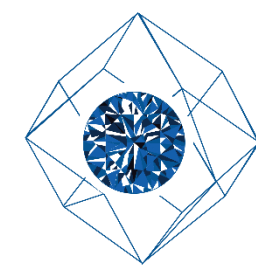




**BRIEFING TO THE
PARLIAMENTARY PORTFOLIO
COMMITTEE
ON MINERAL RESOURCES AND ENERGY
2021/2022
ANNUAL REPORT**



state
diamond
trader
REPUBLIC OF SOUTH AFRICA

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Vision

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



Mission

To ensure the acquisition of and equitable access to rough diamonds with a particular focus on HDSAs. To promote the growth of a globally competitive local diamond beneficiation industry through relevant interventions. To establish and maintain a transformed client base of local diamond beneficiation

Values



- Respect for the rights of our Stakeholders and Promotion of a caring attitude. Promotion of diversity and creation of an empowering working environment. Commitment to Mandate-its promotion, defense, and execution.
- Agility-Anticipation, proactive problem solving and resourcefulness.
- Efficiency-Professionalism and Excellence.
- Innovation-Continuous generating new ideas and innovative thinking. Promotion of ethical behavior, trust and confidence.

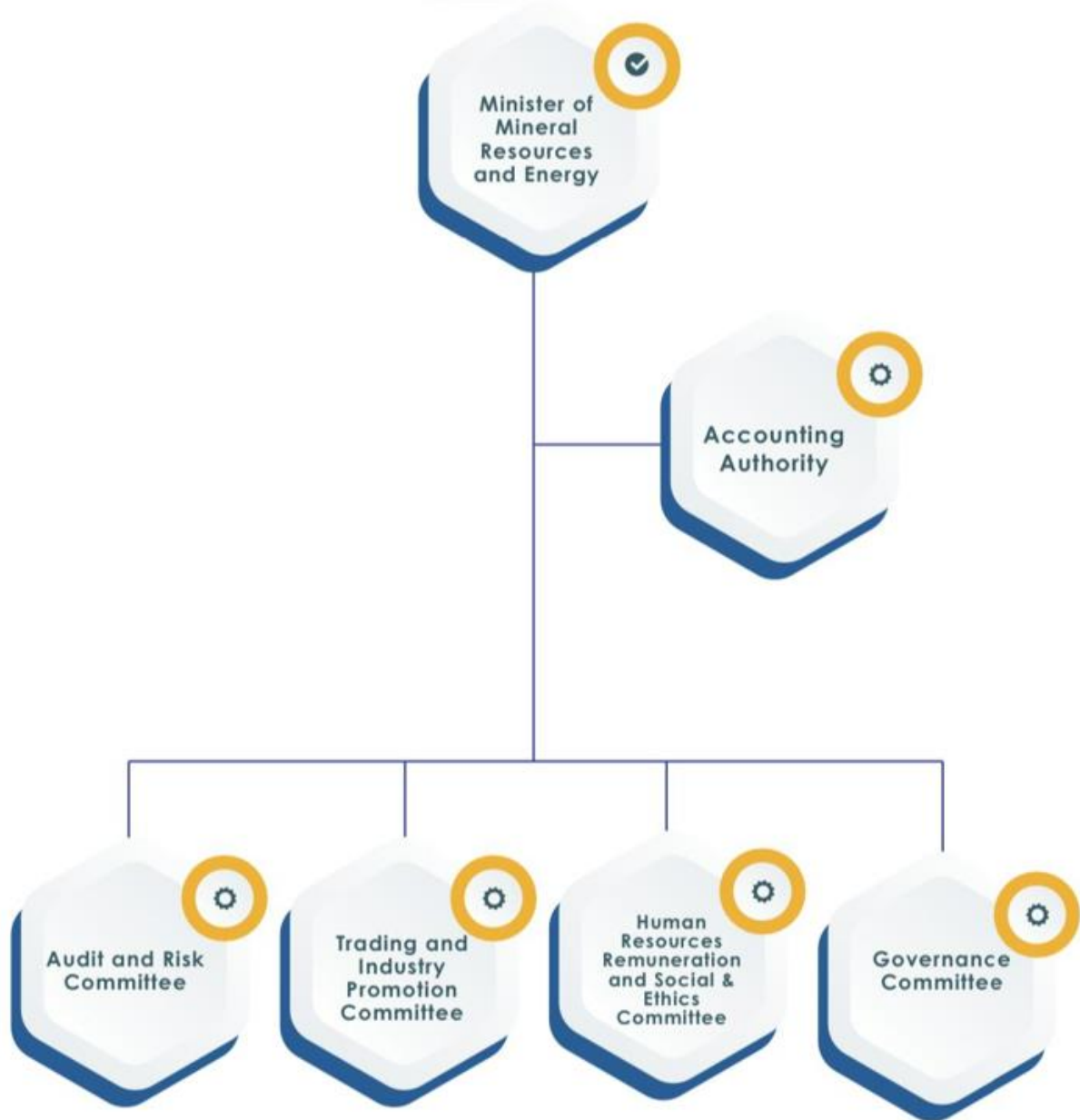
OUR MANDATE

- Buy and sell rough diamonds for local beneficiation.
- Promote equitable access to and beneficiation of the country's diamond resources.
- 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.



