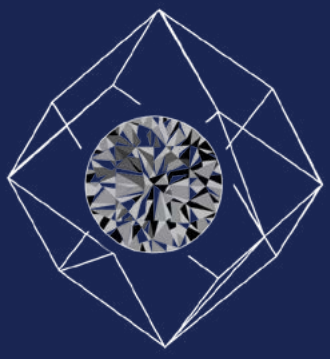


state
diamond
trader
REPUBLIC OF SOUTH AFRICA

Annual Report
2025-26

STATE DIAMOND TRADER

ANNUAL REPORT 2025/2026

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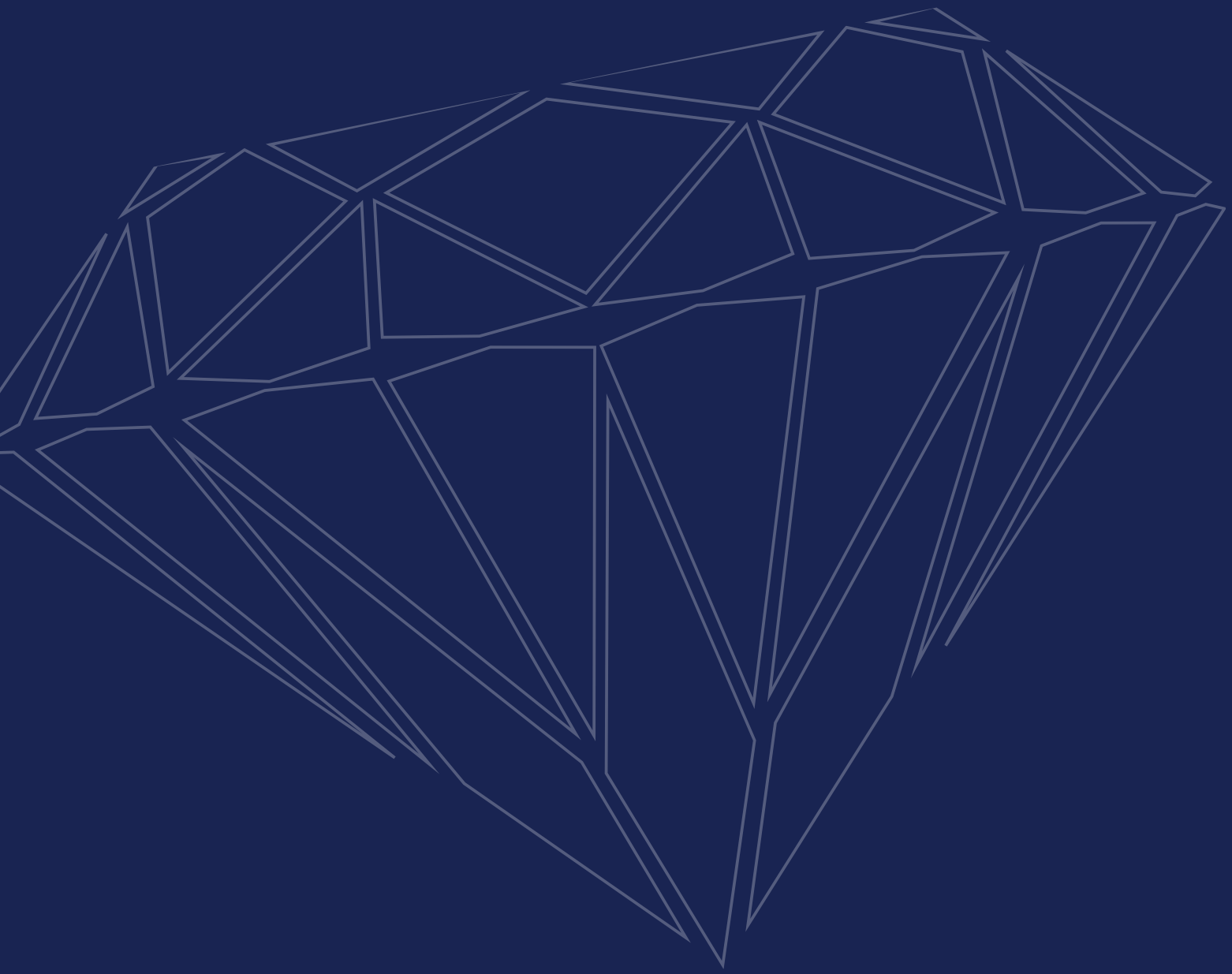


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General information

Entity information

Nature of the business	The State Diamond Trader is an organ of the Diamonds Act (Act No. 56 of 1986) as amended. Its main business is to promote equitable access to, and local beneficiation of, the Republic's diamonds.
Business address	OR Tambo International Airport Special Economic Zone (ORTIA SEZ PRECINCT 1), 38 Bonaero Drive, ACSA Precinct, Bonaero Park, 1619
Telephone	011 334 2691
Email	infosdt@statediamondtrader.gov.za
Website	www.statediamondtrader.gov.za
X	@SDT_RSA
Facebook	State Diamond Trader
Instagram	state-diamond-trader
LinkedIn	State Diamond Trader
YouTube	statediamondtrader
Shareholder	Government of the Republic of South Africa, Represented by the Minister of Mineral and Petroleum Resources
External Auditor	Auditor-General of South Africa

Acronyms and abbreviations

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

MINISTER'S NOTE TO PARLIAMENT



Mr. S.G. Mantashe (MP)
Minister of Mineral and Petroleum Resources
August 2026

Minister of Mineral and Petroleum Resources, Honourable Speaker of Parliament

Annual Report of the State Diamond Trader for the year ended 31 March 2026

"I have the honour in terms of Section 65(1)(a) of the PFMA, Act No. 1 of 1999 (as amended), to present the Annual Report of the State Diamond Trader for the year ended 31 March 2026."



OVERVIEW
REPORTS

CHAIRPERSON'S FOREWORD





Mr Abbey Chikane
Former Chairperson of the Board

Ms Danile Nyakale
Current Chairperson of the Board

The diamond industry remained under pressure during the 2025/26 financial year. The continued decline in production from major and smaller producers affected the quantity and quality of rough diamonds available to the entity.

This, in turn, impacted the State Diamond Trader's ability to purchase suitable rough diamonds and to supply its clients in line with planned targets. Clients also remained cautious in their purchasing decisions due to weak market demand and uncertainty in the polished diamond market.

Nevertheless, I am pleased to report that the State Diamond Trader continued to implement measures to strengthen its resilience and support its clients. The entity continued to focus on access-to-market initiatives, client support, enterprise development, and industry research. These initiatives remain important in ensuring that Historically Disadvantaged South Africans are supported to participate meaningfully in the diamond beneficiation industry.

During the year, the Board and management advanced the strategy to diversify sources of rough diamond supply beyond South Africa. This included continued work on sourcing suitable rough diamonds from other African diamond-producing jurisdictions, with progress on the Okavango Diamond Company in Botswana. This is an important intervention to address supply constraints, strengthen the entity's revenue base and ensure that clients have access to suitable goods for beneficiation.

The entity also continued to build on the momentum created by the inaugural South African Diamond Show. The Board supported the positioning of the show as a platform to promote natural diamonds, showcase South African beneficiators and strengthen collaboration across the diamond value chain. The entity's participation in international market access initiatives also remained an important part of its broader strategy to improve visibility for South African polished diamonds and jewellery.

Operationally, the State Diamond Trader continued to exercise prudent cost management in a constrained trading environment. The Board also considered financial sustainability measures, including the borrowing plan and related funding requirements, to support the entity's ability to purchase rough diamonds and meet its obligations.

Governance and risk management remained a key focus of the Board during the year. The Board considered and strengthened several governance instruments, including the Board Charter, committee terms of reference, risk management policy, fraud prevention policy, ICT governance framework, supply chain management policy and delegation of authority matters. These interventions were aimed at improving oversight, accountability, internal controls and organisational sustainability.

The Board also continued to support management in reviewing the entity's organisational structure and internal capacity. This work is important to ensure that the State Diamond Trader has the appropriate skills, systems and institutional arrangements to deliver on its mandate in a changing and difficult operating environment.

Looking ahead, the State Diamond Trader is entering a period that requires continued strategic recalibration, stronger stakeholder collaboration and disciplined implementation. The Board will continue to support management in pursuing sustainable trading models, alternative supply arrangements, market access opportunities, research and development, and improved support to local beneficiators. These priorities are essential to strengthening South Africa's diamond beneficiation industry and ensuring that the entity remains relevant and sustainable.

I would like to express my sincere appreciation to the Minister of Mineral and Petroleum Resources, Mr Gwede Mantashe, for his continued support and leadership. I also extend my gratitude to my fellow Board members and Committee Chairs for their diligence and commitment, and to the Chief Executive Officer and staff of the State Diamond Trader for their resilience, professionalism and dedication during another challenging year.

In conclusion, I remain confident that the State Diamond Trader has the capacity to adapt, reposition itself and continue making a meaningful contribution to the South African diamond industry.

Mr Abbey Chikane
Former Chairperson of the Board

Ms Danile Nyakale
Current Board Chairperson

August 2026

NOTE: Mr Abbey Chikane served as Chairperson of the Board during the financial year ended 31 March 2026. He resigned from the Board after year-end and prepared this Foreword jointly with the current Chairperson of the Board, Ms Danile Nyakale. The Foreword is therefore included to reflect the Board's oversight and key matters during the 2025/26 financial year.

