role players including the Board for guidance and direction.

This Corporate Plan is founded on the premise of the entity's mandate of ensuring equitable access and growing the diamond trade industry. Through the previous financial years, the entity's focus was to ensure sustainability by strengthening its balance sheet while promoting beneficiation and developing Historically Disadvantaged South Africans (HDSA). Since the inception of the entity, the diamond industry has evolved tremendously thus the aim now is to focus on research and development by collaborating with institutions such as the Council for Scientific Industrial Research (CSIR) amongst others and training new entrants in the industry through the Enterprise Development Programme (EDP).

Employee training and development together with accessing funding for the entity and its clients remain the key objectives of the entity. This Corporate Plan is founded on the spirit of adhering and ensuring good governance principles.

With the assistance of the Board which provide guidance and oversight, Management and staff are set to achieve the objectives of this Corporate Plan for the 2023/2024 financial year.

Mr. Kagiso Menoe
Acting Chief Executive Officer
State Diamond Trader

Signature

SIGNOFF

It is hereby certified that this Corporate Plan:

- Has been developed by the Management of State Diamond Trader under the guidance of the Board
- Takes into account that all the relevant policies, legislation and mandate guiding the entity for which the Department of Mineral Resources and Energy is responsible for, and
- Accurately reflects the impact and outcomes which the State Diamond Trader undertakes to achieve over the period of 2023/2024 financial year.

Ms Somikazi Madolo
Chief Financial Officer

Signature

Mr Conrad Van Der Ross
Operations Manager

Signature

Mr Sihle Mhlangu
Company Secretary/Legal Manager

Signature

Mr Kagiso Menoe
Acting Chief Executive Officer

Signature

Monica
Ledingwane
2023-02-28
18:59+02:00

Ms Maletlatsa Monica Ledingwane
Chairperson of the Board

Signature

Approved by:
Mr Samson Gwede Mantashe (MP)
Minister of Mineral Resources and Energy

Signature

February 2023

1. ABOUT US AND CONSTITUTIONAL MANDATE

1.1 About us

A State–owned entity established in 2007 in terms of section 14 of the Diamond Act (No.56 of 1986 as amended) to operate in the diamond industry to support and facilitate growth in the local diamond beneficiation.

The SDT is categorised as a schedule 3B entity in terms of the Public Finance Management Act (No.1 of 1999, as amended).

1.2 Constitutional Mandate

1.2.1 Buy and sell rough diamonds for local beneficiation

1.2.2 Promote equitable access to and beneficiation of the country's diamond resources

1.2.3 Grow the diamond cutting and polishing industry by increasing HDSA beneficiation

1.2.4 Address the distortion created by excluding previously disadvantaged groups from economic participation

1.2.5 Purchase up to 10% of the run of mine from SA diamond producers

1.2.6 Sell to registered customers through an application and approved process

1.3 Vision

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

1.4 Mission

1.4.1 Ensure acquisition of and equitable access to rough diamonds, with a particular focus on Historically Disadvantaged South Africans HDSA

1.4.2 Promote the growth of the diamond beneficiation industry through relevant interventions

1.4.3 Establish and maintain a transformed client base of local diamond beneficiators

1.5 Values

1.5.1 We will respect the rights of our Stakeholders and promote a caring attitude

1.5.2 We will promote diversity and create an empowering working environment

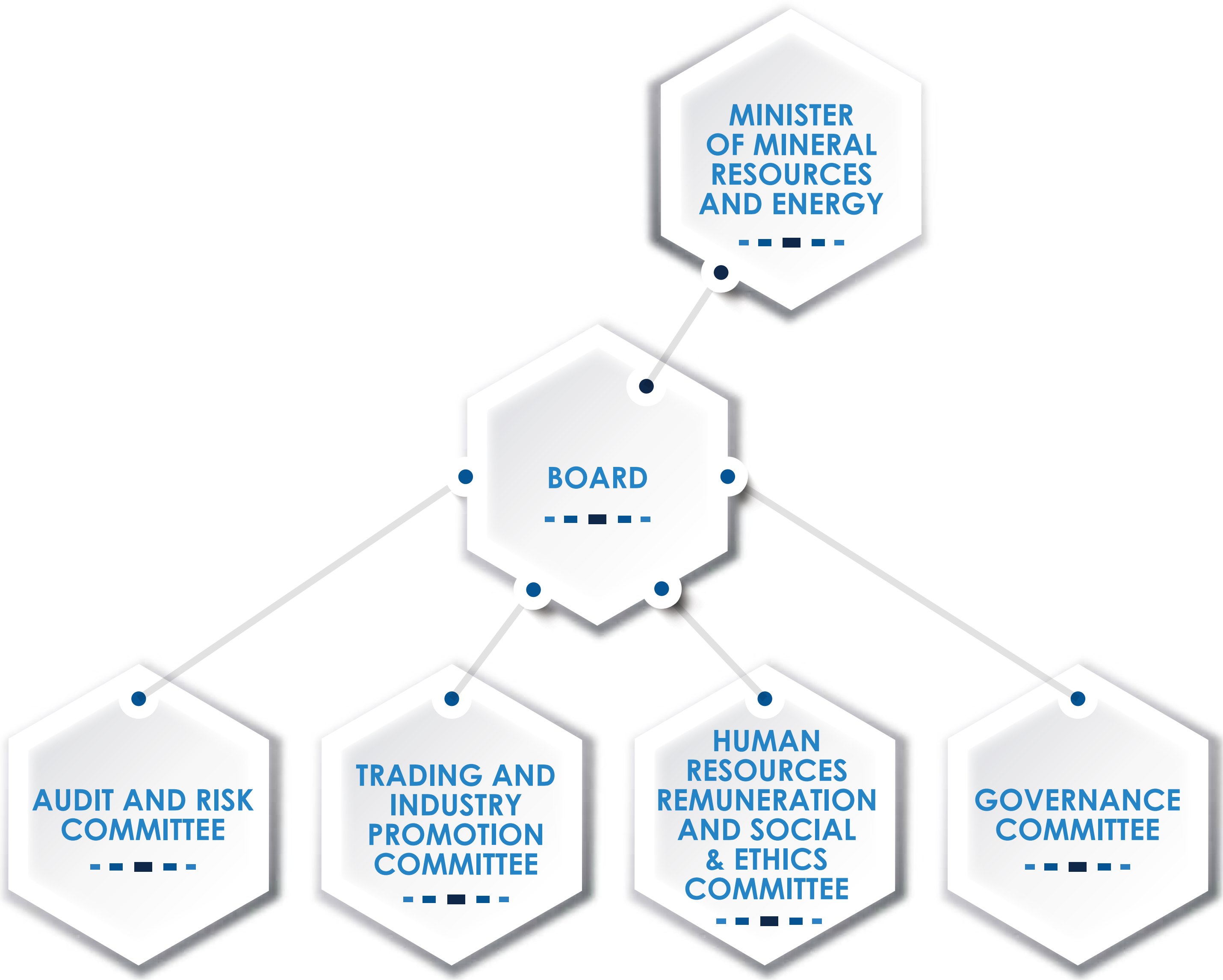
1.5.3 Commitment to Mandate-its promotion, defense and execution

1.5.4 Agility-anticipation, proactive problem solving, and resourcefulness

1.5.5 Efficiency-professionalism and excellence in all that the SDT does

2. GOVERNANCE STRUCTURE

Figure 1: SDT Reporting Structure



2.1 Board

The Board of the State Diamond Trader is appointed by the Minister of Mineral Resources and Energy ("the Minister") in terms of Section 17(2) of the Diamond Act (No.56 of 1986, as amended). The Board is on its third year of its term. The Minister appointed the Board for three (3) years with effect from 1 November 2020. Before appointing the members of the Board, the Minister is required by the Act to appoint an independent selection panel in line with the requisite knowledge and understanding of issues concerning the diamond industry. The panel provides a recommendation to the Minister on suitable members to be appointed to the Board.

