

state
diamond
trader

REPUBLIC OF SOUTH AFRICA

ANNUAL PERFORMANCE PLAN 2020-2021

PRESENTATION TO THE PORTFOLIO COMMITTEE
20 MAY 2020



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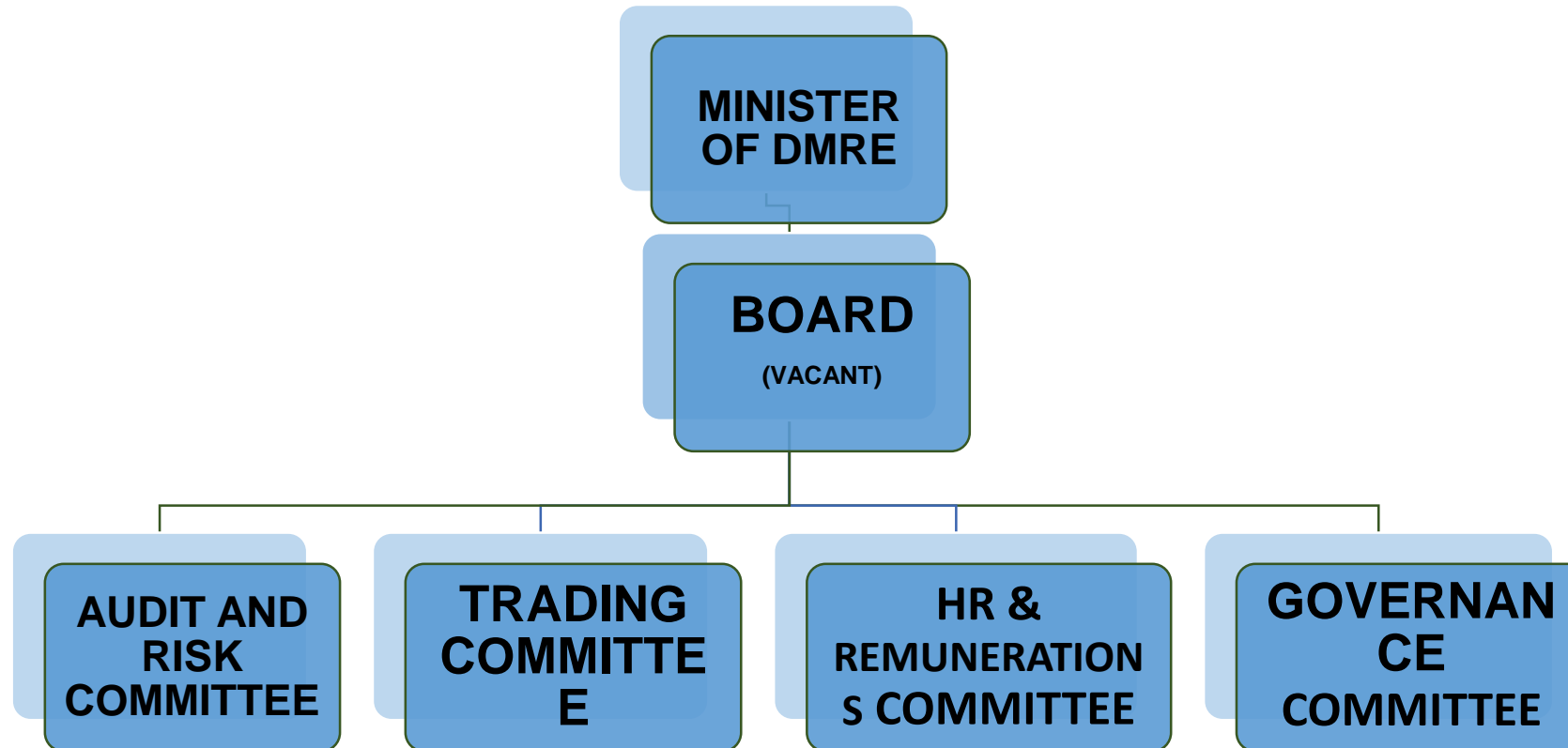
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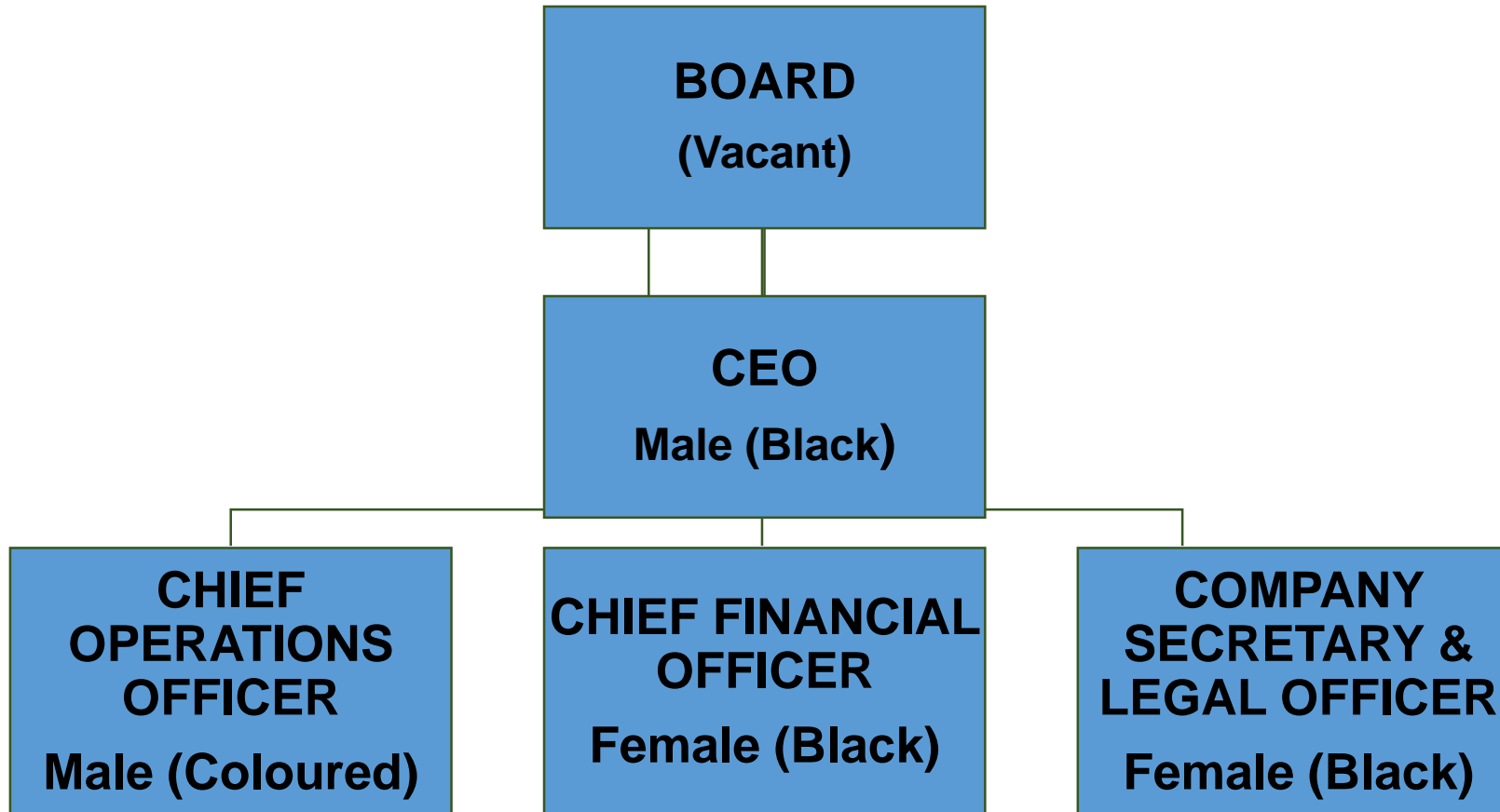
BACKGROUND & GOVERNANCE