02 GOVERNANCE STRUCTURE

OUR GOVERNANCE STRUCTURE

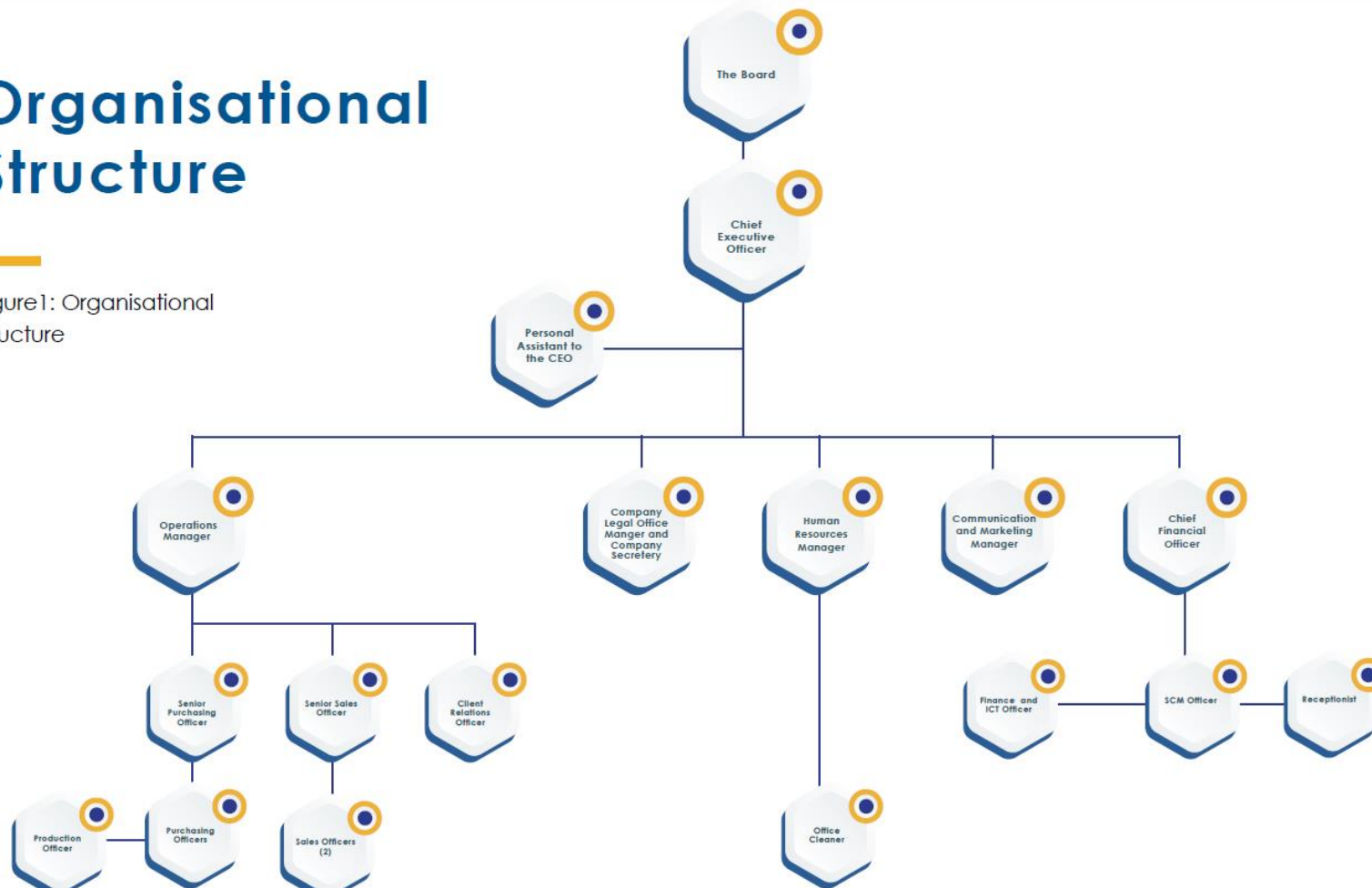




03 HUMAN RESOURCES

Organisational Structure

Figure 1: Organisational structure



OUR DEMOGRAPHICS

MALES: 8

FEMALES:7

Total number of employees 15



04 OUR OPERATIONS

STATE DIAMOND TRADER'S OPERATIONS

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

- ❖ An offer is extended by diamond producers for the State Diamond Trader to inspect production mined in that cycle in accordance with Section 59B of the Diamonds Act 56, 1986, as amended, and inviting the Government Diamond

Valuator to attend all its inspections.

- ❖ The State Diamond Trader is presented with 10% and 90% of the production and the reserve price thereof and conducts the inspection. Once completed, the Government Diamond Valuator verifies the price set by the producer.
- ❖ The State Diamond Trader either accepts the reserve price and makes a purchase or negotiates further with the producer or declines the purchase.

STATE DIAMOND TRADER'S OPERATIONS

Production (Sorting and Valuation)

The production process is concerned with the sorting, valuation, and pricing of rough diamonds. Production assigns a value to each of the parcels, with the objective of unlocking value and preparing the diamonds for sale to State Diamond Trader clients. The processes are undertaken by Production results in the entering of the rough diamond stock into the inventory management and financial reporting application.

Client Relations

The role of Client Relations is to engage with the State Diamond Trader's current and potential clientele on all matters not pertaining to the sale of rough diamonds. In this regard, the activities of the Client Relations Department are summarised as follows:

- ❖ Addition and removal of entries on the State Diamond Trader customer base.
- ❖ Maintenance of client records.
- ❖ Client segmentation strategy development and implementation.
- ❖ Compliance relating to licensing and SARS Certification.
- ❖ Factory visits to ensure compliance with beneficiation targets.
- ❖ Projects relating to industry and clients' development.
- ❖ Diamond industry Public Relations.

Sales

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

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

Supporting services include:

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

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

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

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

Legal and Secretariat: responsible for the Board secretariat and related matters, legal compliance, and litigation.



05 OPERATIONAL PERFORMANCE

SUMMARY AND BUDGET COMPARISON

		YTD Tables
Purchases	Budget	R698,400,000
	Actual	R1,352,263,953
	Diff	R653,863,953
	Diff%	94%