The ultimate authority to appoint and constitute the State Diamond Trader Board rests with the Minister. The Board membership is drawn from a diverse group of stakeholders from different sectors including the diamond industry as dictated by Section 17(3) of the Act. The current Board collectively reflects a good balance of continuity, qualifications, experience, age, race, and gender.

Table 1: State Diamond Trader Board Members

INITIALS	SURNAME	GENDER	APPOINTMENT	PRINCIPAL SKILLS
M.M	Ledingwane (Chairperson)	Female	01/11/2020	Law, Mining Policy and Regulation, Governance and Business Leadership
K.J	Menoe	Male	1st appointed in 2016	Mining, Quality Assurance and Beneficiation Economics
S.M.B	Nyakale	Female	25/08/2021	Development Finance and Chartered Accounting
L	Rapoo	Male	01/11/2020	Mining, Business Leadership, Project Management, Mineral Regulation and Mineral Policy
B	Deka	Male	1st appointed in 2016	Economics, Mercantile Law and Public Finance Management
T	Mokwena	Female	01/11/2020	Business Administration, Mining, SMME Development and Project Management

INITIALS	SURNAME	GENDER	APPOINTMENT	PRINCIPAL SKILLS
J	Hugo	Male	01/11/2020	Business Leadership, Finance, Labour and Dispute Resolution
M	Mosing	Female	01/11/2020	Legal, Public Management, HR Management and Business Leadership
N.C	Khosa	Male	1st appointed in 2019	Compliance, Mining and Business Leadership
G	Du Plessis	Male	1st appointed in 2016	Labour Policy and Globalisation, Strategy and Business Leadership
W.M	Mabapa	Male	1st appointed in 2016	Human Resource Management and Labour Policy

2.2 Executive Management

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

Table 2: Executive Management Team

INITIALS	SURNAME	GENDER	APPOINTMENT	PRINCIPAL SKILLS
K. J	Menoe	Male	Acting Chief Executive Officer	Mining, Quality Assurance and Beneficiation Economics
C	Van Der Ross	Male	Operations Manager	Technical diamond skills, worked at De Beers South Africa, London, and Antwerp offices, specialising in valuation, buying and selling of rough diamonds
S	Madolo	Female	Chief Financial Officer	Accounting and Auditing, Finance and Staff Management and Public Finance Management
S	Mhlangu	Male	Company Secretary and Legal Manager	Legal, Compliance and Governance, Risk Management, Business Administration and Public Finance Management

2.3 Board Committees

The Board has formed four Committees that assist in the execution of its duties, namely, the Audit and Risk Committee, the Human Resources, Remuneration and Social and Ethics Committee, the Trading and Industry Promotion Committee, and the Governance Committee.

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

Audit and Risk Committee

The Audit and Risk Committee is a statutory committee of the Board appointed in terms of Section 77 of the PFMA, read with Treasury Regulation 27.1.1. It has duties assigned to it by the Board over and above its statutory duties. Specific responsibilities include providing oversight in respect of the effectiveness of the organisation's finance function, external and internal assurance services, and risk management. The Committee also guides the Board through the budgeting process, reviews and comments on and assumes responsibility for the integrity of the annual financial statements. Information technology governance is also the responsibility of the Committee.

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

Table 3: ARC Members.

BOARD MEMBERS
Ms S.M.B. Nyakale (Chairperson)
Mr J. Hugo

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

HR, RE and S&E assists the Board with the human resources strategy and the attraction, development, and retention of staff. The Committee is also entrusted with the oversight of the entity's social and ethics function. It makes recommendations to the Board concerning matters entrusted to it through the approved terms of reference.

Table 4: HR, RE and S&E Committee Members.

BOARD MEMBERS
Mr G. Du Plessis (Chairperson)
Ms M. Mosing
Mr W. Mabapa

Trading and Industry Promotion Committee

The Trading and Industry Promotion Committee (known as the Trading Committee) assist the Board with trading-related activities and the promotion of the diamond beneficiation industry. It is further responsible for the development and implementation of trading rules and sales strategies and other matters entrusted to it through the approved terms of reference.

Table 5: Trading and Industry Promotion Committee Members.

BOARD MEMBERS
Mr L. Rapoo (Chairperson)
Ms T. Mokwena
Mr N.C. Khosa
Mr B. Deka

Governance Committee

The Committee assists the Chairperson of the Board to initiate and manage overall performance evaluations of the Chief Executive Officer. Consider issues which been raised to the Chairperson of the Board Committee and make recommendations to the Board on issues not allocated to a specific Committee and other matter entrusted through the approved terms of reference.

Table 6: Governance Committee Members.

BOARD MEMBER
Ms M.M. Ledingwane
Mr L. Rapoo
Mr G. Du Plessis
Ms S.M.B. Nyakale

3. STRATEGY

3.1 Introduction

The Board sets the strategic tone for the entity and works closely with the Executive Management to determine the strategic objectives of the entity. To this end, the entity will focus on three strategic goals during the period of 2023/2024, namely (1) a transformed and inclusive diamond beneficiation industry that ensures increased black ownership and participation in the sector, (2) a capable workforce and developmental industry, and (3) a financially viable and sustainable entity. The State Diamond Trader will continue to work closely with key stakeholders and forge strategic partnerships with the likes of CSIR, DMRE, SADPMR and other various government departments to improve the state of the diamond industry in South Africa.

3.2 SWOT Analysis

STRENGTHS	WEAKNESSES
• Skilled and Capable Workforce • Provenance (Origin) and Strong Brands • Development Opportunities eg. Bursaries • Good Governance • Sound Finances • Good Stakeholder Relations	• Lack of Research and Development • Flat Organisational Structure • Limited Human Capacity • Lack of Development Technology • Market Dictates Terms • Limited Financial Resources
OPPORTUNITIES	**THREATS**
• Growth Opportunities (Borrowing Funding) • Purchase from Secondary Markets • Access to International Rough Diamonds • Youth Development	• Loss of Critical Skills • Limited Skills Pool • Volatile Exchange Rate • Decline Production levels • Global Geo-Political Threats

3.3 Situational Analysis

The global diamond market portrayed mixed sentiments throughout 2022, with the first quarter upholding the trade positivity experienced in late 2020 and the entire 2021 calendar year. This trade peak was orchestrated by the inventory replenishment post, the easing of Covid19 restriction levels in different diamond regions, and business returning to some sort of normality.