REPORTING STRUCTURE



The term of office for the Board ended on 30 November 2019

ORGANISATIONAL STRUCTURE



PROCESS FOLLOWED TOWARDS THE 2020/2021 APP

INTERNAL PROCESS

- Strategic planning session - January 2020
- Approval of APP & Budget - January 2020

EXTERNAL PROCESS

- Submission of the APP to the Shareholder
- Approval of the APP & Budget by the Shareholder
- Tabling of the 2020/2021 APP & Budget

SDT VISION & MISSION

Vision

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

Mission

- ❑ Ensure acquisition of and equitable access to rough diamonds with particular focus on HDSAs
- ❑ Promote the growth of the diamond beneficiation industry through relevant interventions
- ❑ Establish and maintain a transformed client base of local diamond beneficiaries

BACKGROUND

Who we are

- ❖ A State- owned entity established in 2007 in terms of section 14 of the Diamond Act 56 of 1986 to operate in the diamond industry to support and facilitate growth in local diamond beneficiation.
- ❖ The SDT is categorised as a schedule 3B entity in terms of the Public Finance Management Act

Mandate is to:

- ❖ buy and sell rough diamonds for local beneficiation;
- ❖ promote equitable access to and beneficiation of the country's diamond resources;
- ❖ grow SA diamond cutting and polishing industry by increasing HDSA for beneficiation;
- ❖ address distortion created by excluding previously disadvantaged groups from economic participation (transform diamond industry);
- ❖ purchase up to 10% of the run of mine from SA producers;
- ❖ sell to registered customers through an application and approved process

SITUATIONAL ANALYSIS

- ❖ SA is one of the few countries (along with Russia, Australia and Canada) with activity in all aspects of the diamond pipeline, from extraction through to diamond Jewellery retail, however its prominence has declined over the years.
- ❖ The cutting and polishing industry is estimated to be the 5th largest by value, after India, Israel, US and China.
- ❖ De Beers previously reported that 92% of local production by volume and 49% by value is defined as Category 3, and therefore not economically 'cuttable' in South Africa due to labour costs and lack of technological advancements.
- ❖ Successful trading hubs are heavily reliant on inclusion into established diamond demand networks, low duty or duty free import and export of diamonds, highly incentivised environments (including tax concessions or exemptions and limited or no exchange control) and specialised financial services, requiring intervention at government policy level to ensure sustainability and competitiveness of the industry.
- ❖ It remains to be seen whether the OR Tambo IDZ will have any impact in this respect in terms of the incentives to be offered for tenants at the Jewellery Precinct.
- ❖ 2020/2021 is expected to be heavily impacted by Covid 19 as producers will decrease outputs in light of the economic impact in the industry, however there is a silver lining in that the pandemic affects the

SITUATIONAL ANALYSIS...Cont

- ❖ That the production of rough diamonds has decline since mid-2019.
- ❖ Introduction of lab grown diamonds.
- ❖ The South African diamond industry is over regulated.
- ❖ South Africa has talent and skill to cut and polish large stones but not fully idolised due to limited resources.
- ❖ The industry is capital intense, this is a barrier for emerging and HDSA as there are no start up funding by both the private and public sector.
- ❖ Most small polished diamonds sold in SA are imported but originate in SA as rough. They return as finished product. This is due to high labour cost and lack of technology.
- ❖ There are good but aging skills with limited new entrance.
- ❖ South Africa has infrastructure, skills and reputation compare to neighbouring countries.

SWOT ANALYSIS

INTERNAL

Strengths

- ❖ Established through Legislation
- ❖ Created Partnerships
- ❖ Ability to bring stakeholders together
- ❖ Ability to deliver (e.g. KPC, HK etc.)
- ❖ Dedicated workforce
- ❖ Low staff turnover
- ❖ Empowering organisation (women, youth, disabled individuals)

Weaknesses

- ❖ Legislation limitations
- ❖ Financial capability
- ❖ Limited growth
- ❖ Limited to no Negotiations on price of diamonds
- ❖ Informal Partnerships
- ❖ Ability to bring stakeholders together-no developments
- ❖ Lack of expansion for SADI, HK etc

SWOT ANALYSIS....CONTI

Opportunities

- ❖ Ability to bring about change
- ❖ Partnerships (EDP, HK)
- ❖ Making SA the heartbeat of Diamond Beneficiation
- ❖ Innovation
- ❖ Credibility & track record
- ❖ Enterprise Hub
- ❖ International recognition (HK, Thailand, Lesotho, Russia etc.)
- ❖ Ability to partner for youth skills development
- ❖ DIRCO missions and foreign missions in SA
- ❖ Brand SA branding (WEF/Marketing Videos) Tourism SA
- ❖ Partnership with NYDA, NSF, TVET, Mines
- ❖ Study on productivity compared to other diamond producing centres around the world