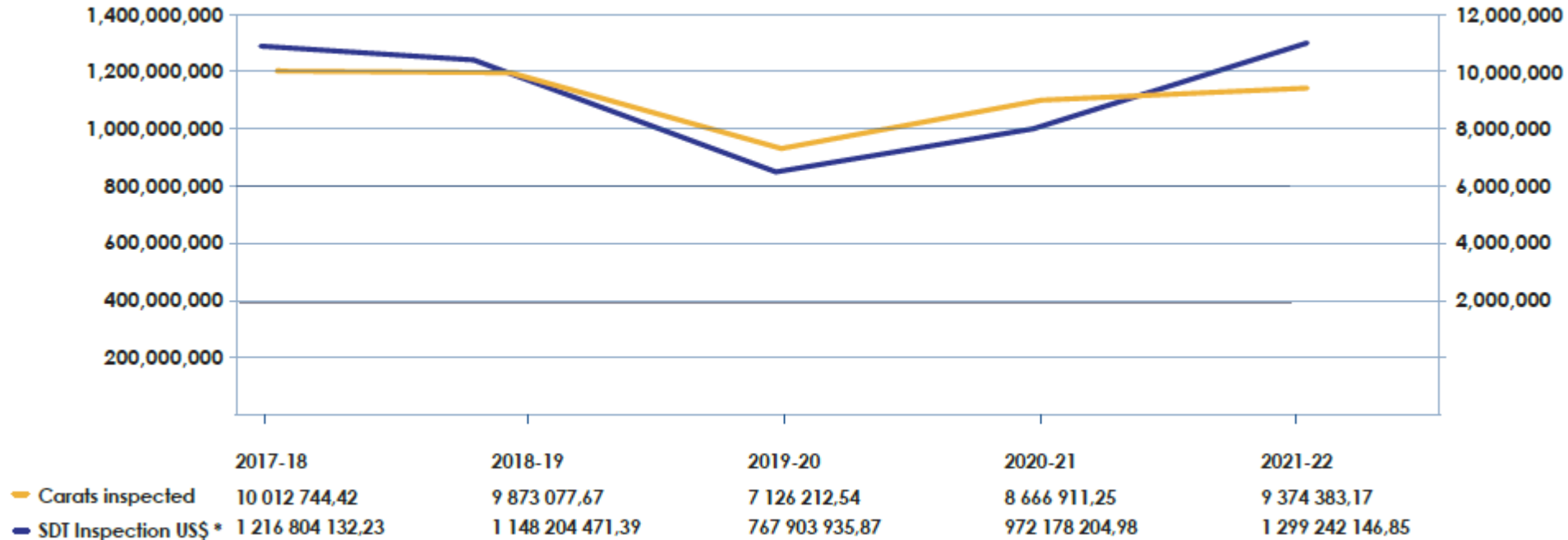
Sales	Budget	R722,844,000
	Actual	R1,442,748,460
	Diff	R719,904,460
	Diff%	98%

Gross Margin	Budget	R24,444,000
	Actual	R84,677,598
	Diff	R49,026,670
	Diff%	201%

The State Diamond Trader was able to exceed its budgeted purchases by **R654 million** by purchasing rough diamonds to the value of **R1,352 billion**. The entity exceeded sales by **R719,9 million** by achieving a sales value of **R1,443 billion** and achieving a gross margin of **R84,6 million**.