While the industry was postulating a slowdown in the second quarter of 2022, sanctions on Russia by the USA gained momentum and influenced the direction of the market even further. The uncertainty brought about by these geopolitical issues further fuelled sentiments since the supply of Russian rough diamonds was disturbed. The expectation was that availability of rough diamonds would be limited, and the price would be affected.

The industry saw diamond prices increasing as anticipated. Rough and polished prices began to slow in the final quarter of the year as inventories of polished diamonds began to rise and rough production from other producers compensated for the shortages.

Current forecasts by the International Monetary Fund show that the global economic growth rate will continue to slow from 6 percent in 2021 to 3.2 percent and 2.7 percent in 2022 and 2023 respectively. The slowdown is driven, in the main, by high levels of inflation in food and fuels. This in turn has negatively impacted consumer outlook. It can be assumed that the market is nearing its bottom end and can only strengthen from here onwards in the medium to long term.

However, currently, the market is difficult, and it is anticipated to continue the same into the first quarter of 2023. Rough diamond producers are anticipating a decline in production levels and are expected to continue holding prices firm with price adjustments of up to 5% downward at most on selected categories. Trade in Asia continues to be unstable with Covid-19 restrictions in China being renewed and Hong Kong experiencing a lack of tourists. Inflation in Japan is currently recorded to be at its highest in 40 years.

All these economic circumstances result in pressure on the future of the diamond market performance. Given the progression of the industry since the outbreak of the Covid19 pandemic and general economic climate fluctuations, it has been very difficult to predict the future direction of the market.

3.4 Summary: Alignment to NDP, Government Priorities and DMRE

NDP OUTCOMES	GOVERNMENT PRIORITIES	DMRE PRIORITIES	OUTCOMES	OUTCOME INDICATOR
Outcome 4 Decent employment through inclusive economic growth	**Priority 1** A capable, ethical and developmental state	Transformed Minerals Sector	A transformed and inclusive diamond beneficiation industry that ensures an increased black ownership and participation in the sector	To grow and transform the diamond industry
Outcome 5 A skilled and capable workforce to support an inclusive growth path	**Priority 2** Economic Transformation and job creation		A capable workforce and developmental industry	Contribute to training and skills development
Outcome 12 An efficient, effective and development oriented public service and an empowered, fair and inclusive citizenship	**Priority 3** Education, Skills and Health	Increase investment in the minerals and mining sector	A knowledge based and innovative organisation	Collaborate in promoting and investing in research and innovation for sustainable development of the diamond beneficiation industry
			Improved corporate performance, accountability and transparency	Promote good corporate governance and improve internal processes and procedures
	Priority 7 A better Africa and world		A financially viable and sustainable entity	To provide strategic financial support and management for the sustainability of the entity

3.5 Strategic Objectives and Performance Indicators

STRATEGIC GOAL	STRATEGIC OUTCOME	OUTCOME INDICATOR	2023/2024	2024/2025	2025/2026	2026/2027
1. A transformed and inclusive diamond beneficiation industry that ensures increased black ownership and participation in the sector.	Growth in the industry (through the supply of rough diamonds).	1.1 A number of Markets accessed through facilitation of local and international exhibitions/events.	5(five) events 4(four) local & 1 international	5 (five)local exhibitions 1 (one) international event	5(five) local exhibitions 1(one) international event	5(five) local exhibitions 1(one) international event
		1.2 1(one) diamond show hosted	1(one) diamond show hosted	1(one) diamond show hosted	1 (one)diamond show hosted	1(one) diamond show hosted
		1.3 Percentage of purchased rough diamonds inspected	Purchase 7.5% of rough diamonds inspected by value	Purchase 8% of rough diamonds inspected by value	Purchase 8.5% of rough diamonds inspected by value	Purchase 9% of rough diamonds inspected by value
		1.4 Carats of rough diamonds supplied to clients	Supply 478 699 carats to clients	Supply 502 633.95 carats to clients	Supply 527 767.66 carats to clients	Supply 554 153.93 carats to clients
	To transform the diamond industry	1.5 Value of rough diamonds sold to 100 % HDSA.	Rough diamonds to the value of R553 702 370 sold to 100% HDSA	Rough diamonds to the value of R581 387 487.97 sold to 100% HDSA.	Rough diamonds to the value of R610 456 862.36 sold to 100% HDSA.	Rough diamonds to the value of R640 979 705 sold to 100% HDSA.
		1.6 Number of participants in the Enterprise Development Programme (EDP)	Implement the Enterprise Development Programme (EDP)	Implement the Enterprise Development Programme (EDP)	Implement the Enterprise Development Programme (EDP)	Implement the Enterprise Development Programme (EDP)

STRATEGIC GOAL	STRATEGIC OUTCOME	OUTCOME INDICATOR	2023/2024	2024/2025	2025/2026	2026/2027
2. A financially viable and sustainable entity	Full Implementation of the audit combined action plan	2.1 Percentage of the Implementation of Combined Audit Action Plan	100% Implementation of Combined Audit Action Plan	100% Implementation of targets due in the quarter in terms of the Action Plan	100% Implementation of targets due in the quarter in terms of the Action Plan	100% Implementation of targets due in the quarter in terms of the Action Plan
	Improved profitability	2.2 Percentage of the Net profit margin	Net profit margin 2%	Net profit margin 2%	Net profit margin 2%	Net profit margin 2%
	Improved liquidity	2.3 Ratio of working capital	Ensure that the working capital ratio is not less than 10:1	Ensure that the working capital ratio is not less than 10:1	Ensure that the working capital ratio is not less than 10:1	Ensure that the working capital ratio is not less than 10:1
	Improved liquidity	2.4 Number of days for payment of invoices on receipt	All invoices to be paid within 15 days of receipt	All invoices to be paid within 15 days of receipt	All invoices to be paid within 15 days of receipt	All invoices to be paid within 15 days of receipt
	Enhanced governance: clean audit	2.5 Audit Opinion	Unqualified Audit Opinion	Unqualified Audit Opinion	Unqualified Audit Opinion	Unqualified Audit Opinion
3. A capable workforce and developmental Industry.	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	• 8(eight) employees trained • 2(two) employees granted bursaries • 2(two) employee wellness programmes coordinated	• 8(eight) employees granted bursaries • 2(two) employee wellness programmes coordinated	• 8(eight) employees trained • 2 (two) employees granted bursaries • 2(two) employee wellness programmes coordinated

4. FINANCIAL PLAN FOR THE PERIOD 2023/24 - 2025/26

4.1 Budget Assumptions

In terms of forecasting the purchases, and sales of rough diamonds over the next five years, the entity has adopted a conservative stance. The following factors have been considered by Management in assessing market conditions over the next three years.