Threats

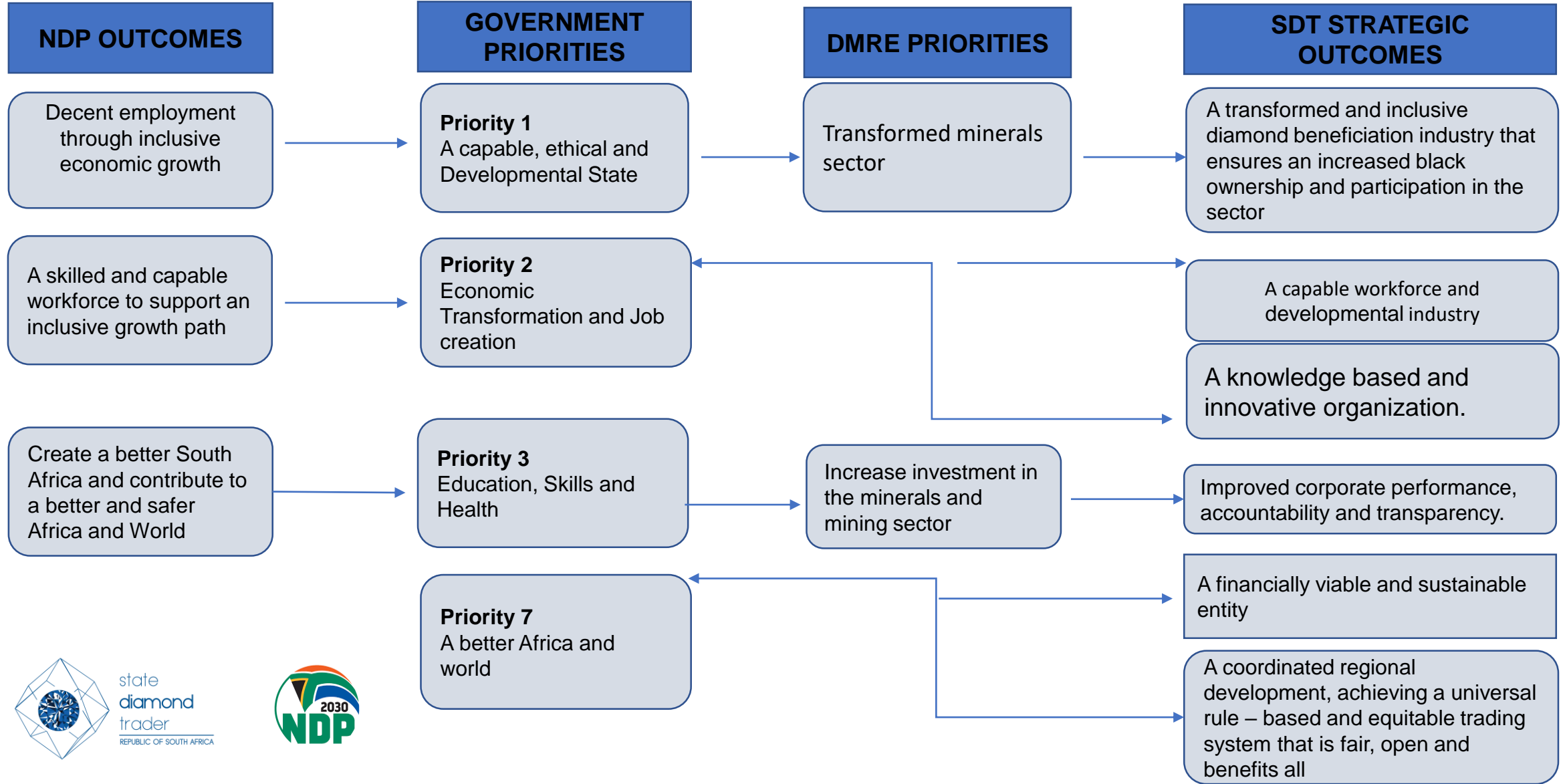
- ❖ Tender pricing used as benchmark
- ❖ Funding
- ❖ Lack of diamond strategy
- ❖ Delays in amending diamond legislation
- ❖ Reduced production
- ❖ Exchange Rates against the USD
- ❖ Markets, rough and polished pricing changes)
- ❖ Substitution
- ❖ Synthetics



02

STRATEGIC OUTCOMES
ALIGNMENT

STRATEGIC OUTCOMES





03

STRATEGIC OBJECTIVES

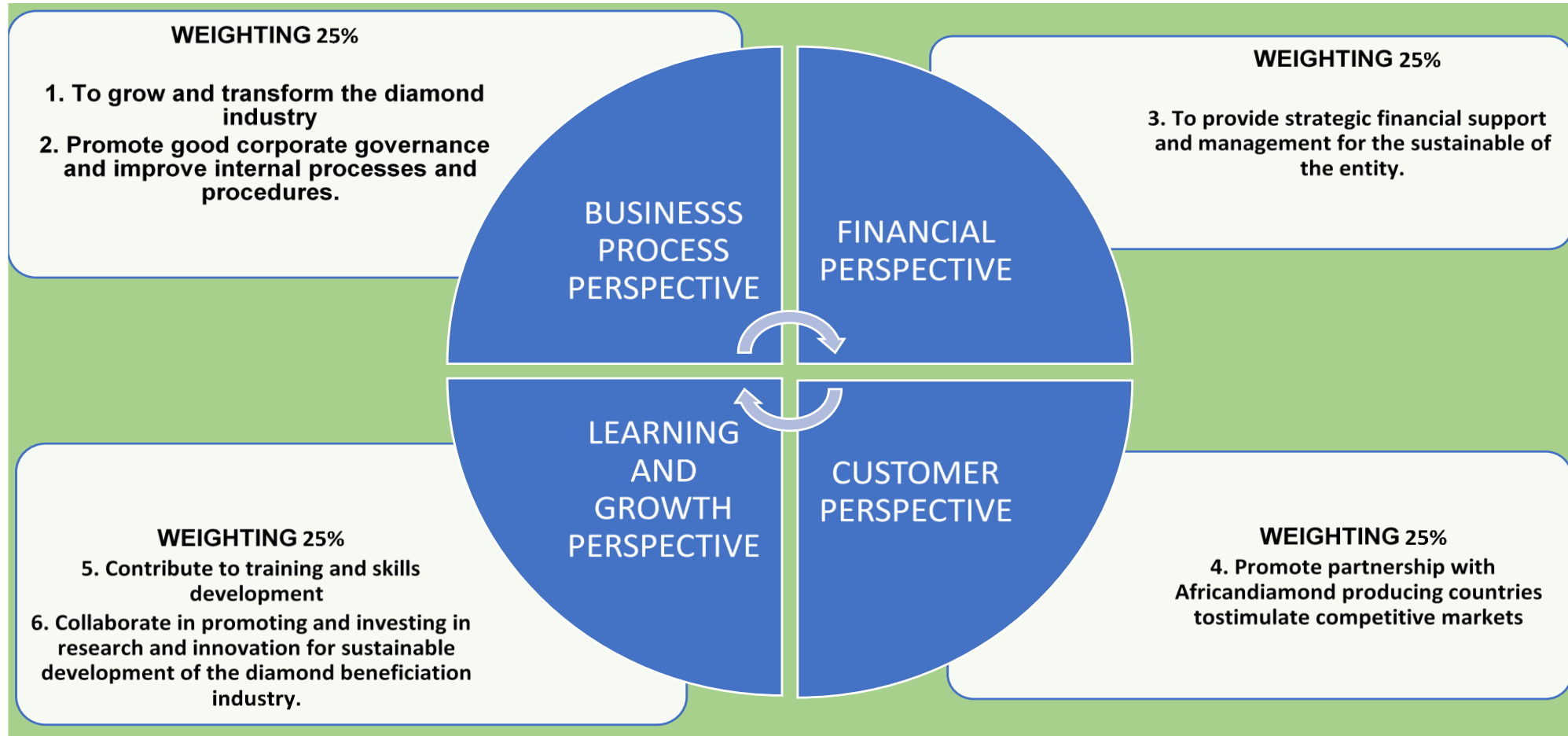
STRATEGIC OBJECTIVES

NO	STRATEGIC OBJECTIVES	TARGETS
1	To grow and transform the diamond industry	<ul style="list-style-type: none"> ➤ Purchase 3% of inspected rough diamonds ➤ 5% increase of diamond sold to HDSA ➤ To establish 2 businesses from EDP ➤ Meet 14% of client's requirements by supplying 35,439.60 carats to clients ➤ To conduct a feasibility study on the establishment of the satellite office at Northern Cape Province ➤ Revise selling methods
2	Contribute to training and skills development	<ul style="list-style-type: none"> ➤ To submit WSP compliance Report ➤ Training of 8 Employee members trained ➤ 2 Employee members granted bursaries ➤ To revise the HR strategy ➤ To revise and implement the EDP strategy ➤ To improve Employees health and wellness
3	Collaborate in promoting and investing in research and innovation for sustainable development of the diamond beneficiation industry.	<ul style="list-style-type: none"> ➤ Sign MOU with MINTEX and CSIR on research and development