CHIEF EXECUTIVE OFFICER'S OVERVIEW



Ms Nosiphiwo Mzamo
Chief Executive Officer

The 2025/2026 financial year was characterised by sustained volatility and structural shifts within the global diamond industry. Weak consumer demand, declining rough diamond prices, elevated inventory levels across the value chain, geopolitical disruptions, and the growing market share of lab-grown diamonds continued to place significant pressure on the natural diamond sector.

These market conditions adversely affected global trading activity and constrained the operating environment of the State Diamond Trader (SDT).

Despite these challenges, the State Diamond Trader remained resilient, agile, and focused on delivering on its developmental mandate. The entity continued to prioritise equitable access to rough diamonds, transformation, and sustainable industry participation, while implementing prudent operational measures to protect financial sustainability and long-term growth.

Operational and financial environment

During the 2025/2026 financial year, the State Diamond Trader recorded rough diamond purchases amounting to R311.5 million and generated sales revenue of R324.2 million. Although performance remained below budget due to subdued market conditions and pricing pressures, the entity maintained positive trading margins and demonstrated disciplined operational management in a highly constrained environment.

Despite not meeting the financial targets due to the diamond industry downturn, during the 2025/26 financial year, the entity had 19 (nineteen) strategic targets planned, and 16 (sixteen) targets were achieved, resulting in a positive 89% achievement, a notable improvement in comparison to the 69% achieved in the previous financial year.

Sales to HDSA were R80.6 million in 2025/2026, compared with R57.3 million in the previous financial year and carats/volume sold also increased from 8,345.14 carats purchased by HDSA clients in 2024/2025 to 20,077.40 carats.

The year under review reflected a market increasingly driven by selective demand, with clients displaying heightened price sensitivity and cautious purchasing behaviour. Persistent pricing disparities between producer expectations and prevailing market realities continued to limit commercially viable trading opportunities and placed pressure on procurement volumes and gross margins.

Notwithstanding these constraints, the entity made notable progress toward transformation objectives. Sales to Historically Disadvantaged South Africans (HDSA) clients improved significantly, accounting for 24.9% of total sales by value and 19.7% by volume, reflecting stronger participation compared to the previous financial year. This demonstrates SDT's continued commitment to promoting inclusive participation within the diamond industry.

In response to the evolving market landscape, management intensified efforts to diversify supply sources and strengthen operational resilience. A key strategic milestone during the year was the successful procurement of rough diamonds through the Okavango Diamond Company (ODC) pilot initiative in Botswana, positioning SDT as an emerging regional player within the African diamond market. Engagements with additional African producer countries, including Angola, are also underway to support future supply sustainability and reduce reliance on declining domestic production.

The entity further maintained a disciplined risk management approach through selective procurement, strengthened pricing negotiations, agile inventory management, and the continued implementation of pre-finance sales mechanisms. These interventions enabled the State Diamond Trader to conclude the financial year with zero closing inventory, thereby minimising exposure to market volatility and preserving operational stability.

As the industry continues to undergo structural transformation, the State Diamond Trader remains committed to positioning itself as a resilient, developmental, and globally relevant trader of choice within the natural diamond value chain. The entity will continue to pursue strategic partnerships, supply diversification, enhanced stakeholder engagement, and market-led innovation to strengthen beneficiation, transformation, and long-term sustainability in the South African diamond industry.

Facilitation of access to market

The entity continued to advance market access opportunities for local beneficiators during the 2025/26 financial year through participation in key local and international platforms. The State Diamond Trader facilitated beneficiators' participation in the 2025 Hong Kong Jewellery and Gem Show, providing South African polished diamonds with exposure to global buyers and international markets. The year also marked a significant milestone as the entity celebrated a decade

CHIEF EXECUTIVE OFFICER'S OVERVIEW CONTINUED

of participation at the Hong Kong Jewellery and Gem Show, highlighting 10 years of strengthening international partnerships and promoting South African beneficiation and the South African diamond brand on a global stage.

In addition, the entity supported SMMEs at the Investing in African Mining Indaba 2026, creating opportunities to showcase and market locally produced jewellery products to international stakeholders. These initiatives strengthened the visibility of South African beneficiators and reinforced the entity's commitment to beneficiation, transformation, and the growth of the local diamond industry.

Financial position

The 2025/2026 financial year continued to present significant challenges for the global diamond industry, with subdued demand, ongoing pricing pressures, and constrained market activity adversely impacting trading performance. Despite these difficult conditions, the entity closed the financial year with cash reserves of R87 million as at 31 March 2026 and remains financially sustainable as a going concern. Management remains focused on strengthening operational resilience, safeguarding financial stability, and positioning the organisation for improved performance as market conditions gradually recover.

Human resources

As at 31 March 2026, the State Diamond Trader maintained a Board-approved organisational structure of 28 positions, with a vacancy rate of 7% (2 positions were vacant). During the year under review, the entity successfully absorbed 3 Rough Diamond Valuator Trainees and 1 Finance Administration Intern into the organisation, reinforcing its commitment to skills development and transformation within the diamond industry. Executive Management remained stable throughout the financial year.

The entity continued to prioritise employee performance, retention, and capacity building by implementing its Remuneration and Performance Management frameworks. Investment in training and development remained a strategic focus, particularly in leadership development, bursaries, and specialised technical training to strengthen organisational capability and support long-term sustainability.

Board and governance

The Board of the State Diamond Trader, appointed in 2024, continued to provide strategic leadership, governance oversight, and guidance to the entity during the 2025/2026 financial year. The Board remained committed to ensuring sound corporate governance and supporting the entity in executing its mandate within a challenging operating environment.

2025/26 Audit

During the year under review the entity achieved an unqualified audit opinion with no material findings. These external audit results have been consistent for the past 3 (three) consecutive financial years, which demonstrates the entity's commitment to good governance and compliance with legislation. The entity will ensure that the recommendations from the external audit report are implemented to improve and maintain the status quo.

Conclusion

I would like to thank the Honourable Minister S.G Mantashe and the Department of Mineral and Petroleum Resources for entrusting me with the leadership of this entity. My sincere gratitude to the Board members for their guidance and diligent oversight. To the Management and all staff members of State Diamond Trader, thank you for your continued support and commitment to the entity. I look forward to a transformative and successful year ahead.



Ms Nosiphiwo Mzamo
Chief Executive Officer
August 2026

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

The Annual Report for the financial year ended 31 March 2026 presents all information and amounts that are consistent with the audited Annual Financial Statements, as verified by Tholisiwe Chartered Accountants appointed by the Auditor -General of South Africa (AGSA).

In our assessment, the Annual Report provides a fair and accurate representation of the entity's operations, performance, human resources, and financial affairs for the year ended 31 March 2026.



Ms Nosiphiwo Mzamo
Chief Executive Officer



Ms Danile Nyakale
Chairperson



ABOUT US AND *MANDATE*

STRATEGIC OVERVIEW

WHO WE ARE

The State Diamond Trader (SDT) is a state-owned entity established in 2007 under Section 14 of the Diamonds Act (No. 56 of 1986) **to operate in the diamond industry and to support and facilitate growth in local diamond beneficiation**. The SDT is categorised as a Schedule 3B entity under the Public Finance Management Act (PFMA) (No. 1 of 1999).

LEGISLATIVE MANDATE

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

VISION

Trusted diamond trader for beneficiation.

MISSION

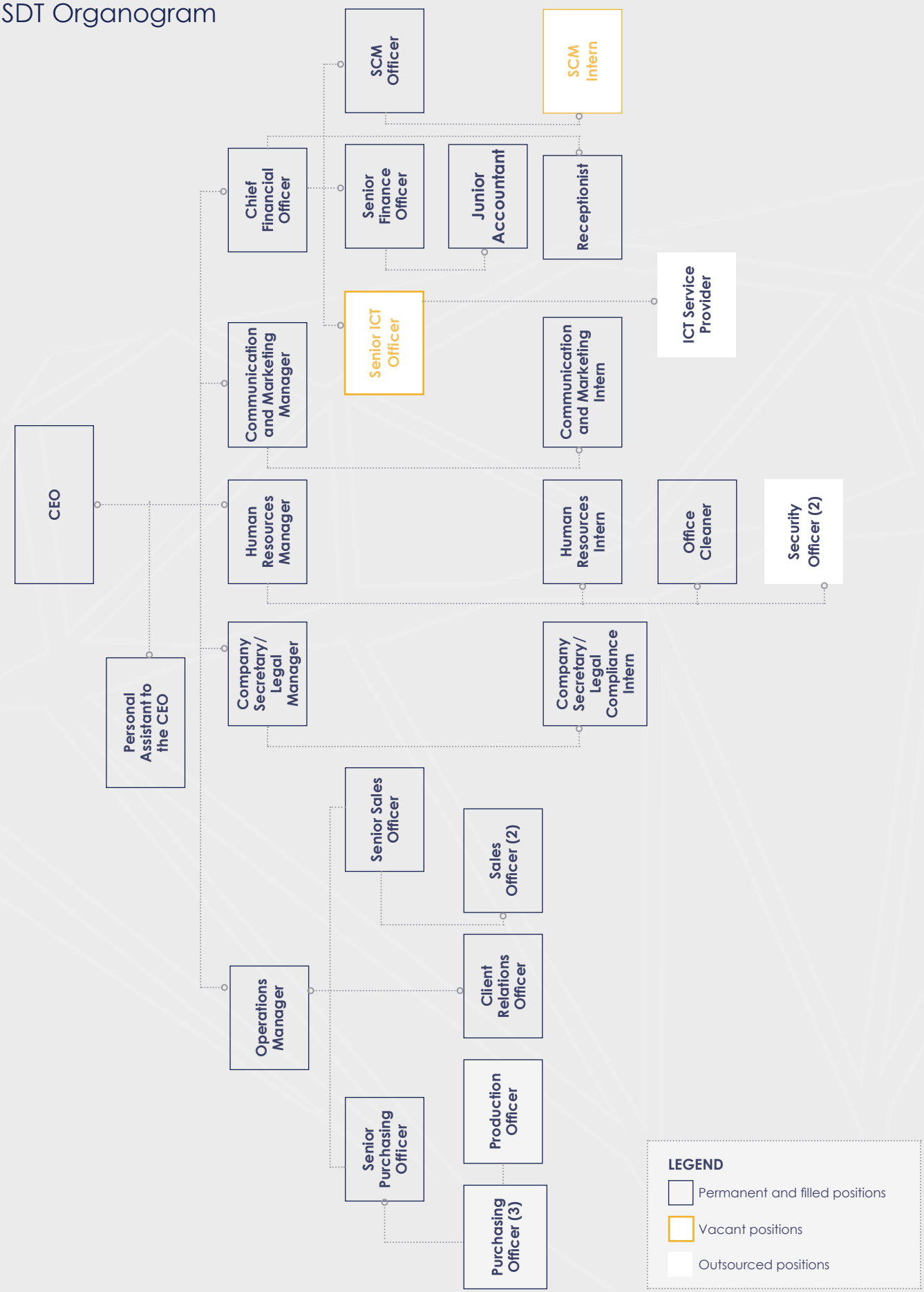
To promote equitable access to rough diamonds in support of local beneficiation for inclusive economic growth.