- The State Diamond Trader makes considerations based on the world's largest economies. These economies are consequently some of the major consumers of polished diamond jewellery and activity in these regions are beginning to stall, with important consequences for the global outlook.
- Inflation is also a major concern that the diamond industry must factor in when forecasting the health of trading in the downstream market. Higher-than-expected inflation, especially in the United States and major European economies, is triggering a tightening of global financial conditions.
- China's slowdown has been worse than anticipated amid COVID19 outbreaks and lockdowns, and there have been further negative spillovers from the war in Ukraine. As a result, global diamond output contracted in the second half of 2022 heading into 2023. The continuous forecast by economist that countries like the USA, China, EU and UK are heading for recessions.
- The reality is that the United States, with a reduced household purchasing power and tighter monetary policy, will drive growth downward and it is estimated that these will be on average by 2.3 percent in 2023 and it is further estimated to retract by on average 1 percent in 2024.
- In China, further lockdowns, and the deepening real estate crisis pushed growth down to 3.3 percent this year—the slowest in more than four decades, excluding the pandemic.

All these factors have a negative impact on rough diamonds and polished diamond jewellery demand as luxury products during these times are impacted more. De Beers Group, which is the largest producer of rough diamonds in South Africa, has already indicated that production levels will remain the same as December 2022 for the rest of 2023 because Venetia Mine will go underground.

4.2 Projected Statement of Financial Performance

STATE DIAMOND TRADER THREE YEAR BUDGET

SUMMARY OF STATEMENT OF COMPREHENSIVE INCOME

	2022/23(F)	2023/24	2024/25	2025/26
Sales	1,311,434,714	940,800,000	987,840,000	1,037,232,000
Less Cost of Sales	(1,236,436,135)	(896,000,000)	(940,800,000)	(987,840,000)
Gross Profit	**74,998,579**	**44,800,000**	**47,040,000**	**49,392,000**
Other Income	**1,914,192**	**2,164,192**	**2,326,506**	**2,477,729**
Less Operating costs	**(28,642,810)**	**(34,647,599)**	**(36,716,365)**	**(39,026,527)**
Salaries	15,338,090	16,488,447	17,725,081	19,054,462
Leases	1,227,420	1,458,719	1,560,829	1,670,087
Computer and other IT	818,695	1,058,609	1,111,539	1,167,116
Travel	2,126,973	2,686,496	2,820,821	2,961,862
General Expenses	7,378,584	10,643,176	11,070,335	11,623,851
Professional Fees	1,753,048	2,312,153	2,427,761	2,549,149
EBIT	**48,269,961**	**12,316,593**	**12,650,142**	**12,843,203**
Finance Income	5,657,728	8,579,304	8,580,162	8,665,964
Finance Expense	(1,047,368)	(1,250,000)	(1,312,500)	(1,378,125)
NET PROFIT	**52,880,321**	**19,645,897**	**19,917,804**	**20,131,041**

Revenue is expected to shrink by 22% to R941 million from the actual revenue of R1.2 billion achieved as at 31 December 2022. Despite an uneven economic recovery post the Covid pandemic, the State Diamond Trader's revenue outperformed expectations during the 2021/22 and 2022/23 financial years, with revenue exceeding R1 billion in both years. This upward trend, however, is not anticipated to continue into the 2023–24 financial year and beyond.

The expected decline in revenue is attributable to the following factors:

- Forecast of levels of production for the 2023/24 financial year are anticipated to be at the same levels of November/December 2022 for the rest of 2023/24, as forecasted by De Beers Group, which contributes 66% of State Diamond Trader's revenue.
- Inflation could remain stubbornly high if labour markets remain overly tight or inflation expectations de-anchor or disinflation proves more costly than expected.
- Tighter global financial conditions will inevitably induce a surge in debt distress in emerging markets and developing economies.
- Renewed COVID-19 outbreaks and lockdowns (as well as travel restrictions) might further suppress China's growth which will hamper diamond jewellery sales.
- Rising food and energy prices could cause widespread food insecurity and social unrest thereby leaving luxury markets in disarray.
- Geopolitical fragmentation and instability might impede global trade and cooperation.

All the factors listed above are material in attempts to forecast the immediate future of the diamond industry and are necessary to consider when forecasting the health of the diamond industry. Albeit the industry has shown in the last three years to be resilient during and post the pandemic. Therefore, prevailing global circumstances in areas of geopolitics, economics, and finance are strong indicators that will negatively impact the demand for luxury products.

4.2.1 Gross Profit

Gross Profit will decrease from R75 million in 2022/23 to R45 million in 2023/24. This is mainly due to the expected revenue decrease and higher costs of sales. An average gross profit margin of 5% will be maintained from 2023/24 to 2025/26.

4.2.2 Operating expenditure

Operating costs are projected to increase by 21% from R29m in 2022/23 to R35m in 2023/24. The increase is mainly due to a surge in marketing, exhibitions, advertising, and salary costs. Included in operating expenditure are costs amounting to R1.7 million that have been ringfenced for an Enterprise Development Programme. This initiative is SDT's flagship programme and is aimed at realising the entity's vision of being a leading catalyst for the transformation and growth of the local diamond beneficiation industry. These costs will increase by 7% in 2024/25 and 6% thereafter.

4.2.3 Salaries

- Salaries are projected to increase from R15.4 million in 2022/23 to R16.5 million in 2023/24. The anticipated salary increase is primarily attributable to a cost-of-living salary adjustment tied to inflation and an annual performance bonus of R1.16 million. The cost-of-living adjustment is line with the annual consumer price inflation.
- According to historical trends, salaries grew on average by 6% each year between 2018/19 and 2022/23. A cost-of-living salary adjustment tied to inflation will be maintained from 2023/24 to 2025/26.
- Salaries as a percentage of total operating costs will decline from 57% in 2022/23 to 52% in 2023/24. This percentage will be maintained from 2023/24 to 2025/26 and will increase slightly in 2025/26. A lower percentage is indicative of a declining salary bill in relation to total operating costs.-It is anticipated that a headcount of 18 employees will be maintained during the financial year 2023/24.

4.2.4 Profitability

The entity anticipates a decline in net profits from R53 million in 2022/23 to R19 million in 2023/24. This is primarily due to the anticipated revenue decline during the planning period. The net profit position is also attributable to ongoing, concerted cost containment measures that will continue throughout the three-year planning period.