STRATEGIC OBJECTIVES...Cont

NO	STRATEGIC OBJECTIVES	TARGETS
4	Promote good corporative governance and improve internal processes and procedures.	<ul style="list-style-type: none"> ➤ Revise the Corporate Governance manual ➤ To revise and strengthen the delegation register ➤ To revise the fraud and prevention policy ➤ To develop Corporate Social Investment Policy and Strategy ➤ Implement 4 key pillars of the approved Marketing and Communication plan. <ul style="list-style-type: none"> ▪ Branding ▪ Media and stakeholder engagement ▪ Participation at 3 National events and 1 International event ▪ Manage online platforms (website, internet, intranet, social media)
5	To provide strategic financial support and management to ensure sustainability of the entity.	<ul style="list-style-type: none"> ➤ To implement all risks identified on the annual internal audit management plan ➤ To implement 100% of the approved external audit management action plan by 31 March 2021 ➤ New Measure ➤ To adopt an ICT Strategy ➤ Unqualified Audit opinion ➤ To review the State Diamond Trader business model
6	Promote partnership with African diamond producing countries to stimulate competitive markets	<ul style="list-style-type: none"> ➤ To participate one international show with 06 clients ➤ Sign MOU with 1 African diamond producing country ➤ To participate at the 3 African shows and activities <ul style="list-style-type: none"> ▪ Botswana Diamond Conference ▪ Mining Indaba ▪ ADPA meetings ➤ To attend 3 activities relating to Kimberly process ➤ To host South African Diamond Show ➤ To conduct a feasibility study on the creation and hosting an African diamond Bourse

BALANCE SCORECARD



STRATEGIC OBJECTIVES

STRATEGIC OUTCOMES	STRATEGIC OBJECTIVES	PERFORMANCE MEASURE (INDICATOR)	KEY ACTIVITIES	ANNUAL TARGET	BASELINE	REPORTING PERIOD	QUARTERLY TARGETS				
							Q1	Q2	Q3	Q4	
1. 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	Percentage amount of rough diamonds purchased	Inspection and purchasing of rough diamonds	Purchase 3% of inspected rough diamonds	3% by value purchased from inspected rough diamonds	Quarterly	3%	3%	3%	3%	
		Increase of diamonds sold to HDSA	Rotation system for allocation of available diamonds to HDSA	5% increase of diamond sold to HDSA	R62million worth of rough diamonds sold to HDSA clients in 2019/2020	Annually	R22million	R6 million	R 30 million	R7 million	
		Established business from the EDP	Assist with the establishment of EDP businesses	To establish 2 businesses from EDP	2 Business established	Annually				2 Businesses established from EDP	
		Increased amount of rough diamonds supplied to clients versus client's requirement	Purchase rough diamonds by carats in order to supply clients according to their requirements	Meet 14% of client's requirements by supplying 35,439.60 carats to clients	Clients requirements as at 2019/2020, that being 253,140 carats	Quarterly	10,631.88 carats	3,543.96 carats	7,087.92 carats	14,175.84carats	
		Increased accessibility of services to clients	Establish a Task Team to undertake a comparable study.	To conduct a feasibility study on the establishment of the satellite office at Northern Cape Province	New measure	Annually				Submission of the report	
			Review the existing selling methods	Revise selling methods	New measure	Annually			Revised selling method approved		

STRATEGIC OBJECTIVES..CONT

2. A capable workforce and developmental industry	Contribute to training and skills development	Enhanced skills development	Develop WSP Report	To submit WSP compliance Report	Existing WSP compliance report	Annually				Submission of the WSP Report
		Number of Employees trained in line with WSP	Adoption and implementation of WSP	Training of 8 Employee members trained	8 Employee staff members trained	Quarterly	0	3	4	1
		Number of Employees granted bursaries	Implementation of Bursary policy	2 Employee members granted bursaries	2 Employee members granted bursaries	Annually				2 Bursaries granted to Employees members
		Revised HR Strategy	Reviewing of the HR Strategy	To revise the HR strategy	Existing HR Strategy	Annually				Adoption of a revised HR Strategy
		Revised EDP Strategy and Implementation plan	Review the existing EDP Strategy	To revise and implement the EDP strategy	Existing EDP plan	Annually		Adoption of revised EDP Strategy		
		Enhanced Employees Health and Wellness Programme	Arrange Employees Health and Wellness Awareness activity	To improve Employees health and wellness	Existing Employees Wellness Programme	Annually		Employees health and Wellness held		
3. A knowledge-based and innovative organization.	Collaborate in promoting and investing in research and innovation for sustainable development of the diamond beneficiation industry.	Enhanced collaboration with research institution for new technology	Liaise with relevant stakeholders	Sign MOU with MINTEX and CSIR on research and development	New measure	Annually		1 MOU signed	1 MOU signed	

STRATEGIC OBJECTIVES..CONT

4. Improved corporate performance, accountability and transparency.	Promote good corporate governance and improve internal processes and procedures.	A reviewed Corporate Governance	Reviewed Corporate Governance Manual	Revise the Corporate Governance manual	Existing Corporate Governance Manual	Annually		Approved Corporate Governance manual		
		Strengthened internal controls and accountability through delegation of authority	Review the delegation register	To revise and strengthen the delegation register	Existing delegation register	Annually			Revised delegation register	
		Compliance with National and international regulatory framework and appliance standards	Revise the fraud policy	To revise the fraud and prevention policy	Existing Fraud Policy	Annually			Revised fraud and prevention policy.	

STRATEGIC OBJECTIVES 4..CONT

		Improved social conditions of communities	Develop and implement CSI policy and strategy	To develop Corporate Social Investment Policy and Strategy	New measure	Annually	Adoption of the Corporate Social Investment Policy	Adoption of the Corporate Social Investment Strategy	Implementation	Implementation
		Accessible and accountable entity	Communicate SDT programmes with internal and external stakeholders	Implement 4 key pillars of the approved Marketing and Communication plan. *Branding *Media and stakeholder engagement *Participation at 3 National events and 1 International event *Manage online platforms (website, internet, intranet, social media)	Existing Marketing and Communication Plan.	Quarterly	*Roll out of the new branding *Participation at 1 National events	*Organise executive management roadshows	Participation at 1 National events	Participation at 1 National events
		Percentage of the external audit management action plan implemented	Implement management action plans from external audit	To implement 100% of the approved external audit management action plan by 31 March 2021	Adopted management action plan	Quarterly	25%	25%	25%	25%

STRATEGIC OBJECTIVES..CONT

5. A financially viable and sustainable entity.	To provide strategic financial support and management to ensure sustainability of the entity.	100% implementation of the Strategic Risk management plan	Implementation of annual risk based on internal audit management plan	To implement the risk based annual internal audit management plan	Existing 3-year risk based internal audit management	Quarterly	10%	20%	30%	40%
		Percentage of the external audit management action plan implemented	Implement management action plans from external audit	To implement 100% of the approved external audit management action plan by 31 March 2021	Adopted management action plan	Quarterly	25%	25%	25%	25%
		Approved Revenue enhancement strategy	Develop and submit a Revenue enhancement Strategy	New Measure	Annually				Adoption of Revenue enhancement Strategy	
		Approved ICT Strategy	Develop and submit the ICT Strategy	To adopt an ICT Strategy	New measure	Annually		Adoption of the ICT Strategy		
		Enhanced fiscal discipline and the effective management of resources	Strengthen Internal financial controls, optimal yield on investment, enhance liquidity Ratio and Improve cashflow	Unqualified Audit opinion	Unqualified Audit opinion	Annually				Unqualified Audit opinion
		A revised State Diamond Trader business case.	Submit State Diamond Trader business case to DMRE	To review the State Diamond Trader business model		Annually			Revised Business Case submitted to DMRE	