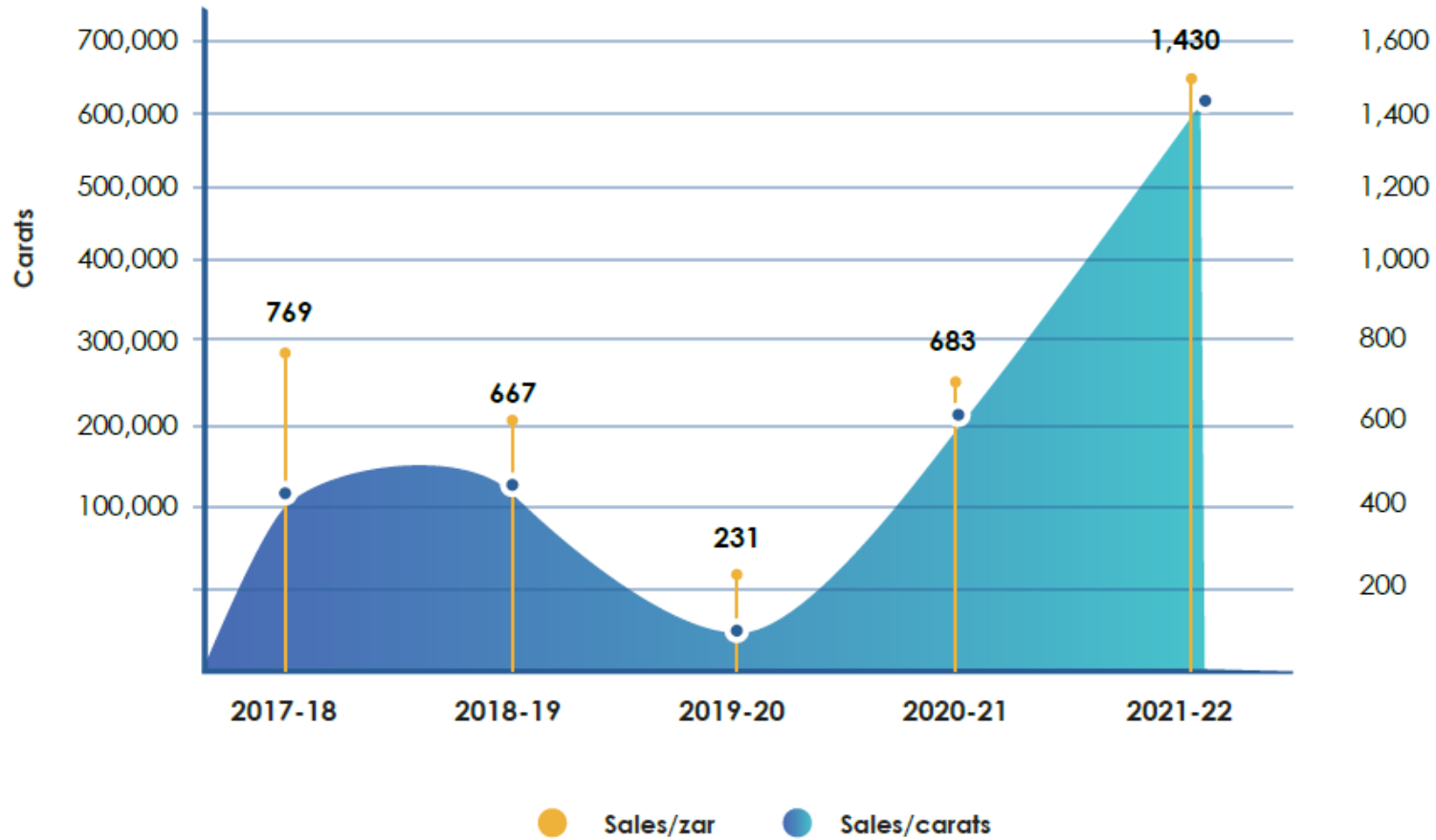
STATE DIAMOND TRADER 5-YEARS INSPECTIONS (2017 - 2022)



There was an increase of both carats (volume) and value inspected by 8.16% and 33.64% respectively presented to State Diamond Trader by 13 producers compared to the previous financial year. The average price per carat also increased by 24% in this period