4.3 Projected Statement of Financial Position

STATE DIAMOND TRADER
STATEMENT OF FINANCIAL POSITION FOR THE YEARS ENDED 2022/23 to 2025/26

	2022/23(F)	2023/24	2024/25	2025/26
ASSETS				
Non-Current Assets	11,919,842	12,813,830	13,774,867.27	14,807,982
Property, Plant and Equipment	11,919,842	12,813,830	13,774,867	14,807,982
Current Assets	**156,929,625**	**182,220,735**	**213,766,296**	**250,774,405**
Inventory	20,413,028	21,944,005	23,589,805	25,359,040
Trade and Other Receivables	6,503,100	6,990,833	7,515,144	8,078,780
Cash and Cash Equivalents	130,013,497	153,285,897	182,661,346	217,336,583
TOTAL ASSETS	**168,849,464**	**195,034,565**	**227,541,161**	**265,582,387**
Equity and Liabilities				
Equity	155,337,539	173,748,549	199,099,540.62	230,679,752.17
Retained (Loss)/Income	155,337,539	173,748,549	199,099,540	230,679,752
Non-Current Liabilities	**10,529,510**	**11,319,223**	**12,168,164**	**13,080,777**
Lease Liability	10,529,510	11,319,223	12,168,164	13,080,777
Current Liabilities	**2,982,415**	**9,966,792**	**16,273,456**	**21,821,858**
Trade and Other Payables	1,961,076	2,108,156	2,266,267	2,436,238
Loans and Borrowings		6,760,696	12,826,901	18,116,812
Lease Liability	1,021,340	1,097,940	1,180,285	1,268,807
TOTAL EQUITY AND LIABILITIES	**168,849,464**	**195,034,565**	**227,541,161**	**265,582,387**

During the planning period, the SDT projects that total assets will reach R195 million. 79% of the total assets will primarily consist of cash and cash equivalents, which is indicative of the entity's financial viability and liquidity.

4.4 Projected Capital Expenditure

BUDGETED CAPITAL EXPENDITURE OF THE STATE DIAMOND TRADER FOR A THREE YEAR PERIOD

	2022/23(F)	2023/24	2024/25	2025/26
Computer equipment and Software	420,000	500,000	537,500	564,375
Furniture and Fittings		450,000	483,750	507,938
Security equipment and Diamond Machinery	500,000	20,000	21,500	22,575
TOTAL	**920,000**	**970,000**	**1,042,750**	**1,094,888**

Planned assets purchases include diamond equipment, inventory management system, financial software for compilation of annual financial statements and the upgrade of the main boardroom audio visual facilities.

4.5 Projected Loans and Borrowing

Bank Overdraft

In order for SDT to establish a credit history over time and obtain other credit facilities from commercial banks efforts are being made to negotiate and get a R20 million bank overdraft from FNB subject to approval by the Board. For the financial year 2023–2024, interest expenditure of R1 million is projected and this will be based on the amount of the overdraft utilised. Management will consider the cash available before the overdraft is raised.

4.6 Projected Cash Flows

CASH FLOW PROJECTIONS OF THE STATE DIAMOND TRADER FOR A THREE-YEAR PERIOD

CASH FLOWS	2022/23(F)	2023/24	2024/25	2025/26
Opening balance: Cash and cash equivalents	80,000,000	130,013,497	146,525,202	163,073,749
Cash receipts from customers	1,311,434,714	940,800,000	987,840,000	1,037,232,000
Cash payments for diamond purchases	1,236,436,135)	(896,000,000)	(940,800,000)	(987,840,000)
Net cash received from operations	**74,998,579**	**44,800,000**	**47,040,000**	**49,392,000**
Less payments to suppliers and employees	**(28,642,810)**	**(34,647,599)**	**(36,716,365)**	**(39,026,527)**
Salaries	15,338,090	16,488,447	17,725,081	19,054,462
Leases	1,227,420	1,458,719	1,560,829	1,670,087
IT expenditure	818,695	1,058,609	1,111,539	1,167,116
Travel	2,126,973	2,686,496	2,820,821	2,961,862
General Expenses	7,378,584	10,643,176	11,070,335	11,623,851
Professional Fees	1,753,048	2,312,153	2,427,761	2,549,149
Cash flow from Financing Activities	**-**	**6,760,696**	**12,826,902**	**18,116,812**
Bank Overdraft raised/Loans raised	-	20,000,000	21,000,000	22,050,000
Bank Overdraft repayment	-	(13,239,304)	(12,173,098)	(11,883,188)
Interest Income	5,657,728	8,579,304	8,580,162	8,665,964
Interest Expense	-	(1,250,000)	(1,312,500)	(1,378,125)
Capital Expenditure	(2,000,000)	(970,000)	(1,042,750)	(1,094,888)
CLOSING BALANCE: CASH AND CASH EQUIVALENTS	**130,013,497**	**153,285,897**	**182,661,346**	**217,336,583**

SDT has generated cash and cash equivalents to date amounting to R130 million as at 31 December 2022 from the sale of rough diamond. It is anticipated that the available cash reserves will be sufficient for SDT to continue financing its trading and operating expenditure for the financial years 2023/24 to 2025/26.

4.7 Procurement Policy

In accordance with the PFMA, the entity has developed and implemented procurement policies and procedures that also address the "specific goals" and transformation requirements outlined in government policies and pertinent legislation.

5. FRAUD PREVENTION PLAN

The State Diamond Trader has adopted a Code of Ethics articulating acceptable values and ethical conduct to which all persons associated with the entity are required to adhere. This notwithstanding, the State Diamond Trader acknowledges that in today's business environment, fraud and corruption are prevalent and all business organisations are susceptible to the risk of fraud. In this regard, the purpose of the Fraud Prevention Policy and Plan is to articulate policy and to set out a plan in terms of which management shall deal with instances of fraud in the State Diamond Trader's Environment. The Public Finance Management Act, no 1 of 1999 and Treasury Regulations, 2005 requires the Board to adopt a risk management strategy that must include a formal Fraud Prevention Plan and to submit the Fraud Prevention Plan together with the Corporate Plan to the Executive Authority annually.

The State Diamond Trader requires that all role players do the following:

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

Act in accordance with the State Diamond Trader's

- standing orders and financial regulations
- policies and procedures
- Code of Conduct and Ethics

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

5.1 Structural Strategies

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

5.2 Good Corporate Governance

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

- The Audit and Risk Committee has oversight responsibility for the State Diamond Trader's systems of internal control and reports to the Board.
- An independent Internal Audit function conducts reviews and tests the effectiveness of the systems of internal control, providing assurance, and reports to the Audit & Risk Committee.
- The State Diamond Trader has written Delegations of Authority and documented financial control systems.

5.3 Assessment of Fraud Risk

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

5.4 Creating Awareness

It is the responsibility of the Chief Executive Officer to ensure that all Board members and employees are made aware of the Fraud Prevention Policy and Plan. The Chief Executive Officer shall further communicate the Fraud Prevention Policy and Plan to other stakeholders and upload it on the State Diamond Trader website.

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

5.5 Operational Strategies

5.5.1 Internal Control

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

- Physical control of State Diamond Trader assets,
- Authorisation controls,
- Supervisory controls (day-to-day staff management),
- Monthly, Quarterly and Annual Financial Statements, and
- Monthly bank reconciliations

5.6 Prevention Strategies

A combination of initiatives shall be put in place for fraud and corruption prevention within the State Diamond Trader environment.

5.7 Pre-employment Screening

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

5.8 Recruitment Procedures

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

5.9 Disclosure of Interests

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

5.10 Detection Strategies

Fraud detection may occur through:

- Vigilance of employees, including senior management.
- The Internal Audit Function.
- Ad hoc management reviews.
- Anonymous Reports made in line with the Code of Ethics.
- The application of detection techniques.
- Segregation of duties; and
- External Audit.