STRATEGIC OBJECTIVES..CONT

6. A coordinated Regional development, achieving a universal rules-based and equitable trading system that is fair and open and benefits all.	Promote partnership with African diamond producing countries to stimulate competitive markets	Exposed clients to international markets	Coordinate participation of clients at one International show	To participate one international show with 06 clients	Annual participation at international show	Annually			Attendance at an international show	
		Secured additional diamonds from other countries	Facilitate the Signing of the MOU	Sign MOU with 1 African diamond producing country	New measure	Annually			MOU signed with an African diamond producing country	
		Improved partnerships	Establish and strengthen existing relations with African diamond producing countries and stakeholders	To participate at the 3 African shows and activities *Botswana Diamond Conference *Mining Indaba *ADPA meetings	New measure	Annually				3 African activities attended
		Complied with International standards	Participation at Kimberly Process	To attend 3 activities relating to Kimberly process	Participation at Kimberly Process	Annually				3 Kimberly Process activities attended
		Stimulated economy Regional economy	Facilitate the South African Diamond Show	To host South African Diamond Show	New measure	Annually				Diamond Show hosted
			Liaise with relevant stakeholders for fact finding mission	To conduct a feasibility study on the creation and hosting an African diamond Bourse	New measure	Annually				Study submitted



04

FINANCE & BUDGET

PROFITABILITY -FY2020/2021

Net Profit (Loss)	FY2019/ 2020 (Actual)	FY2020/2 021 (Budget)	% Change
	R' m	R ' m	
Sales	231	229	(1%)
Less : Cost of Sales	(226)	(222)	(2%)
Gross Profit	5	7	29%
Gross Profit %	2%	3%	50%
Less : Operating Expenditure	(21.9)	(22.6)	0.1%
Net Profit(Loss)	(15)	(16)	6%

- Revenue will decrease by 1% due to depressed market conditions and the negative impact of Covid 19.
- Gross profit % is estimated to increase from R5m to R7m.
- Operating expenditure will increase slightly by less than 1% , cost containment measures will be strictly applies.
- Net loss will increase to R16m.

CASH FLOW versus PROFITABILITY

Cash Flow versus Profitability	FY2019/2020 R' m (Actual)	FY2020/2021 R' m (Budget)	% Change
Cash and cash equivalents	24	12	(50%)
Net Loss for the year	(15)	(16)	6%

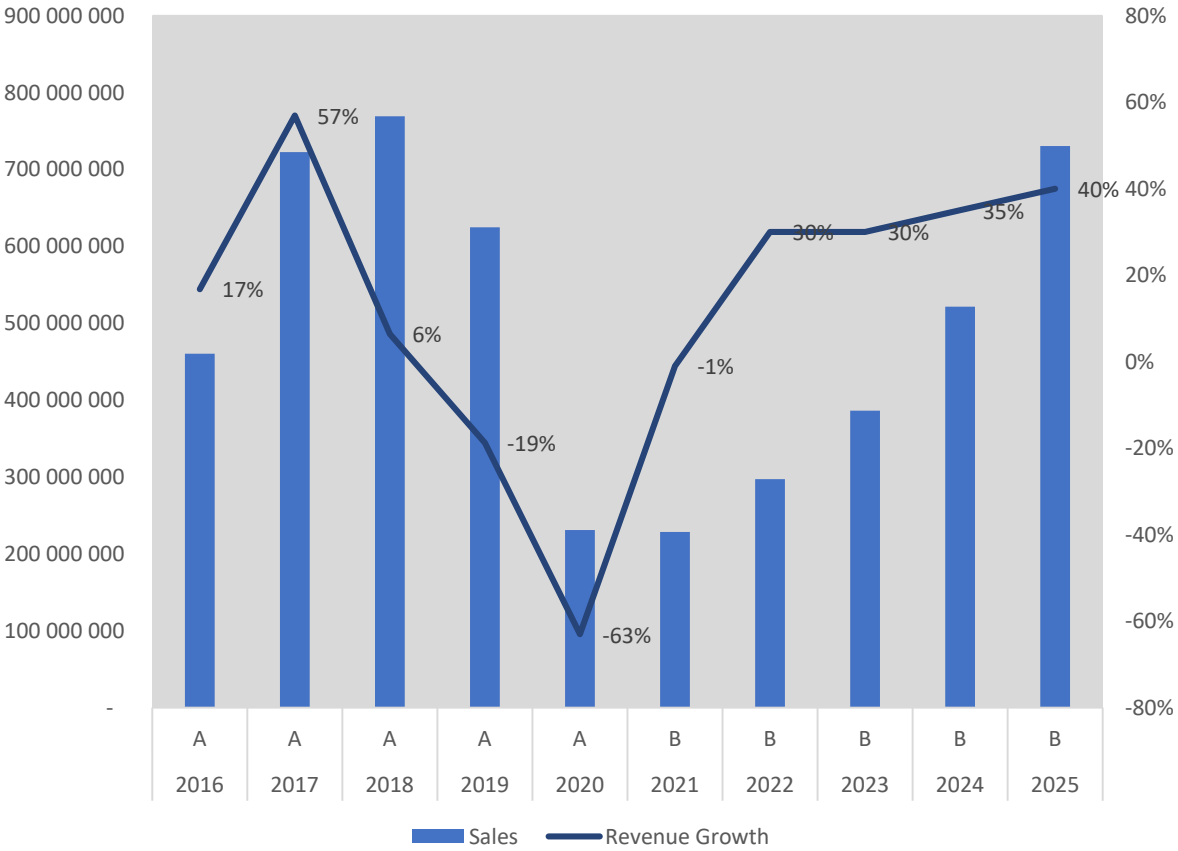
- The entity is in a cash positive position although profitability is expected to decline .
- Positive cash flow suggests that prudent cash management . The entity has cash available to cover its own operations and expenses in 2021.
- The entity uses accrual accounting (income and expenses are recorded regardless of whether cash is received or not)
- SDT's profitability is impacted by high prices of rough diamonds and market conditions. Increase in revenue will improve profitability.
- Cost containment measures will be strictly applied in order to reduce operating expenditure.
- IDC revolving facility will be utilized from time to time for purchasing rough diamonds.