VALUES

- **Integrity**
- **Service Excellence**
- **Transformation**
- **Agility**
- **Collaboration**

ORGANISATIONAL STRUCTURE

SDT Organogram





PERFORMANCE *INFORMATION*

OPERATIONS OVERVIEW

Our Operations

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

Purchasing

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

- Diamond producers extend an offer for the State Diamond Trader to inspect production mined in that cycle by Section 59B of the Diamonds Act 56 of 1986, as amended and inviting the Government Diamond Valuator to attend all its inspections.
- The State Diamond Trader is presented with all unpolished diamonds at the end of every production cycle by a producer, together with a reserve price. The State Diamond can select up to 10% representative sample of all unpolished diamonds presented. Once completed, the Government Diamond Valuator verifies the price set by the producer.
- The State Diamond Trader either accepts the reserve price and makes a purchase or negotiates further with the producer or declines the purchase.

Production (Sorting And Valuation)

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

Client relations

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

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

Sales

Sales work closely with client relations to understand clients' needs, especially their compliance status. The sales process is a function of the 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 direct sales to its customers.

Sales will allocate diamonds to customers in line with its sales strategy, which addresses transformation issues 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, financial risk management, and supply chain 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, litigation, Risk Management and Corporate Planning.

PERFORMANCE AGAINST STRATEGIC OBJECTIVES (Unaudited)

To ensure sustainability and impact on diamond beneficiation, the entity adopted 2 (two) strategic outcome goals aimed at transforming the diamond beneficiation industry whilst ensuring that it remained sustainable as a non-funded entity.

During the 2025/26 financial year, the entity had 19 (nineteen) strategic targets planned, and 16 (sixteen) targets were achieved, resulting in a positive 84% achievement, a notable improvement in comparison to the 69% achieved in the previous financial year.

STRATEGIC OUTPUT 1: Economically feasible, transformed beneficiation of diamonds

ACHIEVEMENT					NON-ACHIEVEMENT	
No	**Strategic outcome**	**Outcome indicator**	**Annual target planned**	**Actual achievement**	**Deviation from planned target**	**Comments**
1.1	**Rough diamonds traded, suitable for local beneficiation**	Percentage of purchased rough diamonds inspected	6%	**Not Achieved:** 2.61% of the inspected rough diamonds were purchased.	There is a 3.39% variance due to continued market decline, driven by demand and pricing pressures.	The entity will continue its engagements with producers in respect of price variations in relation to producer prices versus market conditions, and conduct further effective engagements with clients as the preferred carats are +2 grainers and upwards, with little to no demand for smaller sizes of rough diamonds. The target will be improved by 31 March 2027.
1.2		Number of producers bought from	20	**Achieved:** The entity bought rough diamonds from 21 producers.	There is a variance of 1 additional producer bought from.	This is due to effective engagements the entity held with diamond producers.
1.3		Percentage growth in volume sold to HDSA.	8%	**Achieved:** Sales to HDSA grew by 141% compared to the prior year and account for 20% of total sales, indicating a growing reliance on HDSA as a significant customer.	There is a variance of 133% of growth in volume sold to HDSA.	The over achievement is due to the entity's strategy aimed at empowering HDSA clients.
1.4	**Diamond beneficiation promoted**	Number of industry research reports provided	2	**Achieved:** 4 (four) research reports provided.	There is a variance of 2 additional reports provided.	This is due to 2 (two) additional research reports conducted on the state of the diamond beneficiation industry as part of a strategy to navigate the challenges faced by the diamond industry during the 2025/26 financial year.

PERFORMANCE AGAINST STRATEGIC OBJECTIVES (Unaudited) CONTINUED

STRATEGIC OUTPUT 1: Economically feasible, transformed beneficiation of diamonds

ACHIEVEMENT					NON-ACHIEVEMENT	
No	Strategic outcome	Outcome indicator	Annual target planned	Actual achievement	Deviation from planned target	Comments
1.5	Diamond beneficiation promoted	Percentage access to market initiatives implemented versus planned	80%	Achieved: 100% implementation of the planned access to market initiatives.	There is a variance in 20% implementation of the planned access to market initiatives.	This is due to the efficient implementation of the planned initiatives, which were aligned with the 2025/26 budget.
1.6		Percentage performance on the EDP annual plan	80%	Achieved: 100% implementation of the EDP annual plan.	There is a 20% variance.	This is due to the efficient implementation of all planned activities in the EDP plan which were aligned to the 2025/26 budget.

STRATEGIC OUTPUT 2: Organisational sustainability

ACHIEVEMENT					NON-ACHIEVEMENT	
No	Strategic outcome	Outcome indicator	Annual target planned	Actual achievement	Deviation from planned target	Comments
2.1	Business management/ leadership excellence achieved	Audit opinion	Unqualified	Pending		
2.2		Percentage of the implementation of the combined audit action plan	80%	Achieved: 86% of the combined audit action plan was implemented.	There is a 6% variance.	This is due to the efficient implementation of the combined audit action plan.
2.3		Percentage of the Corporate Communication Plan implemented versus planned	80%	Achieved: 100% of the Corporate Communication Plan was implemented.	There is a 20% variance.	This is due to the efficient implementation of non-financial activities in the Corporate Communication Plan.
2.4		Percentage of organisation culture/staff satisfaction improvement initiatives implemented versus planned	80%	Achieved: 83% of the planned initiatives from the culture improvement survey were implemented.	There is a 3% variance.	This is due to the efficient implementation of non-financial initiatives in the plan.
2.5		Number of stakeholder satisfaction surveys conducted	1	Achieved: 1 stakeholder satisfaction survey was conducted.	N/A	N/A

STRATEGIC OUTPUT 2: Organisational sustainability

ACHIEVEMENT					NON-ACHIEVEMENT	
No	**Strategic outcome**	**Outcome indicator**	**Annual target planned**	**Actual achievement**	**Deviation from planned target**	**Comments**
2.6	**Corporate governance excellence achieved**	Number of Reports on the Risk maturity rating on 5-point scale	1	**Achieved:** 1 (one)Risk maturity report produced.	N/A	N/A
2.7		Number of Board evaluations conducted	1	**Achieved:** 1 (one) Board evaluation conducted.	N/A	N/A
2.8	**Human Capital management excellence achieved**	Percentage of approved positions filled	90%	**Achieved:** 93% of approved positions filled.	There is a 3% variance.	This is due to new approved positions that were filled.
2.9		Percentage of WSP implemented	80%	**Achieved:** 114% implementation of the WSP.	There is a 34% variance.	This is due to additional critical training on Business Administration that was implemented to improve the entity's business efficiencies.
2.10	**Financial management excellence achieved**	Ratio of working capital	>2:1	**Achieved:** The working capital ratio was >21:1	There is a variance of 19.	This is due to higher current assets and lower current liabilities during the reporting period, mainly driven by strong cash balances, and controlled short-term obligations.
2.11		Percentage spent on operational budget allowed	<5%	**Achieved:** <1.46 under-expenditure incurred.	There is a variance of <3.54%.	This is due to the cost containment measures implemented.
2.12	**Technology management excellence**	Percentage of digital transformation plan implemented	60%	**Achieved:** 0% of the digital implementation plan was implemented.	Due to 100% deviation from the planned target and current budget constraints, the digital transformation initiatives have been deferred to the next financial year.	The SDT has transitioned to a hybrid ICT model, bringing select ICT services in-house, whereas previously all ICT services were fully outsourced. The digital transformation plan is now targeted for implementation in FY2026/27 before 30 March 2027.
2.13	**Information knowledge management implemented**	Percentage of knowledge management improvements initiatives achieved versus planned	75%	**Achieved:** 100% of the knowledge management plan improvements Initiatives were implemented.	There is a 25% variance.	This is due to the implementation of the knowledge management plan improvements initiatives, which did not have financial implications.