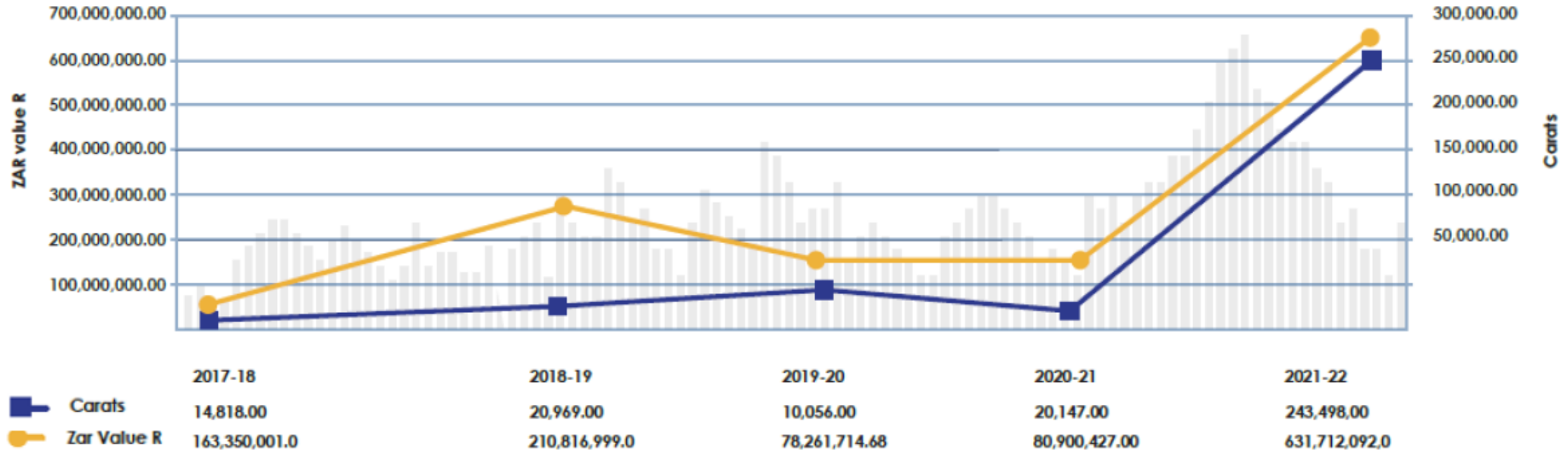


STATE DIAMOND TRADER SALES FROM 2017/2018 TO 2021/2022



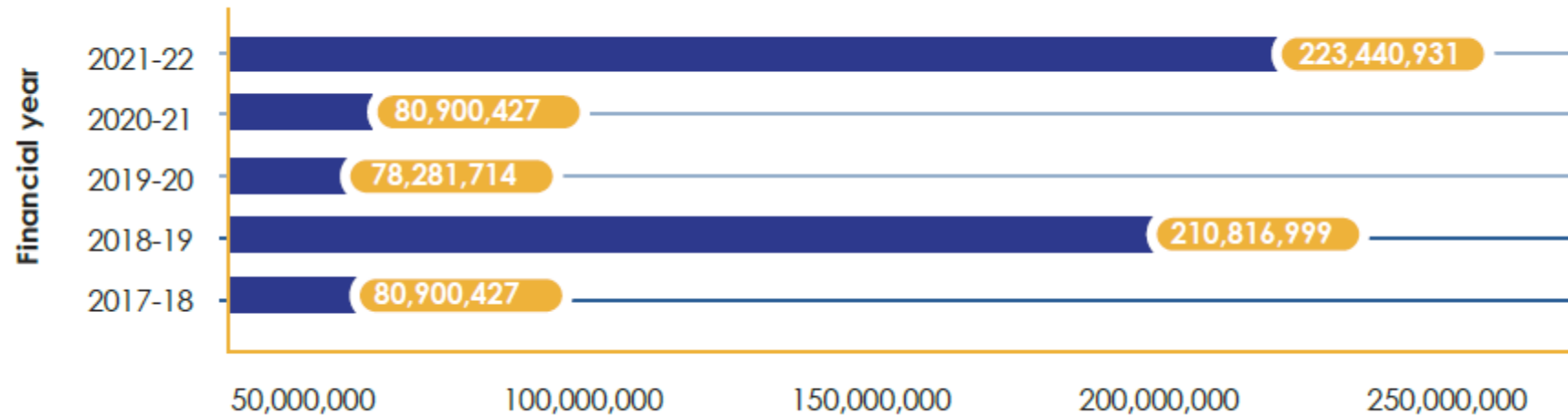
Sales by value and carats/volume drastically increased compared to the previous financial year.

SALES TO HDSA OVER 5 YEARS



Sales by value and carats/volume drastically increased compared to the previous financial year.

SALES TO THE 100% HDSA OWNERSHIP CLIENTS



Sales to 100% HDSA owned clients were the highest in 5 years



06 STRATEGIC PERFORMANCE

The mandate of the entity is implemented through 5 outcomes and in terms of the Annual Performance Plan the entity had 17 strategic targets. Below is the table to show the outcomes of the overall entity performance:

Targets	Status
Achieved	15
Not Achieved	2
Total	17

PERFORMANCE AGAINST OUTCOMES

Targets	Status			
Achieved 15				
Over Achieved 4	Outcome Indicator 1: To grow and transform the diamond industry.	rough diamonds purchased by value was exceeded by 2,5%	Sale to HDSA clients was exceeded by R158,449,930.96	Carats supplied to clients were exceeded by 450,127.99
	Outcome Indicator 2: Contribute to training and skills development.	Training of employees was exceeded by 1 additional employee		
Not Achieved 2	Outcome Indicator 3: Collaboration in promoting and investing in research and innovation for sustainable development of the diamond beneficiation industry.	The State Diamond Trader was not able to add producers to its compliance list	Further engagement with the Shareholder and the SADPMR to be pursued regarding noncompliant producers.	
	Outcome Indicator 5: To provide strategic financial support and management to ensure sustainability of the entity	The SDT was not able to obtain credit facilities during the financial period as the Business Plan was approved in January 2022.	The re-application process for the credit facility was only submitted in March 2022	
Total 17				