COST CONTAINMENT MEASURES

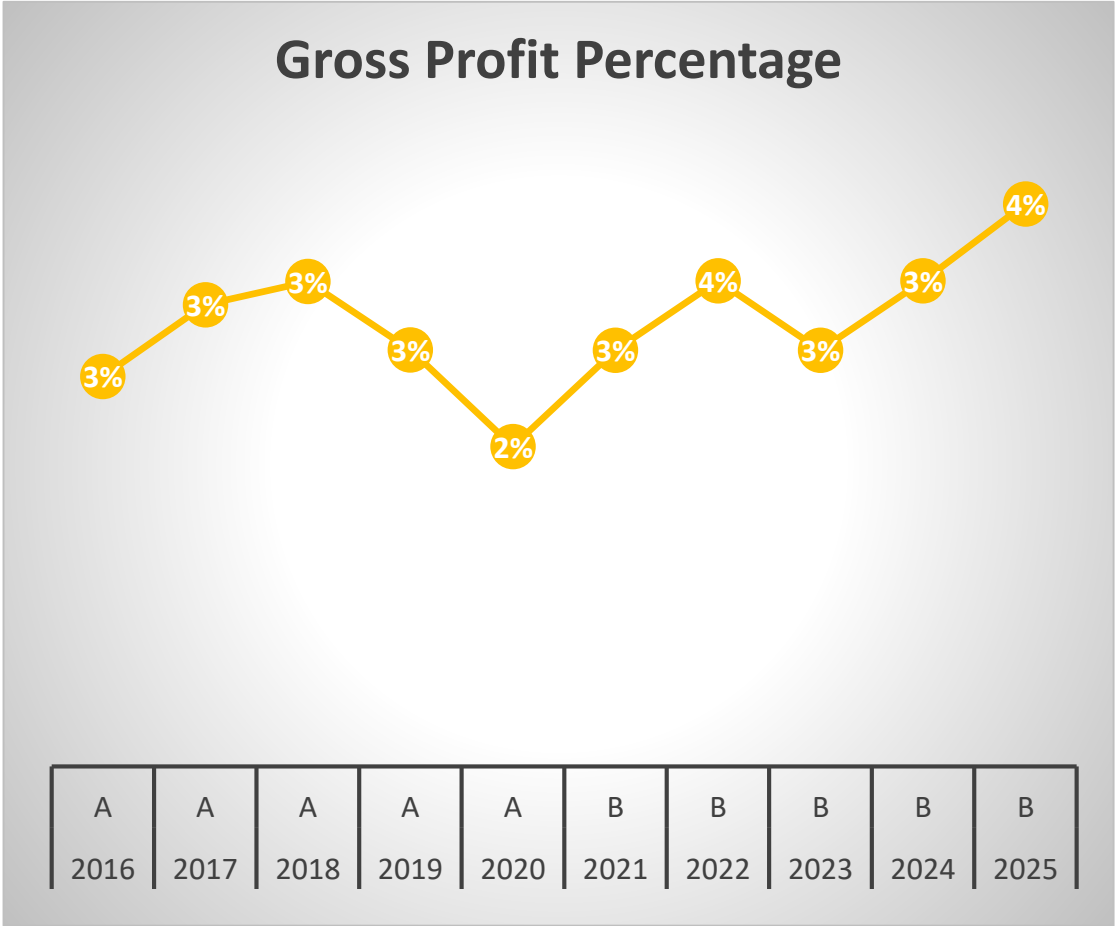
- ❖ No new staff appointments, critical positions all occupied.
- ❖ Only essential local and international trips will be undertaken.
Only a maximum of two people will be allowed to travel per trip.
- ❖ Reduction of printing and publication costs e.g. Number of copies for annual report and APP will be reduced, digital copies will be produced.
- ❖ Capital expenditure will only include high technology diamonds equipment.

REVENUE

Revenue Growth



Gross Profit Percentage



NOTES TO THE REVENUE

- ❖ Revenue is expected to decline significantly in 2021 and 2022 due to depressed market conditions
- ❖ The State Diamond Trader anticipates that the diamonds market will recover gradually from 2022. Revenue is expected to increase by 30% year on year from 2022 to 2025.
- ❖ Gross profit margin percentage will remain stable over the budget period

DIAMOND PURCHASES AND SALES

DIAMOND PURCHASES AND SALES OF THE STATE DIAMOND TRADER					
	FY2020/2021	FY2021/2022	FY2022/23	FY2023/2024	FY2024/2025
Value of Diamonds Inpected from Producers (USD)	700,000,000	900,000,000	1,160,000,000	1,276,116,000	1,311,612,000
Value of Diamonds Acquired in USD	11,674,830	15,937,881	22,051,693	31,467,354	46,721,090
% of Annual Production Purchased	1.7%	1.8%	1.9%	2.5%	3.6%
Value of Diamonds Acquired in ZAR	221,821,764	286,881,858	374,878,781	503,477,662	700,816,348
Average Rand/USD Rate	19	18	17	16	15
Sales Revenue in ZAR	228,682,230	297,286,900	386,472,970	521,738,510	730,433,913
Cost of Diamonds Sold	221,821,764	286,881,858	374,878,781	503,477,662	700,816,348