TRADING REPORT

Market Dynamics

The global diamond market is undergoing a structural readjustment, marked by significant price corrections and sustained multi-year lows that have weighed on the entire value chain over the past three years. Natural diamond production has declined immensely, while lab-grown alternatives continue to capture increasing market share. In the South African context, production volumes remain under pressure, with some operations at risk of closure, further constraining domestic supply. The current market disruption requires a measured rebalancing to restore competitiveness and enable the State Diamond Trader (SDT) to execute its mandate effectively. In response, the State Diamond Trader's operational strategy is anchored on the following four strategic themes:

- **Diversification:** We are expanding our international sourcing efforts to augment the dwindling domestic supply and mitigate risks. In this regard, significant progress has been achieved: the SDT was formally accepted as a client of the Okavango Diamond Company and has successfully completed its first two purchases in this financial year. Engagement with Angola has also taken place in this financial year with the intention of acquiring rough diamonds.
- **Resilience:** Continued enhancement of our risk management framework and adoption of agile procurement processes to maintain operational stability amid market fluctuations. State Diamond Trader has implemented its strategy to acquire rough diamonds from foreign jurisdictions. All local acquisitions made were sold profitably for the financial year.
- **Stakeholder Engagement:** Strengthening and expanding relationships with our key clients and producers. Engagement with key clients to stimulate sales, and with producers to negotiate better prices and develop collaborative strategies to counter the prolonged weakening of the market. State Diamond Trader is also expanding its engagement with entities in producing countries to advance its strategy of foreign acquisition.

Market overview and insights

This section provides an overview of the market during the financial year and an analysis of the current diamond market landscape, both globally and domestically. A comprehensive understanding of the external environment continues to inform the State Diamond Trader's strategic positioning, sourcing decisions, and operational approach in a rapidly evolving industry environment.

Shifting consumer preferences

The global diamond market during the FY2025/2026 continued to experience a significant shift in consumer behaviour, particularly within key traditional consuming markets such as the United States, China, and India. Consumers increasingly prioritised affordability and value-conscious purchasing. Despite these challenges, demand for high-quality, rare, and larger natural diamonds remained relatively resilient, supported by high-net-worth consumers seeking long-term value preservation amid economic uncertainty. The market continued to evolve into a two-tier structure, with natural diamonds dominating the premium luxury segment while synthetics increasingly capture volume-driven demand in lower-priced categories.

Geopolitical Tensions:

The diamond sector remained heavily exposed to geopolitical tensions during the financial year, amid increased conflicts. Rough diamond flows were increasingly redirected through alternative trading hubs, contributing to a more fragmented trading environment. These increased conflicts also had a negative economic impact and amplified the instability within the diamond industry. In addition, the outbreak of conflict involving Iran materially disrupted global logistics and trading activity, particularly through the United Arab Emirates. Airspace closures and flight suspensions significantly impacted the movement of rough diamonds between producing countries and manufacturing centres. Global economic conditions remained challenging throughout the financial year, characterised by inflationary pressures, slowing economic growth, and persistent uncertainty across major economies. These conditions negatively impacted consumer confidence and discretionary luxury spending, particularly in the United States and China, resulting in subdued diamond jewellery demand and cautious inventory management by retailers.

High inventory levels

The diamond industry continued to experience elevated inventory levels across both rough and polished diamonds, particularly within key producing and manufacturing centres. Weak downstream demand and slower retail turnover resulted in reduced appetite for rough diamond purchases, forcing manufacturers and retailers to prioritise inventory optimisation over aggressive restocking. As a result, producers continued to implement disciplined supply management strategies aimed at stabilising pricing and avoiding further inventory accumulation. Major mining companies reduced production and carefully managed sales cycles to rebalance supply-and-demand fundamentals in the market. Healthy inventory management remains critical to restoring stability across the global diamond pipeline.

Lab-grown diamonds

Lab-grown continued to gain market share during the financial year, particularly within lower- and mid-range jewellery segments. Supported by aggressive marketing strategies and lower price points, lab-grown diamonds became increasingly popular among younger and value-conscious consumers, particularly in major markets such as the United States, China, and India.

Lacklustre demand for rough diamonds

Demand for rough diamonds remained subdued throughout the financial year as midstream manufacturers faced liquidity constraints, weak polished demand, and elevated inventories. Manufacturing centres such as India saw lower factory utilisation, cautious purchasing, and

greater price sensitivity across most rough categories. In response to softer demand, major producers-maintained production discipline and tighter inventory management, which weighed on their cash flows. Lower-value goods, especially smaller-sized diamonds, continued to come under pressure due to stronger competition from lab-grown diamonds and weaker mass-market jewellery demand. The lacklustre market and decline in rough diamond prices are forcing some small to medium producers to either enter Liquidation, care and maintenance or shift focus to farming instead of mining.

Forecast

The outlook for the diamond industry in 2026/2027 remains cautiously uncertain, with any recovery expected to be gradual rather than immediate. The industry continues to operate in a prolonged adjustment period marked by controlled supply, cautious consumer spending, and structural shifts in global demand. Industry analysts suggest that the market may be approaching stabilisation following significant price corrections experienced over the past two years. However, recovery remains highly dependent on improved consumer confidence, increased demand and reduced inventory levels across the pipeline and, most importantly, global stability.

The market is expected to increasingly favour larger, high-quality natural diamonds, while lower-value categories may remain under pressure due to competition from lab-grown diamonds and elevated inventory levels. As a result, the industry is likely to become more value-driven than volume-driven, with greater emphasis on quality, traceability, branding, and differentiated sourcing strategies.

The following are key strategic factors to consider for 2026:

Global Rough Diamond Supply

Global rough diamond production has declined amid weak market demand. However, some major producers have increased output to offset lower prices. Locally, current market conditions continue to reduce production, particularly among two of the country's major producers. Attention is also focused on the potential sale of De Beers, liquidation concerns at Ekapa, and several medium-sized producers placing operations under care and maintenance. Among small-scale miners, rising input costs are driving a shift away from mining toward farming.

Strategic Intent: The State Diamond Trader will continue pursuing a disciplined procurement strategy focused on value preservation, beneficiation-aligned goods, and diversification of supply sources. International sourcing initiatives, particularly through Botswana and other producing countries, remain critical in mitigating risks associated with declining domestic production. The entity will embark on an effective engagement strategy with local producers, producer organisations and regulatory entities to monitor developments.

Price disparity

The financial year continued to reflect a disconnect between rough and polished diamond pricing, with weak polished demand and excess inventories placing downward pressure on rough diamond prices across several categories. Manufacturers remained highly selective in their purchasing behaviour, focusing primarily on goods aligned to immediate retail demand. While certain larger, higher-quality stones demonstrated relative price resilience, smaller, lower-value goods remained under sustained pressure.

Strategic Intent: Producer pricing will continue to be assessed against prevailing market conditions to ensure alignment with fair-market-value principles. The entity will continue leveraging existing regulatory mechanisms and market intelligence to support responsible purchasing decisions and mitigate exposure.

Rough diamond demand from clients:

Client demand during the financial year remained cautious and highly selective, reflecting ongoing uncertainty within the global diamond pipeline. Demand was primarily concentrated on larger sizes and high-value goods, while lower-value categories experienced weaker demand.

Strategic Intent: The State Diamond Trader will continue advancing international procurement initiatives while maintaining a risk-averse trading strategy focused on sustainable profitability and supply diversification.

Investments in Marketing:

The continued rise of synthetics reinforced the need for stronger, more aggressive collective marketing initiatives supporting natural diamonds. Industry stakeholders are increasingly focused on promoting the rarity, authenticity, ethical sourcing, and socio-economic contribution of natural diamonds to producing countries and communities.

Strategic Intent: The State Diamond Trader will continue supporting initiatives aimed at strengthening market visibility and access for South African diamonds and beneficiation activities through collaboration with local and international industry stakeholders, exhibitions, and trade platforms.

TRADING REPORT CONTINUED

Inventory Management:

Inventory discipline remained a key focus area across the global diamond value chain during the financial year. Producers, manufacturers, and retailers adopted increasingly conservative inventory strategies in response to weak demand, slower turnover, and ongoing price volatility.

Strategic Intent: The State Diamond Trader maintained its risk-averse inventory strategy during the financial year by minimising stock holding periods and prioritising rapid stock turnover. This approach continues to mitigate exposure to market volatility and potential price deterioration in an uncertain trading environment. The entity closed the financial year with zero inventory.

Traceability of Natural Diamonds:

Through participation in the Kimberley Process Certification Scheme, the African Diamond Producing Association and regional industry bodies, the State Diamond Trader (SDT) continues advocating for transparent, ethical trading practices while supporting industry-wide traceability initiatives that strengthen consumer confidence in natural diamonds.

Strategic Intent: Through participation in the Kimberley Process Certification Scheme and regional industry bodies, the State Diamond Trader will continue advocating for transparent, inclusive, and non-discriminatory diamond trading practices while supporting industry-wide traceability initiatives that strengthen consumer confidence in natural diamonds.