5.11 Response Strategies

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

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

6. SHAREHOLDERS COMPACT

STATE DIAMOND TRADER (SDT)
HEREIN REPRESENTED BY

MS MALETLATSA MONICA LEDINGWANE

(In her capacity as the Chairperson of the Board)

and

THE GOVERNMENT OF THE REPUBLIC OF SOUTH AFRICA
HEREIN REPRESENTED BY

THE MINISTER OF MINERAL RESOURCES AND ENERGY
MR SAMSON GWEDE MANTASHE (MP)

Ms Maletlatsa Monica Ledingwane
Board Chairperson

Monica Ledingwane
2023-03-14
19:34+02:00

Signature

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

Signature

February 2023

SHAREHOLDER COMPACT AGREED PRINCIPLES

1. INTRODUCTION

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

1.2 The State Diamond Trader (SDT) is an entity established in terms of section 14 of the Diamonds Act 56 of 1986 as Amended ('the Act) and is classified as a national government business in terms of Schedule 3B of PFMA.

1.3 The Shareholder Compact documents the mandated key performance measures and indicators to be attained by the SDT as agreed between the Accounting Authority the Executive Authority.

2. INTERPRETATION

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

2.1 **'Accounting Authority'** means the Board State Diamond Trader.

2.2 **'Diamonds Act'** means The Diamonds Act 56 of 1986 as amended.

2.3 **"Executive Authority"** means the Minister of Mineral Resources and Energy and Shareholder.

2.4 **'SDT'** means State Diamond Trader

2.5 **'SOE'** means State Owned Enterprise.

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

2.7 **'Shareholder Compact'** means this Shareholder Compact together with all appendices attached hereto.

2.8 **'PFMA'** means the Public Finance Management Act No 1 of 1999 read with Treasury Regulations.

AGREED PRINCIPLES

3. NATURE OF THE SHAREHOLDER COMPACT

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

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

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

4. PERIOD

This Shareholder Compact is effective for the period 1 April 2023 to 31 March 2024.

5. MANDATE OF SDT

5.1 The mandate of SDT is set out in the Diamonds Act 1986, as amended.

6. BUDGET AND CORPORATE PLAN

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

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

6.1.2 A Corporate Plan in the prescribed format covering the affairs of the State Diamond Trader for the following five (5) years.

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

6.3 The Annual Performance Plan as attached as Annexure A hereto shall be the measure for monitoring of performance by the Executive Authority.

7. OBJECTIVES FOR THE YEAR 2023-2024 – KEY PERFORMANCE TARGETS

7.1 In pursuance of the State Diamond Trader's mandate, the SDT's key objectives must be agreed on an annual basis.

7.2 The parties agree to renegotiate the Annual Performance Plan if there is a reasonable likelihood that it would not be achieved.

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

8. GOVERNANCE

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

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

9. ROLE AND RESPONSIBILITIES OF THE ACCOUNTING AUTHORITY

9.1 The Accounting Authority is mandated to control, supervise, manage and run the business in accordance with the SDT mandate in terms of the Act, the PFMA, the strategic intent, corporate plan and corporate governance principles. The Accounting Authority when performing their responsibilities shall exercise fiduciary duties and skill at all times.

9.2 The Accounting Authority -

9.2.1 Commits itself to the achievement of the vision, mission, objectives, and the strategic intent of the State Diamond Trader and to always act in the best interests of SDT;

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

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

9.2.4 Undertakes to deliver on the targets agreed to in this Shareholder Compact.

10. UNDERTAKINGS BY THE SHAREHOLDER

The Executive Authority undertakes, for the duration of this Shareholder Compact:

10.1 Not to introduce new or additional requirements during the validity of this Shareholder Compact other than through a process of consultation with Accounting Authority. Reasonable notice shall be given in writing before the introduction of any new or additional requirements.

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

10.3 Not to delay critical decisions; Undertakes to deliver on the targets agreed to in this Shareholder Compact.

11. UNDERTAKINGS BY THE SHAREHOLDER

The Executive Authority undertakes, for the duration of this Shareholder Compact:

11.1 Not to introduce new or additional requirements during the validity of this Shareholder Compact other than through a process of consultation with accounting authority. Reasonable notice shall be given in writing before the introduction of any new or additional requirements.

11.2 Undertakes to deliver on the targets agreed to in this Shareholder Compact.

11.3 Not to impede or in any way restrict the discretion of the Board regarding matters falling within its authority, as provided for in this Shareholder Compact.

11.4 Not to delay critical decisions.

11.5 Not to delay the proper constitution of the Board and to fill vacancies that may arise promptly from time to time.

11.6 Not to cause the Accounting Authority or any of its individual members to perform any actions that may result in a breach any legal duty.

11.7 To support and to give guidance to the Accounting Authority where necessary.

11.8 To provide financial support to the State Diamond Trader more particularly where this is required for the achievement of the targets agreed to in the Annual Performance Plan.

11.9 To facilitate and support the initiatives of the State Diamond Trader in pursuance of funding for the purposes of achieving the objectives of this Shareholder Compact and the mandate of the State Diamond Trader in general.

11.10 To support initiatives of the Accounting as necessary from time to time.

12. OBLIGATION OF THE ACCOUNTING AUTHORITY TO ACCOUNT

12.1 The Accounting Authority has an obligation to account in detail to the Executive Authority on the SDT's performance on a quarterly basis.

12.2 The Accounting Authority shall notify the Executive Authority of material events in which the SDT is involved that may affect the Shareholder Compact.

13. NOTICES AND DOMICILIA

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

13.1 Executive Authority at:
The Ministry of Mineral Resources and Energy, Trevenna Campus, Pretoria
For attention: Chief of Staff, Ministry of Mineral Resources and Energy.

13.2 State Diamond Trader at:
ACSA Precinct
Corner Bonaero Drive and Elgin Road
Kempton Park, 1619
Tel: +27 11 334 2691 Fax: +27 11 334 1540
Email: Ledingwaneattorneys@gmail.com
For attention: The Chairperson: State Diamond Trader

14. VARIATION

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

15. KEY PERFORMANCE MEASURES AND INDICATORS

The key performance measures and indicators as contemplated are detailed in the Annual Performance Plan attached hereto as Annexure A. It is hereby recorded that these shall be submitted to the Shareholder at least one month before 1 April 2023.