SUMMARY OF STATEMENT OF COMPREHENSIVE INCOME

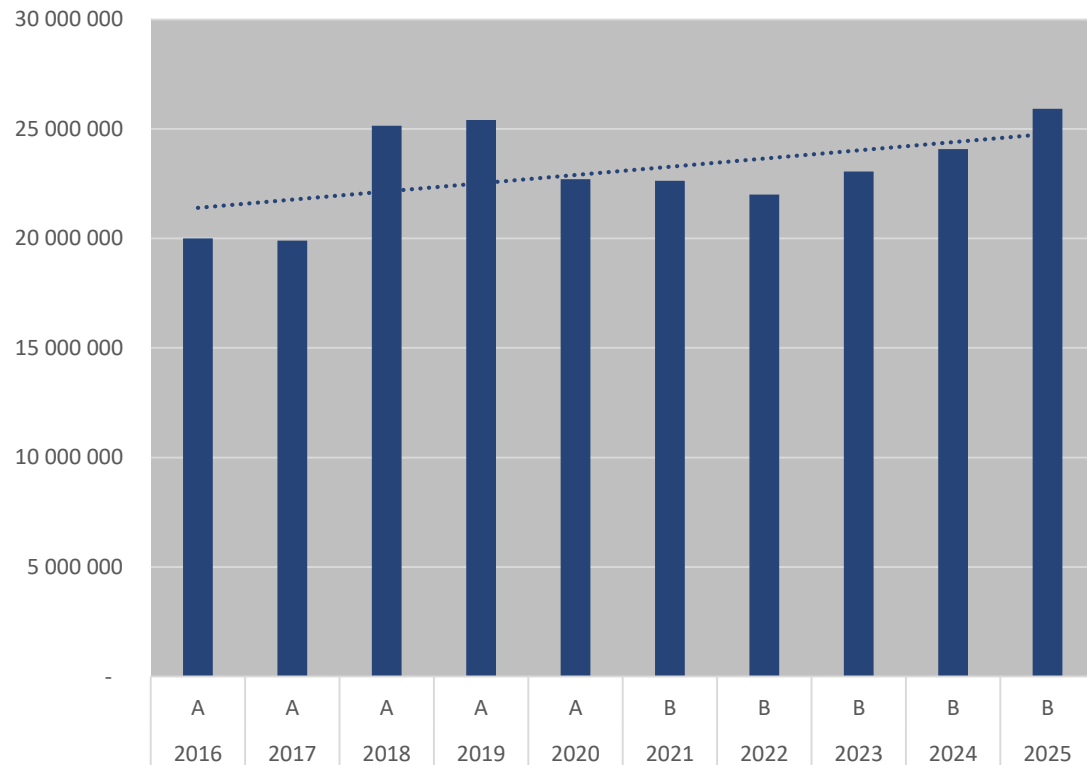
STATE DIAMOND TRADER FIVE YEAR BUDGET

SUMMARY OF STATEMENT OF COMPREHENSIVE INCOME

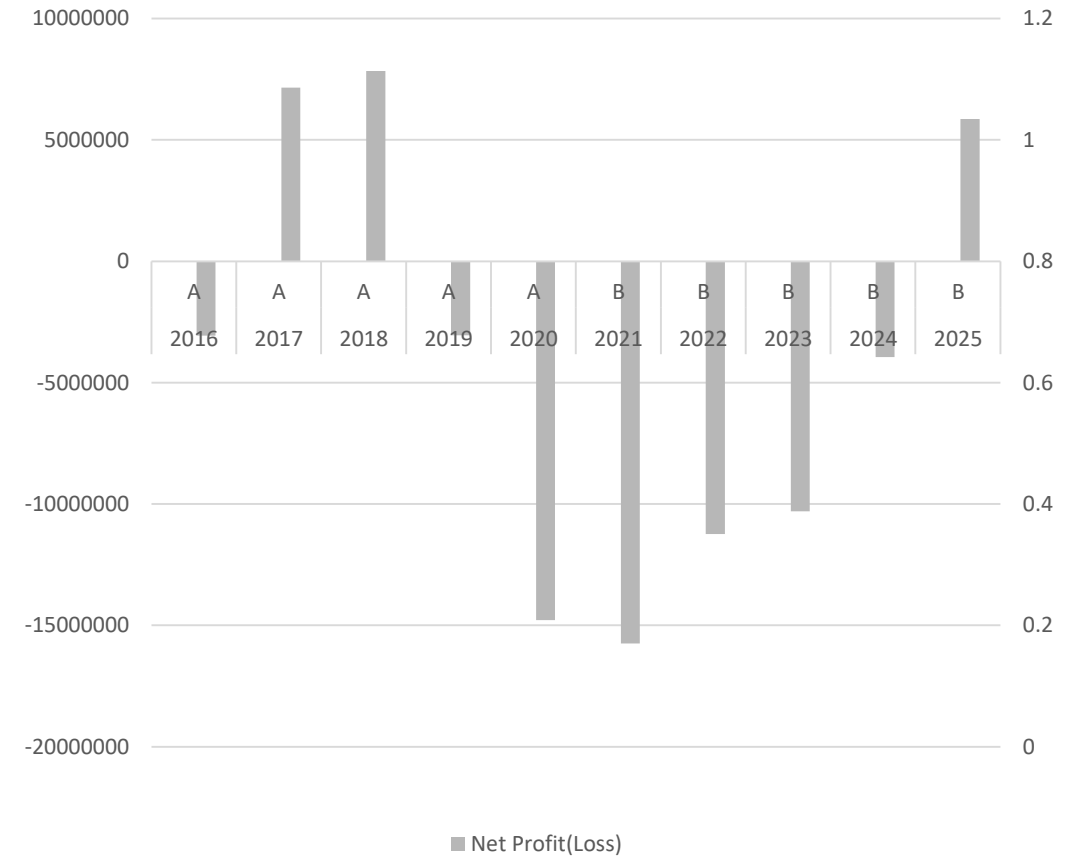
	2020/21	2021/22	2022/23	2023/24	2024/25
Sales	228 682 230	297 286 900	386 472 970	521 738 510	730 433 913
Less Cost of Goods Sold	221 821 764	286 881 858	374 878 781	503 477 662	700 816 348
Gross Profit	6 860 466	10 405 042	11 594 189	18 260 848	29 617 565
Less Overheads	22 624 879	22 000 446	23 057 257	24 072 478	25 923 434
Of which :					
Salaries	13 995 158	14 177 334	14 842 989	15 218 086	15 482 603
Leases	840 000	882 000	926 100	1 000 188	1 080 203
Computer and other IT	754 936	792 682	832 316	898 902	818 600
Travel	1 180 366	1 239 384	1 301 353	1 405 462	1 517 899
General Expenses	4 303 263	3 532 980	3 709 629	3 989 383	5 338 835
Professional Fees	1 551 156	1 376 065	1 444 868	1 560 458	1 685 295
EBIT	(15 764 413)	(11 595 404)	(11 463 068)	(5 811 630)	3 694 131
Interest Income	650 000	1 200 000	1 750 000	2 450 000	2 800 000
Interest Expense	-634 301	-843 164	-591 781	-591 781	-633 205
(Net Loss)/Net Profit	(15 748 713)	(11 238 568)	(10 304 849)	(3 953 411)	5 860 926

OPERATING COSTS

Operating costs



Net Profit(Loss)



NOTES TO THE OPERATING COSTS

- ❖ The State Diamond Trader's operating costs are mainly fixed and have remained stable from 2016 to 2020. Operating costs are expected to increase marginally over the budget period from 2021-2025 as cost containment measures will be intensified.
- ❖ These include savings on printing costs through digital copies of publications for example the annual report, limited local and internal travel and decreased office maintenance related expenditure. Net profit will be expected to decline from 2021 to 2024 and a full recovery is expected in 2025

ANNUAL OVERHEADS FOR A PERIOD OF 5 YEARS

ANNUAL OVERHEADS OF THE STATE DIAMOND TRADER FOR 5 YEAR PERIOD

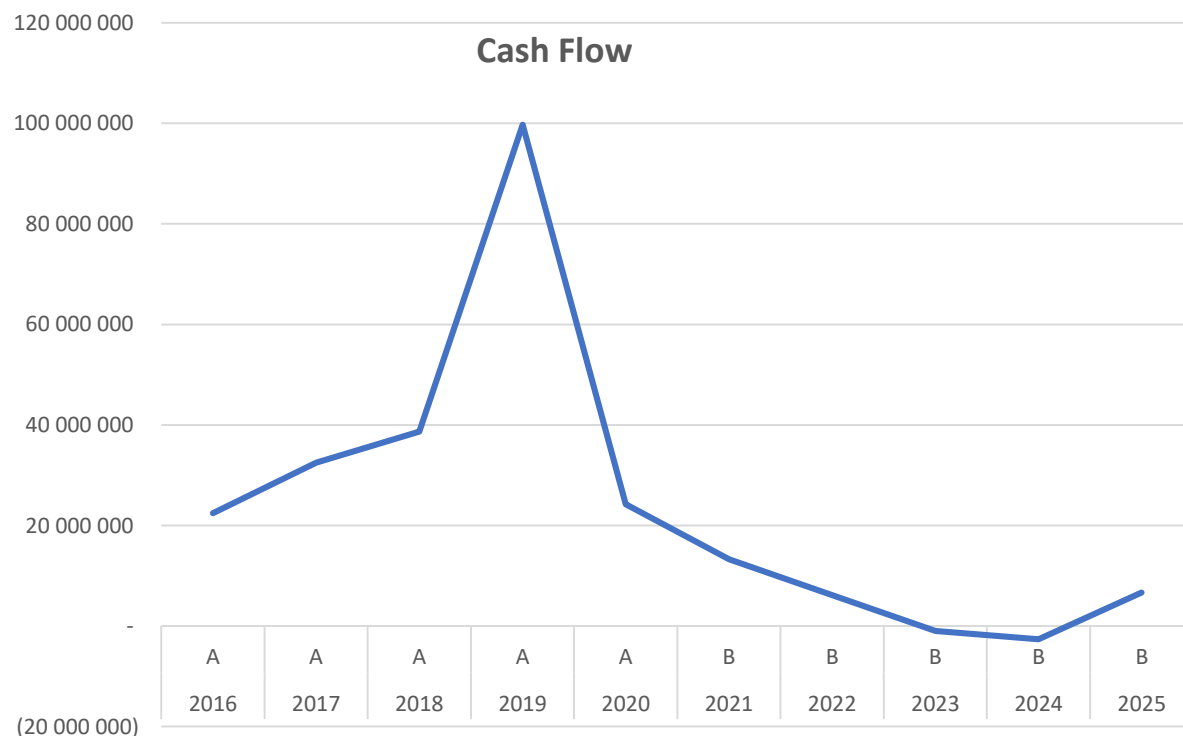
	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
Salary expenses					
Sub-total - Salaries	13 995 158	14 177 334	14 842 989	15 218 086	15 482 603
Leases					
Property and other	840 000	882 000	926 100	1 000 188	1 080 203
Sub-total - Lease Expenses	840 000	882 000	926 100	1 000 188	1 080 203
Other Expenses					
General Office Expenses	240 000	252 000	264 600	285 768	285 768
Relocation costs	1 000 000	-	-	-	-
Water and electricity	141 960	149 058	156 511	169 032	182 554
Communication: Telephone & cell phone	102 900	108 045	113 447	122 523	132 325
Security Services	537 000	563 850	592 043	639 406	790 298
Diamond Insurance expense (Inventory)	109 909	115 405	121 175	130 869	141 339
Insurance expense (incl. Assets and Directors Insurance)	60 072	63 075	66 229	71 527	77 249
Legal services	122 500	128 625	135 056	145 861	260 674
Training and Development	58 335	61 252	64 315	69 460	75 017
Bursary	125 000	131 250	137 813	148 838	448 001
Consulting Fees	100 000				
Marketing & Advertising expenses	210 000	257 250	270 113	291 722	878 082
Conferences, meetings and exhibitions	817 087	857 941	900 838	972 905	1 050 738