State Diamond Trader trading performance

Table 1: Indicates the last five-year comparison of inspections, purchases, and sales

	2021/2022	2022/2023	2023/2024	2024/25	2025/26
State Diamond Trader inspections US$* (US$million)	1,299	1,320	836	633	**637**
Carats inspected	9 374 383	9 013 034	6 416 370.08	5 582 854.64	5 751 934.12
US$ per carat	139	146	133	140	111
No. of producers	13	13	35	44	32
No. of Inspections conducted	170	167	133	227	219
State Diamond Trader purchases ZAR (R million)	1 352	1 269	606	322	**311**
% purchased**	7%	6%	4%	3%	3%
Carats purchased	600 179	492 118	248 550	125 783	101 841
No. of purchases	117	86	82	110	124
State Diamond Trader Sales ZAR (R million)	1 430	1 316	631	334	**324**
COGS	1 358	1 254	621	322	311
GM	72	62	10	12	12
GM%	5%	5%	2%	4%	4%
Carats	600 670	488 718	251 604	126 128	101 841
No. of clients sold to	39	43	25	20	22
State Diamond Trader stock ZAR (as of 31/03)	–	–	–	–	**–**
Average of stock (days)	–	–	–	–	–

NB: The values exclude shipping costs

Trading Summary and Annual Comparison

- The volume and value of the rough diamonds inspected slightly increased, and notably, the US dollar per carat decreased when compared to the previous financial year. This is as a result of the makeup of rough diamonds produced and continued price pressures.
- A total of 32 local producers presented rough diamonds to the State Diamond Trader for inspection. During the financial year, the entity lost 16 producers and gained 4 new producers, resulting in a net decrease of 12 producers compared to the 44 producers inspected in 2024/2025. This decline highlights the ongoing challenges within the diamond market and the continued uncertainty faced by producers.
- The value of purchases concluded amounted to R311 million for 2025/2026, slightly down by 3%, from the R322 million purchased during the 2024/2025 financial year.
- The volume purchased amounted to 101,841 carats in 2025/2026, 19% down from the 125,783 carats in the 2024/2025 financial year.
- State Diamond Trader also made its first purchases from Botswana through its Africa-buying strategy.
- The decrease in value and volume is attributed to selected demand and price pressures.
- The number of purchases made from local productions was 122, which is a 22% increase from the 100 purchases made from local producers in 2024/2025. Internationally, the SDT concluded two (2) purchases. It should be noted that although the number of productions purchased increased, the carat volume purchased decreased.
- Sales value for 2025/2026 amounted to R324 million, 3% down from the R334 million purchased in the previous financial year because of selective demand.
- Gross margin percentage achieved was 4% in 2025/2026 (R12million), which is the 4% gross margin percentage achieved in 2024/2025 (R12million). The gross margin increased by R1million.

State Diamond Trader inspections 2025/2026

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

Figure 1: State Diamond trader 5 years inspections (2021-2026)

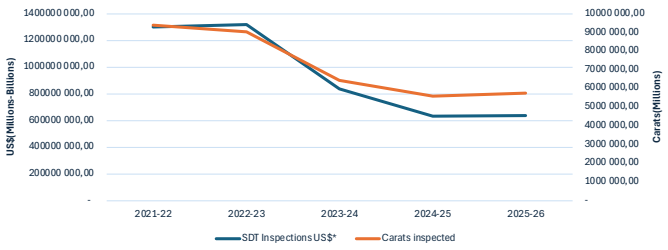


Figure 1 indicates the five-year comparison of rough diamond production inspected.

Figure 1. The above indicates a 3% increase in carats (volume) and a 1% increase in the value inspected. The average dollar price per carat also decreased by 21% to US$111 per carat (US$140 per carat in 2024/2025). The decline in the average price is due to low-quality rough diamonds and smaller size ranges. Producers also reduced production levels due to the continued decline in the diamond market due to a select demand and continued price pressures. The reduced average price per carat also depicts the quality of goods and the categories of diamond sizes inspected in the 2025/26 financial year.

The implementation plan for non-compliant producers includes structured engagement through the tripartite forum comprising the SADPMR, the SDT and the South African Diamond Producers' Organisation (SADPO) to address producer concerns. A joint task team between the State Diamond Trader and the South African Diamond and Precious Metals Regulator has been established and continues to verify the compliance status of identified non-compliant producers. Producer participation declined from 44 in 2024/2025 to 32 in the current financial year due to sustained price pressures, with some producers placing operations under care and maintenance, entering liquidation, or halting production because of financial constraints.

TRADING REPORT CONTINUED

The following is a list of those producers that are compliant with legislation:

1. Alexkor SOC Pty Ltd
2. Belton Park Trading 159 (Pty) Ltd
3. Blue Diamond Mine
4. De Beers Consolidated Mines
5. EKapa Resources (PTY) Ltd
6. Full Swing Trading 516 CC
7. Gateway Plans (Pty) Ltd
8. Kareelaagte Diamante (Pty) Ltd
9. Kimswa Mining (PTY)Ltd
10. Kleinzee Holdings (Pty)Ltd
11. Lower Orange Diamond River
12. Morgeson Mining (Pty) Ltd
13. Namakwa Diamonds Limited
14. Naswa Mining (PTY) Ltd
15. Northern Spark Trading 428 (EDMS) BPK
16. Zandfontein Delwery (Pty) Ltd
17. Panache- CA V isser Delwery
18. Panache DM-Ettienne Smith
19. Panache DM-Frederick Johannes DeBeer
20. Panache DM-Ingwe Plant Hire (Pty) Ltd
21. Panache DM-Kennith Leon Boraine
22. Panache DM-Mulder Mining Investment (Pty) Ltd
23. Panache DM-Papavangelo Trading 26(Pty)Ltd
24. Panache DM-Roux Delwery
25. Petra Diamond Mine-Cullinan
26. Petra Diamond Mine-Finsch
27. Pioneer Minerals (Pty) Ltd
28. Rooipoort Developments
29. Squirewood Invesments 65
30. Trans Hex Marine (Pty) Ltd
31. Trans Hex Operations (Pty) Ltd
32. Vachan Diamonds (Pty) Ltd

Actual performance and budget comparison 2025/2026

SDT Budget v Actuals 2025/2026

Table 2: Indicates the trading performance against the budget 2025/2026

		ZAR
		YTD Totals
Purchases	Budget	**459 500 607**
	Actual	311 542 966
	Diff	(147 957 641)
	Diff %	(32.20%)
Sales	Budget	**481 152 468**
	Actual	324 247 060
	Diff	(156 905 408)
	Diff %	(32.61%)
Gross Margin	Budget	**21 651 861**
	Actual	12 704 094
	Diff	(8 947 767)
	Diff %	(41.33%)

The State Diamond Trader underperformed its purchase target by R148 million, purchasing rough diamonds valued at R311 million (Table 2). The company underperformed its sales target by R157 million, achieving a sales value of R324 million and realising a gross margin of only R13 million, falling short of its gross margin target by R9 million. The performance is directly linked to the drastic decrease in production levels and the continued challenged market.

- It should be noted that the Purchasing figures relate only to all purchases made during the 2025/2026 financial year.
- The Sales figures relate to all purchases made during the 2025/2026 financial year. It should be noted that no stock was carried over from the 2024/25 financial year.
- The Gross margin considers the profit/or loss made from all trading activities during the 2025/2026 financial year.
- It should be noted that during this financial year, the entity purchased goods internationally for the first time. The entity purchased goods from Okavango Diamond Company, Botswana. The purchase and sales figures for this financial year reflect these figures.

State Diamond Trader purchases

Table 3: Indicates the trading performance against the budget 2025/2026

TOTAL INSPECTED		TOTAL PURCHASED			% PURCHASED	
Carats	US$	Carats	US$	Ap	Carats	US$
5 751 934	637 355 729	101 385	16 573 816.80	163	1.76%	2.60%

Table 3 indicates the percentages, by both volume and value, of what State Diamond Trader purchased from what it inspected.

The State Diamond Trader (SDT) is permitted to purchase up to 10% of run-of-mine South African diamond production, by both carat and value, to support local beneficiation. The State Diamond Trader continued to utilise agreements in place with producers by selecting and purchasing goods that are in demand and that the entity deems are within the price range. The entity was able to purchase 2% by carat weight and 3% by value of the rough diamonds it inspected (Figures 2 and 3).

The SDT purchased rough diamonds from 21 of the 32 producers inspected in the financial year, compared to 21 producers purchased from in 2024/2025. The State Diamond Trader paid an average of US$163 per carat in 2025/2026, a 14% increase from US$140 per carat in 2024/2025. The increase is because of the selected goods purchased both locally and internationally.

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

- Macroeconomic factors impact the generally depressed market conditions.
- Selected demand for certain categories of rough diamonds
- The continued disparity between producer price and what the market is prepared to pay for.
- The State Diamond Trader's legislated position as a passive role player, "price-taker", in the inspection and purchasing of diamonds from those producers that are not open to negotiations.