ANNEXURE A: ANNUAL PERFORMANCE PLAN FY2023/24

OUTCOME GOAL	STRATEGIC OUTCOME	OUTCOME INDICATOR	ANNUAL TARGETS	QUARTERLY TARGETS			
				Q1	Q2	Q3	Q4
1. A transformed and inclusive diamond beneficiation industry that ensures increased black ownership and participation in the sector	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	1(one) local event	1(one) local event	1(one) local event 1(one) International event	1(one) local event
		1.2 Host SA diamond show	To host the diamond show	Review and submit the Diamond Show concept document	Establishment of the working group Approved implementation plan	Report on the implementation plan	Hosting of the SA Diamond show
		1.3 Purchase a percentage of rough diamonds inspected by value	Purchase 7.5% of rough diamonds inspected by value	Purchase 7.5% of rough diamonds inspected by value	Purchase 7.5% of rough diamonds inspected by value	Purchase 7.5% of rough diamonds inspected by value	Purchase 7.5% of rough diamonds inspected by value
		1.4 Carats (Volume) of rough diamonds supplied to Clients	478 699 Carats (Volume) supplied to Clients	Supply 141 431.75 Carats supplied to Clients	Supply 117 831.75 Carats supplied to Clients	Supply 108 975.75 Carats supplied to Clients	Supply 110 459.75 Carats supplied to Clients

OUTCOME GOAL	STRATEGIC OUTCOME	OUTCOME INDICATOR	ANNUAL TARGETS	QUARTERLY TARGETS			
				Q1	Q2	Q3	Q4
	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	Rough diamonds to the value of R124,887,569 sold to 100% HDSA	Rough diamonds to the value of R83,249,151 sold to 100% HDSA	Rough diamonds to the value of R208,164,405 sold to 100% HDSA	Rough diamonds to the value of R137,401,244 sold to 100% HDSA
		1.6 Enterprise Development Programme (EDP) Implemented	A facilitation of training for participants of the EDP in rough diamond valuation and polishing	Facilitate 6-month polishing training to EDP participants	Report on the completion of 6 month polishing training to EDP participants	Facilitate technological training and submit report on completion	Report on the introduction and research regarding the South African and International diamond market
2. A financially viable and sustainable entity	Improve governance	2.1 Implement audit combined action plan	100% Implementation of Combined Audit Action Plan	100% implementation of targets due in the quarter in terms of the Action Plan	100% implementation of targets due in the quarter in terms of the Action Plan	100% implementation of targets due in the quarter in terms of the Action Plan	100% implementation of targets due in the quarter in terms of the Action Plan
	Improved profitability	2.2 Net profit margin percentage	2% Net profit margin	2% Net profit margin for the quarter	2% Net profit margin for the quarter	2% Net profit margin for the quarter	2% Net profit margin for the quarter

OUTCOME GOAL	STRATEGIC OUTCOME	OUTCOME INDICATOR	ANNUAL TARGETS	QUARTERLY TARGETS			
				Q1	Q2	Q3	Q4
	Improved Liquidity	2.3 Ratio of working capital	Ensure that by 31 March 2024, the working capital ratio is not less than 10:1	Ensure that the working capital ratio is not less than 10:1	Ensure that the working capital ratio is not less than 10:1	Ensure that the working capital ratio is not less than 10:1	Ensure that the working capital ratio is not less than 10:1
	Improved Liquidity	2.4 Number of days for payment of invoices on receipt	Payment of invoices within 15 days on receipt	All invoices to be paid within 15 days of receipt	All invoices to be paid within 15 days of receipt	All invoices to be paid within 15 days of receipt	All invoices to be paid within 15 days of receipt
	Enhanced Governance: Clean Audit	2.5 Maintain unqualified Audit Opinion	Unqualified Audit Opinion		Unqualified Audit Opinion		
3 . A capable workforce and developmental Industry	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	• Training needs analyses conducted and reported to management • Employee wellness needs analysis conducted and reported to management	Procurement for training and development service provider finalised	• 4(four) Employees trained • 1(one) employee wellness programmes coordinated	• 4(four) employees trained • 1(one) employee wellness programmes coordinated • 2 (two) employees awarded bursaries

ANNEXURE B: TECHNICAL INDICATORS FY 2023/2024

TECHNICAL INDICATOR DESCRIPTION FOR PERFORMANCE INDICATORS: 2023/2024	
1.1 Indicator Title	Facilitate and participate in five events to ensure growth of the industry (i.e. local, and international exhibitions, and shows)
Short definition	The intention is to increase visibility and access to market through exhibiting in local and international events
Sources/collection of data	Marketing and Communications quarterly reports
Method of calculation or assessment	A number of events (local and international)
Assumptions	N/A
Disaggregation of beneficiaries (where applicable)	N/A
Reporting Cycle	Quarterly and Annually
Desired Performance	Participate in 5 events which include 4 local and 1 international exhibition, conferences, shows
Indicator Responsibility	Marketing and Communications Manager

TECHNICAL INDICATOR DESCRIPTION FOR PERFORMANCE INDICATORS: 2023/2024	
1.2 Indicator Title	To host a SA diamond show
Short definition	To promote the South African Diamond industry by marketing polished diamonds produced by SDT clients.
Sources/collection of data	Marketing and Communications quarterly reports
Method of calculation or assessment	Submission of reports of the Diamond Show held
Assumptions	N/A
Disaggregation of beneficiaries (where applicable)	N/A
Reporting Cycle	Quarterly and Annually
Desired Performance	1 (one) SA diamond show hosted
Indicator Responsibility	Marketing and Communications Manager

TECHNICAL INDICATOR DESCRIPTION FOR PERFORMANCE INDICATORS: 2023/2024	
1.3 Indicator title	Purchase percentage of rough diamonds inspected by value
Short definition	State Diamond Trader can purchase up to 10% of the rough diamonds it inspects from compliant producers. The indicator refers to the percentage of the value purchased by State Diamond Trader in relation to the value inspected in US Dollars
Source/ collection of data	Purchase Log
Method of calculation or assessment	The method of calculation will be the value in US Dollars of what was purchased divided by the 100% inspected value in US Dollars as a percentage
Assumptions	The make-up of the diamonds inspected is what clients demand and that there is always an agreement reached regarding the price of rough diamonds and also that market conditions remain favourable
Disaggregation of beneficiaries (where applicable)	N/A
Reporting Cycle	Quarterly and Annually
Desired Performance	Purchase 7.5% by value of rough diamonds inspected
Indicator Responsibility	Operations Manager

TECHNICAL INDICATOR DESCRIPTION FOR PERFORMANCE INDICATORS: 2023/2024	
1.4 Indicator title	Carats (Volume) of rough diamonds supplied to clients
Short definition	State Diamond Trader through its acquisitions will be able to supply rough diamonds by carats(volume) to its clients
Source/ collection of data	Sales analysis report drawn from Pastel
Method of calculation or assessment	The total of accumulative sales by carats (volume) supplied to State Diamond Trader's clients for the reporting period
Assumptions	The make-up of the diamonds inspected is what clients demand and that there is always an agreement reached regarding the price of rough diamonds and also that market conditions remain favourable
Disaggregation of beneficiaries (where applicable)	Compliant State Diamond Trader clients
Reporting Cycle	Quarterly and Annually
Desired Performance	State Diamond Trader supplied rough diamonds to the amount of 478,699 carats (volume) to clients
Indicator Responsibility	Operations Manager

TECHNICAL INDICATOR DESCRIPTION FOR PERFORMANCE INDICATORS: 2023/2024	
1.5 Indicator title	Value of rough diamonds sold to 100 % HDSA clients (100% black-owned companies)
Short definition	Supply rough diamonds by value to 100% HDSA
Source/ collection of data	Sales analysis report drawn from Pastel
Method of calculation or assessment	The total of accumulative sales of rough diamonds by rand value sold to 100% HDSA clients for the reporting period
Assumptions	Assumption being made is that the market will be favourable, and State Diamond Trader will be able to negotiate on price with the producers
Disaggregation of beneficiaries (where applicable)	HDSA clients
Reporting Cycle	Quarterly and Annually
Desired Performance	Rough diamonds to the value of R553 702 369 sold to 100% HDSA
Indicator Responsibility	Operations Manager