ANNUAL OVERHEADS FOR A PERIOD OF 5 YEARS.

Conti....

Repairs and Maintenance	84 000	200 004	210 004	226 805	244 949
Diamond Transport and Security Expenses	514 500	540 225	567 236	595 598	643 246
Subscription	80 000	105 000	110 250	119 070	128 596
Sub-total - Other Expenses	4 303 263	3 532 980	3 709 629	3 989 383	5 338 835
Computer and other IT Expenses				-	
Computer expenses	46 702	49 037	51 489	55 608	15 014
IT Services	708 234	743 645	780 828	843 294	803 586
Sub-total - Computer and Other IT Expenses	754 936	792 682	832 316	898 902	818 600
Travel expenses				-	
Foreign Travel expenses	518 748	544 686	571 920	617 674	667 087
Local Travel expenses	661 618	694 698	729 433	787 788	850 811
Sub-total - Travel Expenses	1 180 366	1 239 384	1 301 353	1 405 462	1 517 899
Professional Fees					128 596
Audit fees - Statutory	721 854	505 298	530 563	573 008	618 848
Internal Auditors (Outsourced)	528 102	554 507	582 232	628 811	679 116
Board Fees	213 506	224 182	235 391	254 222	274 560
Independent Valuator (IDV) fees	87 694	92 079	96 683	104 417	112 770
Sub-total Professional Fees	1 551 156	1 376 065	1 444 868	1 560 458	1 685 295
					-
TOTAL OVERHEADS	22 624 879	22 000 446	23 057 257	24 072 478	25 923 434

CASH FLOW



The State Diamond Trader has budgeted a decline in cash flows from 2021 to 2025. This is mainly due to the anticipation that cash reserves will be utilized as diamonds trading will decline. The Industrial Development Corporation credit facility and other funding sources will be utilized to ensure financial sustainability for the next five years.

CASH FLOW PREJECTIONS FOR A PERIOD OF 5 YEARS

CASH FLOW PROJECTIONS OF THE STATEMENT DIAMOND TRADER FOR A FIVE YEAR PERIOD					
Cash Flows	<u>FY2020/21</u>	<u>FY2021/22</u>	<u>FY2022/23</u>	<u>FY2023/24</u>	<u>FY2024/25</u>
Opening balance : Cash and cash equivalents	26,540,000	12,465,113	5,351,545	(1,753,304)	(3,406,715)
Cash receipts from customers	228,682,230	297,286,900	386,472,970	521,738,510	730,433,913
Cost of goods sold	(221,821,764)	(286,881,858)	(374,878,781)	(503,477,662)	(700,816,348)
Net cash received from operations	6,860,467	10,405,042	11,594,189	18,260,848	29,617,565
Less payments to suppliers and employees	(22,624,879)	(22,000,446)	(23,057,257)	(24,072,478)	(25,923,434)
Salaries	(13,995,158)	(14,177,334)	(14,842,989)	(15,218,086)	(15,482,603)
Leases	(840,000)	(882,000)	(926,100)	(1,000,188)	(1,080,203)
Computer and other IT expenditure	(754,936)	(792,682)	(832,316)	(898,902)	(818,600)
Travel	(1,180,366)	(1,239,384)	(1,301,353)	(1,405,462)	(1,517,899)
General Expenses	(4,303,263)	(3,532,980)	(3,709,629)	(3,989,383)	(5,338,835)
Professional Fees	(1,551,156)	(1,376,065)	(1,444,868)	(1,560,458)	(1,685,295)
Interest Income	650,000	1,200,000	1,750,000	2,450,000	2,800,000
Interest Expense	(660,475)	(843,164)	(591,781)	(591,781)	(633,205)
Working capital (R21m - Current Inventory to be realised in coming years)	3,500,000	4,375,000	4,200,000	3,500,000	4,925,000
Capital Expenditure	(1,800,000)	(250,000)	(1,000,000)	(1,200,000)	(1,500,000)
Closing balance: Cash and cash equivalents	12,465,113	5,351,545	(1,753,304)	(3,406,715)	5,879,211

BUDGETED FIXED ASSETS PURCHASES

BUDGETED FIXED ASSETS PURCHASES OF THE STATE DIAMOND TRADER						
	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	TOTAL
Computer equipment and Software	500,000	250,000	200,000	0	500,000	1,450,000
Vehicles						0
Building Improvements	280,000			300,000		580,000
Security equipment and Diamond Machinery	1,020,000	0	800,000	700,000	1,000,000	3,520,000
						0
Total	1,800,000	250,000	1,000,000	700,000	1,500,000	5,250,000



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CONCLUSION

IMPACT OF COVID19

SOME CHALLENGES

- No production.
- The SDT is currently not trading and operate on its reserves.
- Sustenance of local beneficiators and small-scale miners.
- Producers having cash flow challenges.
- No financial bail out for SDT.
- No funding, schemes or guarantees for HDSA.
- Income and job losses
- Luxury goods (People start with Health and Basic)

PROPOSED INTEVENTIONS

- Approval of SDT to access IDC loan and other schemes.
- A round table discussion with stakeholders to ignite the industry.
- SDT to trade on other precious metals (Long Term)
- Review of SDT Business model to all for other revenue streams.
- Assist HDSA to purchase from SDT on credit and government serve as guarantor.
- Waiver on the terms of having Beneficiation Licence – 80/20 rule in the interim.
- Relaxation of other requirements by the SADPMR for SDT clients.
- Speed up the operation of the Hub.
- Post COVID19: Luxury industry-(Health, basic needs)
- Online Platform (Rough &Polished) Long Term

THANK YOU



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