State Diamond Trader sales

Figure 2: SDT Rough Diamond Sales to Clients

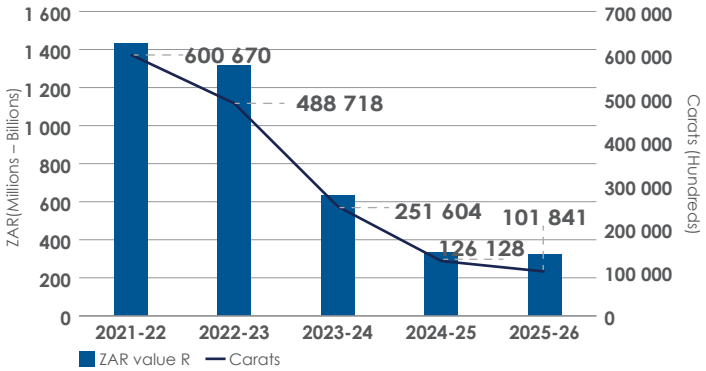


Figure 2 indicates that sales by value and by carats (volume) for 2025/2026 have decreased by 3% and 19%, respectively, compared with the previous financial year. Sales decreased by R10 million to the value of R324 million compared to the previous financial year's sales value of R334 million. The gross margin percentage achieved was 4%, with a value of R12 million (2024/2025: R12 million), and the carats sold decreased to 101,841.

The State Diamond Trader sold to 22 clients under the year in review; 9 of these clients were 100% Black-owned companies. This represents 20% of total sales in 2025/26.

The following should be noted:

- In the 2025/2026 financial year, **the top five clients accounted for 76% of total sales**, with one (1) 100% Black-owned client among them. In the 2024/2025 financial year, the top five clients contributed 68% of total sales, with no 100% Black-owned representation.
- In the 2025/2026 financial year, **the top ten (10) clients accounted for 94% of total sales**, with three of these clients being 100% Black owned. This mirrors the 2024/2025 financial year.
- In the 2025/2026 financial year, the top 15 clients accounted for 99% of total sales. Among these, six (6) were 100% Black owned. This reflects a notable increase in the number of Black-owned clients compared to the previous financial year.
- The diamond industry has faced numerous challenges and periods of decline in recent years, which are reflected in the decreasing participation of 100% Black-owned companies among top buyers. A key contributing factor to this trend is the limited access to critical resources such as finance, markets, and technology, which continues to hinder the growth and purchasing power of Black-owned businesses in the sector. There has been a noticeable decrease in participation by 100% Black-owned clients across all sections. Access to finance remains essential to increasing the number of Black-owned companies in the top tiers, ensuring effective transformation and inclusion.

TRADING REPORT CONTINUED

State Diamond Trader registered clients

The purpose of registering clients is to ensure compliance with the country's laws pertaining to holding a valid Diamond Beneficiation licence and a South African Revenue Service Tax Clearance Certificate. The 2025/2026 process saw the addition of eight (8) new clients registered with the entity, with seven (7) clients removed from the list of registered clients due to non-compliance, including expired Beneficiation Licences and non-compliance with tax clearance.

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

- **Growth and Transformation:** Black-owned companies are given preferential allocation to support business growth
- **Growth and Transformation incubation –** Black-owned companies given preferential allocation to support business growth and incubated for one year
- **Equitable Access Small:** Small HDSA-owned beneficiating companies that have yet to develop or are in the process of developing their business models that will lead to growth. Mostly sole owners
- **Equitable access Medium:** Medium HDSA-owned beneficiating companies that have consideration for Growth and Transformation and are developing their business models that will lead to growth. Have two to five permanent employees
- **Equitable Access Large:** Large HDSA-owned beneficiating companies with non-Black partners and global reach. Have two to ten permanent employees
- **Niche Small:** Small, non-HDSA-owned beneficiating companies that purchase small quantities and have no permanent employees. Have no potential for growth.
- **Niche Medium:** Medium, non-HDSA-owned beneficiating companies that can purchase small to medium productions. Have two to ten permanent employees, as well as an international and local reach for polished diamonds
- **Niche Large:** larger, non-HDSA-owned beneficiating companies that can purchase a large and wider range of quantities of rough diamonds. Have over ten permanent employees and some subsidiaries of international companies
- **Other:** not listed as a registered client sold to on approval of the Chief Executive Officer.

The entity ended the financial year with **89 registered clients**, a slight increase from the 88 reported in the previous financial year. The entity **removed 7 clients due to non-compliance**, expired Beneficiation Licences and inability to produce tax clearance certificates. These clients are segmented into the following segments:

TOTAL NUMBER OF CLIENTS FY 2025/26

Clients segmentation	Number of clients
Growth and Transformation	4
Incubation Growth and Transformation	4
Equitable Access Small	43
Equitable Access Medium	3
Equitable Access Large	3
Niche Small	14
Niche Medium	8
Nice Large	10
Total	**89**

Sales by suitability

Table 4: Suitability of rough diamonds sold to SDT clients for local beneficiation

						% OF TOTAL	
2025-26	**Carats**	**ZAR Sales**	**ZAR Cost**	**GM**	**GM%**	**Carats**	**Value**
Suitable for beneficiation	24 733	238 820 308	228 618 188	10 202 121	4%	24%	74%
Not suitable for beneficiation	77 108	85 426 752	82 924 778	2 501 974	3%	76%	26%
	101 841	**324 247 060**	**311 542 966**	**12 704 094**	**4%**		

Sales of rough diamonds deemed suitable for beneficiation increased slightly compared to the previous financial year. This financial year, 74% by value of total sales was suitable for beneficiation (68% in 2024/2025). The volume percentage increased as well to 24% (18% in 2024/2025) of the total carats sold in during 2025/2026.

Sales by Client Segment 2025/2026

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

		VOLUME		SALES		COST		GROSS MARGIN	
Segments	**No of clients**	**Carats**	**% of Total**	**R'mill**	**% of Total**	**R'mill**	**% of Total**	**R'mill**	**% of Total**
Equitable Access Small	6	16 386.71	16	59 611 058	18	57 178 072	18	2 432 986	19
Growth and Transformation Incubation	1	17.85	0	524 502	0	491 929	0	32 573	0
Growth and Transformation	2	3 672.84	4	20 457 694	6	19 751 273	6	706 420	6
Niche Small	2	119.30	0	929 648	0	876 910	0	52 738	0
Niche Medium	2	1 480.61	1	14 888 760	5	14 242 050	5	646 710	5
Niche Large	5	31 655.71	31	165 290 409	5	157 982 584	51	7 307 825	58
Other	4	48 507.66	48	62 544 989	19	61 020 147	20	1 524 842	12
Total	**22**	**101 840.68**	**100**	**324 247 060**	**100**	**311 542 966**	**100**	**12 704 094**	**100**

Table 5 details of the volume and value purchased by the different client segments and represents the percentage that each segment contributed to the total sales.

The local diamond industry's lack of funding forces most of these companies to partner with larger companies to conclude transactions in the acquisition of rough diamonds. However, with the depressed market, most clients declined to purchase in this financial year. Sales to 100% Black-owned clients increased compared to the 2024/25 financial year.

The Niche and Large/Medium Beneficiators accounted for 56% of the entity's total sales value, down from 68% in the previous financial year. The State Diamond Trader's focus on addressing the disparity observed over the years was severely hampered by depressed market conditions, which led to decreases in the percentages of the Niche and Large/Medium segments in total sales.

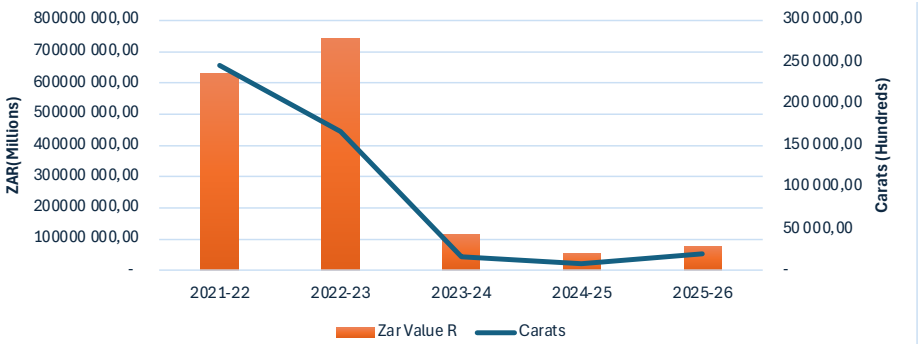
TRADING REPORT CONTINUED

Diamond and beneficiation industry development programmes

Sales to HDSA clients

The State Diamond Trader's mandate in support of the government's Transformation agenda is to increase rough supply to Black-owned companies. Figure. 3 shows the sales trends for HDSA clients over the past 5 years.

Figure 3: Annual Sales to Historically Disadvantaged South Africans 2024/2025



Sales to HDSA clients increased to R80.6 million in 2025/2026, compared with R57.3 million in the previous financial year (Figure 6). This represents an increase of R23.3 million in sales value.

- The carats/volume sold also increased from 8,345.14 carats purchased by HDSA clients in 2024/2025 to 20,077.40 carats in this financial year that was sold in the reporting period for this financial year.

Figure 4: Number of HDSA Clients SDT annually rough diamonds

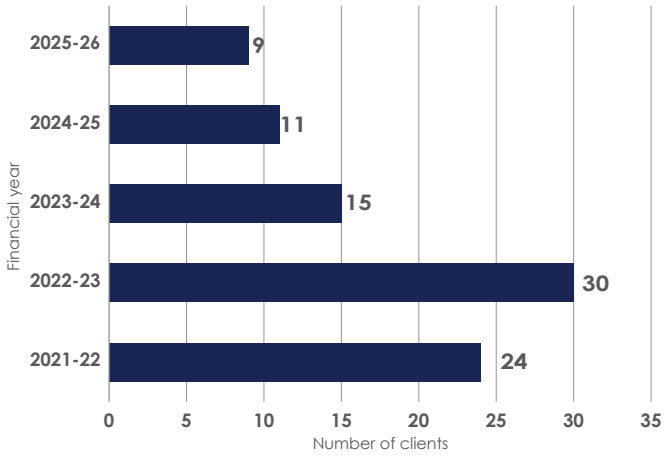


Figure 4 shows that sales to HDSA clients declined to nine in 2025/2026, down from 11 in the previous financial year, highlighting the impact of depressed market conditions on this segment. During the year, the State Diamond Trader offered diamonds to 20 HDSA clients; however, 11 declined to purchase due to the prevailing weak market (Figure 4).