TECHNICAL INDICATOR DESCRIPTION FOR PERFORMANCE INDICATORS: 2023/2024	
1.6 Indicator title	To facilitate training for participants in relation to rough diamond valuation and polishing as part of the Enterprise Development Programme (EDP)
Short definition	The Enterprise Development Programme is a skill transmission programme that seeks to introduce young South Africans into the diamond beneficiation industry. Through exposure in sorting and valuing of rough diamonds, cutting and polishing of rough diamonds and exposure to the local and international diamond industry
Source/ collection of data	Certificate of completion for diamond polishing courses and technological training issued by training service provider
Method of calculation or assessment	Report from training service provider, attendance register and certificate of completion
Assumptions	That all participants completed the rough diamond polishing, technological courses and diamond industry research
Disaggregation of beneficiaries (where applicable)	Participants in the Enterprise Development Programme
Reporting Cycle	Quarterly and Annually
Desired Performance	To have participants trained in rough diamond polishing, technological courses and diamond industry research
Indicator Responsibility	Operations Manager

TECHNICAL INDICATOR DESCRIPTION FOR PERFORMANCE INDICATORS: 2023/2024	
2.1 Indicator title	100 % Implementation of the Combined Audit Action Plan
Short definition	Following the issuance of the audit reports, management will formulate an audit action plan in order to correct the audit findings as well as consider the system weaknesses which resulted in these findings
Source/ collection of data	Management Audit Action Plan
Method of calculation or assessment	Number of audit findings resolved divided by the total number of audit findings raised (Expressed as percentage)
Assumptions	N/A
Disaggregation of beneficiaries (where applicable)	N/A
Reporting Cycle	Quarterly and Annually
Desired Performance	100 % of audit findings resolved
Indicator Responsibility	Chief Financial Officer

TECHNICAL INDICATOR DESCRIPTION FOR PERFORMANCE INDICATORS: 2023/2024	
2.2 Indicator title	Net Profit Margin Percentage (%)
Short definition	Net Profit Margin is a profitability measure. This ratio indicates the percentage of revenue the entity retains after covering all its costs
Source/ collection of data	Trial Balance - Financial System (Sage- Pastel) and Audited Annual Financial Plan
Method of calculation or assessment	Net profit margin is calculated by dividing net profit by revenue as a percentage
Assumptions	An assumption being made is that the market will be favourable
Disaggregation of beneficiaries (where applicable)	Net profit margin can be influenced by one-off items such as the sale of an asset, which would temporarily boost profits
Reporting Cycle	Quarterly and Annually
Desired Performance	2% Net Profit Margin achieved
Indicator Responsibility	Chief Financial Officer

TECHNICAL INDICATOR DESCRIPTION FOR PERFORMANCE INDICATORS: 2023/2024	
2.3 Indicator title	Ratio of Working Capital
Short definition	The current ratio is a liquidity ratio that measures an entity's ability to pay short-term obligations or those due within one year
Source/ collection of data	Trial Balance - Financial System (SAGE - Pastel) and Audited AFS
Method of calculation or assessment	• Current Ratio = Current Assets divided by Current Liabilities expressed as a ratio • Current Assets include Cash and Short-Term deposits, Inventory and Accounts Receivable • Current Liabilities include Accounts Payable, VAT liability, current portion of long-term lease liability and other short-term liabilities.
Assumptions	The market will be favourable and existing cash reserves will be maintained
Limitations	SDT's historic current ratio has been volatile due to market changes
Reporting Cycle	Quarterly and Annually
Desired Performance	A high current ratio is desirable (not less than 10:1) as it indicates that the entity has the financial resources to remain solvent in the short term
Indicator Responsibility	Chief Financial Officer

TECHNICAL INDICATOR DESCRIPTION FOR PERFORMANCE INDICATORS: 2023/2024	
2.4 Indicator title	Creditors Days
Short definition	Creditor Days measures the average number of days it takes the entity to pay goods and services procured through a SCM
Source/ collection of data	SAGE/PASTEL Management Reports
Method of calculation or assessment	Number of days between invoice date and payment date
Assumptions	All details of the invoice is correct
Limitations	The following financial management principle will be ignored as the intention is to support SMMEs. "Higher creditors days are an indicator of good financial management. The longer the creditors days are, the better management is at controlling its Working Capital. The entity delays cash payments as long as possible to keep cash in the business. This can help to free up cash for the business to invest this money in other revenue-generating projects". Purchases of rough diamonds will be excluded
Reporting Cycle	Quarterly and Annually
Desired Performance	Low creditors days
Indicator Responsibility	Chief Financial Officer

TECHNICAL INDICATOR DESCRIPTION FOR PERFORMANCE INDICATORS: 2023/2024	
2.5 Indicator title	Audit Opinion
Short definition	The measure confirms that the financial statements of the State Diamond Trader are free of material errors or omissions (financially unqualified audit opinion) and there are no material findings on the entity's performance objectives or compliance with laws and regulation
Source/ collection of data	FY 2022/23 - AGSA Audit Report and the Management Report
Method of calculation or assessment	FY 2022/23 - AGSA Audit Report and the Management Report
Assumptions	N/A
Disaggregation of beneficiaries (where applicable)	N/A
Limitations	Annually
Reporting Cycle	Quarterly and Annually
Desired Performance	Unqualified Audit Opinion
Indicator Responsibility	Chief Executive Officer

TECHNICAL INDICATOR DESCRIPTION FOR PERFORMANCE INDICATORS: 2023/2024	
3.1 Indicator title	Number of employees trained, granted bursaries and wellnesss programme co-ordinated
Short definition	Upskilling of employees and improved employee wellness
Source/ collection of data	Attendance registers fand signed bursary contracts
Method of calculation or assessment	Eight (8) employees trained, two (2) employees granted bursaries, and two (2) employee wellness programmes coordinated
Assumptions	Financial status of the entity allows spending on skills development and employee wellness
Disaggregation of beneficiaries (where applicable)	Eight (8) employees trained, two (2) employees granted bursaries, and two (2) employee wellness programmes coordinated
Reporting Cycle	Financial year end - 31 March 2024
Desired Performance	Eight (8) employees trained, two (2) employees granted bursaries, and two (2) employee wellness programmes coordinated by 31 March 2024
Indicator Responsibility	HR Manager

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	38 Bonaero Dr, Bonaero Park Kempton Park, 1619
Telephone	011 334 2691
Email	infosdt@statediamondtrader.gov.za
Website	www.statediamondtrader.gov.za
Twitter	@SDT_RSA
Facebook	State Diamond Trader sdt
Instagram	statediamondtrader
Shareholder	Government of the Republic of South Africa Represented by the Minister of Mineral Resources and Energy
Auditors	Auditor General of South Africa

state
diamond
trader
REPUBLIC OF SOUTH AFRICA