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

Outcome Indicator	Planned Annual Target	Actual Achievement	Deviation From Planned Target	Comments
To grow and transform the diamond industry.	To purchased 4.5% of rough diamonds inspected by value.	Achieved. Purchased 7.0%.	The target was exceeded by 2.5%.	The target was exceeded due to the continued increase in demand for rough diamonds.
	Rough diamonds to the value of R65,000,000 sold to HDSA.	Achieved. R223,449,930.96 was sold to HDSA.	The target was exceeded by R158,449,930.96 sold to HDSA.	The target was exceeded due to the continued increase in demand resulting in increases in prices for rough diamonds.
	To supply 148,234 carats of rough diamonds to clients.	Achieved. 598,361.99 carats were supplied.	The target was exceeded by 450,127.99 carats.	The target was exceeded due to an increase in the demand for rough diamonds.

Outcome 2: A capable workforce and developmental Industry

Outcome Indicator	Planned Annual Target	Actual Achievement	Deviation From Planned Target	Comments
Contribute to training and skills development.	WSP compliance report submitted to SETA.	Achieved: The WSP compliance report was submitted to SETA.	N/A	N/A
	Training of 8 Employees.	Achieved: 9 employees were trained.	The target was exceeded by one additional employee trained.	A sufficient budget permitted extra personnel for training.
	2 Employee members granted bursaries.	Achieved: 2 Bursaries were granted to employees.	N/A	N/A

Outcome 3: A knowledge-based and innovative organisation.

Outcome Indicator	Planned Annual Target	Actual Achievement	Deviation From Planned Target	Comments
Collaboration in promoting and investing in research and innovation for sustainable development of the diamond beneficiation industry.	2 producers added.	Not Achieved: Letters were sent to 2 (two) non-compliant producers, however there was no response received.	The State Diamond Trader was not able to add producers to its compliance list.	Further engagement with the Shareholder and the SADPMR to be pursued regarding non-compliant producers.

Outcome 4: Improved corporative performance, accountability and transparency.

Outcome Indicator	Planned Annual Target	Actual Achievement	Deviation From Planned Target	Comments
Promote good corporative governance and improve internal process and procedures.	Benchmarking exercise conducted.	Achieved: The Benchmarking exercise was conducted.	N/A	N/A
	Review of the integrated marketing and communications strategy.	Achieved: The Integrated Marketing and Communications strategy was reviewed.	N/A	N/A
	To revise the Corporate Governance Manual.	Achieved: The Corporate Governance Manual was revised.	N/A	N/A
	To revise and strengthen the delegation register	Achieved: The Delegation register was revised and strengthen.	N/A	N/A
	To submit 4 Quarterly PFMA checklist to Audit and Risk Committee.	Achieved: 4 Quarterly PFMA checklists were submitted to the Audit and Risk Committee.	N/A	N/A
	To review the Fraud and Prevention Policy and Plan.	Achieved: The Fraud and Prevention Policy and Plan was reviewed.	N/A	N/A