MARKETING AND *COMMUNICATIONS*

MARKETING AND COMMUNICATIONS

The 2025/2026 financial year was an important year for the Marketing and Communications function, with a strong focus on increasing the visibility of the State Diamond Trader (SDT), strengthening stakeholder relationships, and promoting the entity locally and internationally.

The Marketing and Communications department played an important role in promoting the entity through exhibitions, stakeholder engagements, media interviews, social media campaigns, publications, and branding activities. The department also ensured that all communication activities supported the entity's strategic objectives and mandate.

One of the major highlights of the year was the entity's participation in the 2025 Hong Kong Jewellery and Gem Show held from 15 – 19 September 2025 for the 10th time. The entity celebrated 10 years of participating in the Hong Kong Show with the theme "Celebrating a Decade of Sparkle".

The entity also hosted a 10-Year Stakeholder Engagement event in Hong Kong to celebrate long-standing relationships with international clients and stakeholders. The event recognised the support and contribution of strategic partners who have worked closely with SDT over the years and helped strengthen the entity's international presence.



The exhibition created an opportunity to showcase South African polished diamonds on an international platform and promote local beneficiation.

SDT supported local beneficiators and SMMEs, including Imani Diamonds, Exotix Diamonds, Rez Diamonds, Star Gems, Millennium Diamonds and K n S Diamonds, to exhibit their diamonds and engage with international buyers and industry stakeholders.

The exhibition helped create market access opportunities and strengthen international relationships within the diamond industry.



Locally, the SDT participated in several strategic industry events and exhibitions throughout the financial year. One of the key events was the Investing in African Mining Indaba 2026 held from 09 – 12 February 2026 in Cape Town. The SDT exhibited under the South African Pavilion facilitated by the Department of Mineral and Petroleum Resources (DMPR) alongside other State-Owned Entities and industry stakeholders.

The exhibition provided an important platform to showcase the entity's work, promote beneficiation, and support SMMEs in the diamond industry. The SDT partnered with Chiedza Jewellery Creations and Nolo M Jewellery Design, providing them with an opportunity to exhibit and sell their jewellery products to local and international delegates attending the event. The Mining Indaba also created valuable networking opportunities with investors, government leaders, and industry stakeholders.

Another highlight during the year was the participation of the CEO, Ms. Nosiphiwo Mzamo, as a speaker during the Commodity Focus – Diamonds session at

the Africa Mining Indaba 2026. Her presentation focused on the importance of partnerships within the diamond industry, the future of natural diamonds, beneficiation, and the role of the SDT in supporting economic growth and transformation. This further strengthened the entity's profile within the mining and diamond sector.



During the financial year, the entity also participated in various stakeholder engagements and community development initiatives, including the Conversations on Leadership Webinar, Women's Day celebrations, the Eastern Cape Mining CSI Indaba, the North West Growth Summit, the MQA Mining Skills Lekgotla, and the Ministerial Back to School Outreach Programme. These engagements assisted in strengthening stakeholder relations, promoting youth development, supporting women's empowerment, and increasing awareness about the diamond industry and beneficiation.





The Marketing and Communications Unit continued to implement communication activities to improve the entity's visibility and reputation. This included media relations, social media management, media interviews, website management, content development, internal communication, newsletters, publications, and media monitoring.

The entity continued to experience growth across all social media platforms during the year. LinkedIn remained the strongest performing platform, with significant growth in followers and engagement. Facebook, Instagram, X (formerly Twitter), and YouTube also showed steady growth, reflecting increased public interest in the entity and its activities. The website also continued to perform positively with increased user engagement and online visibility.

The Marketing and Communications department also coordinated the production of strategic corporate publications, including the 2024/25 Annual Report, the 2025/26 Corporate Plan, quarterly newsletters, media alerts, and various advertorials. These publications helped communicate the entity's activities, achievements, and strategic direction to stakeholders.



MARKETING AND COMMUNICATIONS CONTINUED

International exhibitions

- 2025 Hong Kong Jewellery and Gem Show held from 15 – 19 September 2025 in Hong Kong.
- Investment Forum Side Event at the G20 Summit in South Africa, focused on the Nigerian Solid Minerals Sector, held on 22 November 2025 in Sandton.
- Hong Kong 10-Year Stakeholder Engagement Celebration hosted by the State Diamond Trader (SDT) in Hong Kong.

Local exhibitions and stakeholder engagements

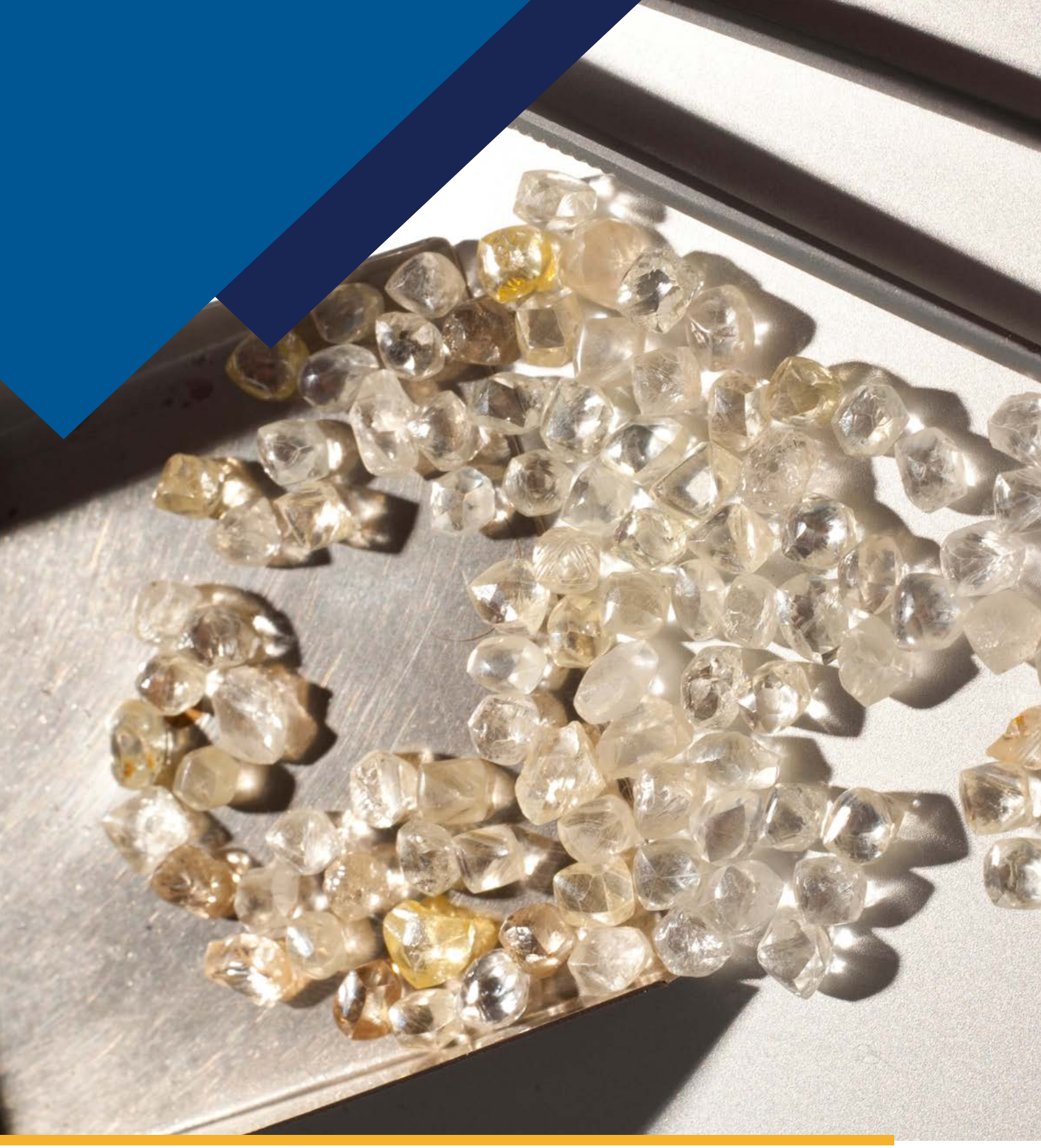
- Annual Golf Day hosted by the Diamond Dealers Club at Wanderers Golf Club. The Golf Day brings together leaders from the diamond and jewellery industry for networking and camaraderie. The target audience of this event is diamond dealers, manufacturers, jewellers, service providers, and industry stakeholders. The event focuses on strengthening business relationships and uniting the local industry.
- SANPC Launch Event hosted under the Department of Mineral and Petroleum Resources. This new state-owned entity is designed to act as a "national energy champion," merging three subsidiaries of the Central Energy Fund (CEF), PetroSA, iGas, and the Strategic Fuel Fund (SFF), to manage the country's petroleum resources.
- Startup Act Local Economic Development Research Roundtable Consultation held at the British High Commission in Pretoria. The purpose of the event was to build the business case for startup policy reform that addresses the practical needs of founders at the local municipal level, rather than only national level. Most existing LED frameworks are not designed to support innovation-driven startups, leading to missed opportunities for investment, job creation, and economic growth.
- Nelson Mandela Career Expo hosted with industry stakeholders and educational institutions. The Nelson Mandela Day Career Expo is celebrated in July. It brings together industry stakeholders, government departments, and educational institutions to empower South African youth with career guidance, mentorship, and opportunities.
- Ministerial Stakeholder Consultation with key role players in the diamond sector. The consultation focused on addressing critical industry challenges, accelerating transformation, and boosting the market share of natural diamonds relative to lab-grown alternatives. The discussion was about implementing aggressive marketing strategies that were approved in Angola referred to as the "Angola Accord" to differentiate natural diamonds from lab-grown alternatives and improve depressed prices.
- Women's Day Event – "We Lead From Inside Out." The SDT had an interactive session to empower women and were honoured to be joined by Dr Nombasa Tsengwa to give a keynote address.
- Facilitated the opening of Finestar Factory at GIDZ OR Tambo SEZ. The factory was officially opened by Honourable Minister Gwede Mantashe. This has a huge impact on the State Diamond Trader mandate as it attracted R300 million in direct foreign investment. The factory appoints 45 jobs with a growth potential of 90 jobs.
- Black Business Quarterly Awards held in Kempton Park, where the CEO was nominated as a finalist for the Business of the Year Award and was awarded the first runner-up.
- Communicators Forum hosted by the Department of Mineral and Petroleum Resources.
- Eastern Cape Mining CSI Indaba held in East London. The 3rd Annual Eastern Cape Mining CSI Indaba was held from 30 – 31 October 2025 at the East London ICC, focusing on "Unlocking the Full Mining Value Chain for Inclusive Growth and Sustainable Development". The event brought together government officials, industry leaders, and communities to boost local mining, investment, and sustainable development in the province. The CEO gave an address on the role of the State Diamond Trader. She was given an award during the Gala Dinner and honoured by the Government of the Eastern Cape, as she hails from there.
- Investing in African Mining Indaba 2026 hosted at CTICC, Cape Town, from 09 – 12 February 2026. The SDT was part of the South African Pavilion and showcased the work of young female jewellery entrepreneurs. BrandSA Africa Mining Welcome Reception hosted in Cape Town.
- North West Growth Summit held at Sun City. The North-West MSME Growth Summit 2026 was held at the Sun City Resort in South Africa's North West province from February 19 – 20, 2026, focusing on unlocking growth, empowering MSMEs, and driving job creation. This major event served as a hub for networking, investments, and enterprise development in the region. The summit concentrated on digital innovation, investment, and enterprise development to support small and medium enterprises. It was a premier platform for MSMEs to connect with policymakers, corporate leaders, and investors to drive economic activity.
- MQA Mining Skills Lekgotla 2026 hosted at Gallagher Convention Centre, Midrand. The MQA Mining Skills Lekgotla 2026 was held on 26 – 27 February 2026 at the Gallagher Convention Centre in Midrand, celebrating "30 Years of Skills Development Excellence". The event focused on future-ready skills, technological advancements in mining, and sustainable development.