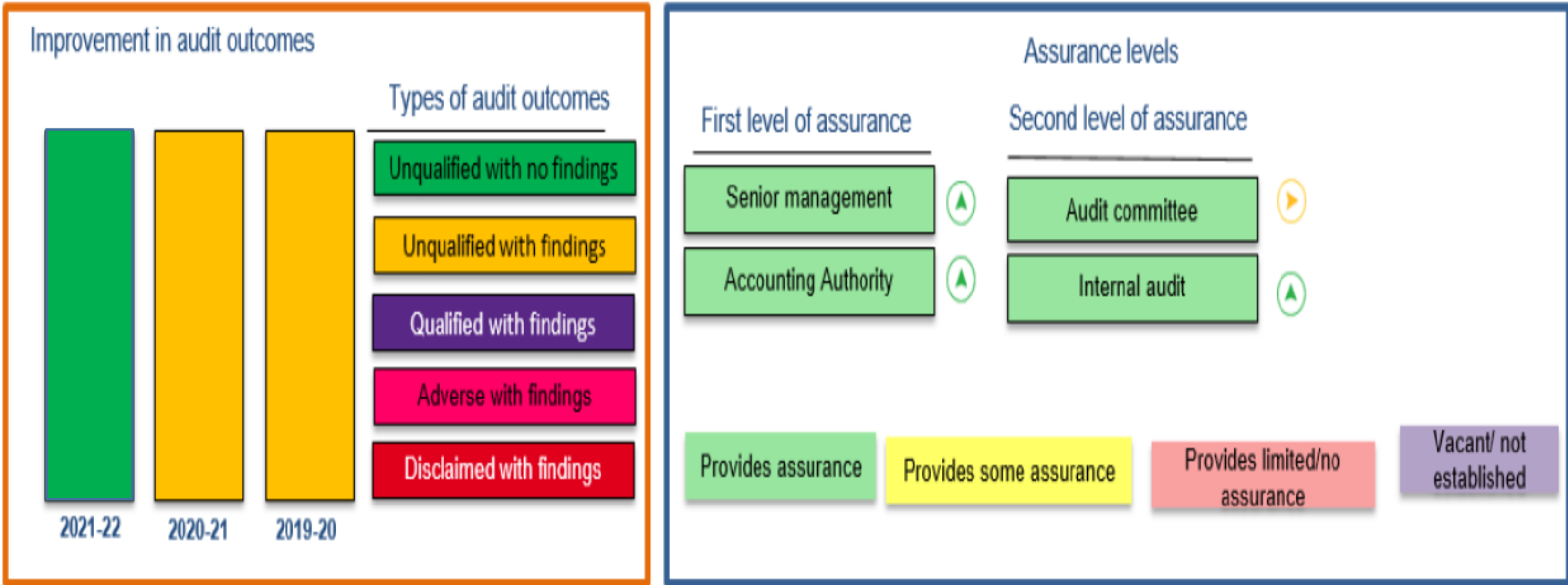
Outcome 5: A financially viable and sustainable entity.

Outcome Indicator	Planned Annual Target	Actual Achievement	Deviation From Planned Target	Comments
To provide strategic financial support and management to ensure sustainability of the entity.	Access to credit facility.	Not Achieved: Application not concluded on time.	The SDT was not able to obtain credit facility during the financial period as the Business Plan was approved in January 2022.	The re-application process for the credit facility was only submitted in March 2022.
	Unqualified Audit opinion. (Clean audit).	Achieved: Unqualified audit opinion with no material findings.	N/A	N/A
	100% Implementation of an annual risk based on internal audit management plan.	Achieved: 100% implementation of annual risk based on internal audit management plan.	N/A	N/A
	Approved ICT Strategy.	Achieved: The ICT Strategy was approved.	N/A	N/A



07 FINANCE

The State Diamond Trader received an unqualified audit outcome with no material findings.



1 To improve the **audit outcomes** ...

2 ... the key role players need to **assure** that ...

The audit outcomes for the State Diamond Trader have improved from an unqualified with findings on compliance and performance information to an unqualified with no findings audit opinion. This is as a result of continued efforts by the entity in maintaining sound control environment and financial discipline.

2021/22 FINANCIAL PERFORMANCE

	2022 R	2021 R
Revenue	1,442,748,460	683,908,930
Cost of sales	(1,358,070,862)	(661,824,417)
Gross profit	84,677,598	22,084,513
Other income	149,082	58,004
Administrative expenses	(33,433,663)	(21,776,039)
Profit/(Loss) from operating activities	51,393,017	366,478
Finance income	1,902,308	930,540
Finance expenses	(618,322)	(35,051)
Profit/(Loss) for the period	52,677,003	1,261,967
Total comprehensive income/(Loss)	52,677,003	1,261,967

THANK YOU