Media interviews

- **Radio 2000:** CEO, Ms Nosiphiwo Mzamo, unpacking the Eastern Cape Mining CSI Indaba and beneficiation initiatives. | Live Interview
- **Mining Insight Podcast:** CEO discussing the mandate of the State Diamond Trader and the importance of natural diamonds.
- **eNCA:** CEO, Ms Nosiphiwo Mzamo, reflecting on beneficiation and the impact of the Africa Mining Indaba on the South African diamond sector. | Live Interview
- **AmaJuba FM:** Ms Tsholofelo Tselapedi unpacking the mandate of the State Diamond Trader and beneficiation initiatives | Live interview
- Hong Kong Jewellery and Gem Show media interviews profiling the entity's international participation and beneficiation mandate. | Live interview

Media article

- **SDT CEO PROFILE- Mine Worker Magazine:** From Mdantsane to CEO – June 2025
- **How The State Diamond Trader is carving resilience in a shifting diamond economy:** Executive Leadership Magazine | June/July 2025
- **Beneficiator** Profile- Last page of the Q2 SDT Newsletter_ Mr Desmond Ratsoma | OC Gems.
- **Women in Mining Article:** BBQ Magazine | Woman Power: taking the diamond industry by storm
- **Beneficiator Profile:** R & P publications | Forging a new legacy: Tshenolo Ntshekang on building a Black-owned diamond beneficiation business in South Africa.
- **Beneficiator Profile:** Rough diamond shortage squeezes emerging South African beneficiators. Macs Diamond founder warns.



GOVERNANCE
REPORT

BOARD MEMBERS



Ms. Danile Nyakale
Chairperson of the Board



Mr Abbey Chikane
Chairperson of the Board
(Until his resignation from the Board in April 2026)



Mr Ernest Blom
Board member



Ms. Helen Diatile
Board member



Mr Mosepedi Sanane
(Alternate Board Member)



Dr Olga Masekoa
Board member



Mr Jacques Hugo
Board member



Mr Lefu Dlamini
(Alternate Board Member)



Adv. Mpati Lebakeng
Board member
(Until her resignation in July 2026)



Ms. Adele Rossouw
Board member
(Until her resignation in November 2025)



Mr Johan Du Toit Boning
Board member



Dr Aalia Cassim
Board member
(Appointed in August 2025)



Ms Nosiphiwo Mzamo
(ex officio)
Board Member



Mr Cecil Khosa
(ex officio)
Board Member

UPDATES TO BOARD MEMBERSHIP DURING FY 2025/26

The Board is halfway through its tenure at the time of the drafting of this report, since it was formally appointed by the Minister of Mineral and Petroleum Resources, Mr Gwede Mantashe, on 20 September 2024. During the financial year under review, Dr Aalia Cassim was appointed to the Board of the SDT as a representative of the National Treasury, and Ms. Adele Rossouw resigned from the Board in November 2025. There was no replacement sought as Ms Rossouw had an alternate Board member (Mr Johan Boning) who resumed responsibilities as a principal Board member following Ms Rossouw's resignation. At the time of reporting, the Board has one vacancy for the South African Police Service representative. The Shareholder is in the process of sourcing a representative from SAPS to serve on the Board.

Updates subsequent year-end

Although the reporting period is limited to the financial year ended 31 March 2026, a material subsequent event occurred after the year-end, namely the resignation of the Chairperson of the Board, effective from 30 April 2026.

Board composition

The Act requires the Minister to establish an independent selection panel with expertise in diamond industry issues before appointing Board members. The panel identifies suitable candidates for the Minister's consideration, but the Minister retains the authority to appoint and constitute the SDT Board.

Following the procedure above and in accordance with Section 17(2) of the Diamonds Act (No. 56, 1986) as amended, the Minister appointed the Board of the SDT with effect from 20 September 2024. The Board would have been in office for one year and six months at the end of the financial year.

Membership of the Board is drawn from diverse stakeholders from various sectors, including the diamond industry, as mandated by Section 17(3) of the Act. The current Board is well balanced in terms of continuity, qualifications, experience, and gender, as outlined in Table 7.

Table 7: Composition of the Board

Ms. SMB Nyakale	Chairperson of the Board (Appointed in May 2026)	Chartered accounting; audit, finance and risk committee oversight; development finance and investment portfolio management; corporate and structured finance; project finance, credit risk assessment and due diligence; post-investment monitoring, restructuring and turnaround management	Chairperson of Audit and Risk Committee (Until her appointment as Chairperson of the Board in May 2026)
Mr A Chikane	Former Chairperson of the Board.	Strategic leadership, corporate governance and compliance; diamond industry regulation and international diamond trade; Kimberley Process and World Diamond Council experience; public- sector and SOE governance	Chairperson of the Governance Committee (Until its disbandment on 6 August 2025)
Dr NO Masekoa	Chairperson of the Trading and Technical Committee	Research and evidence-based policy development; mining, minerals and petroleum and legislation; public-sector governance; stakeholder and project management; Kimberley Process and African diamond-sector engagement	Chairperson of the Trading and Technical Committee
Adv. MA Lebakeng	Chairperson of the Human Resources, Remuneration and Social and Ethics Committee (Until her resignation from the Board in July 2026)	Legal practice, commercial arbitration and dispute resolution; corporate and commercial law; governance and regulatory compliance; labour law and disciplinary processes; executive leadership and strategic turnaround	Former Chairperson of the Human Resources, Remuneration and Social and Ethics Committee. Member of the Audit and Risk Committee, Trading and Technical Committee and the Ad-hoc Business Case and Models Review Committee

NAME	DESIGNATION	AREA OF EXPERTISE	OTHER COMMITTEES
Mr LJ Dlamini (alternate)	Chairperson of the Ad-hoc Business Case and Models Review Committee	Development finance and investment; deal structuring, due diligence, and financial modelling; portfolio and operations management; business-case and feasibility assessment; and process optimisation	Chairperson of the Ad-hoc Business Case and Models Review Committee. Member of the Trading and Technical Committee
Mr E Blom	Member	Diamond trading, cutting and beneficiation; global diamond bourse leadership and trade relations; Kimberley Process and World Diamond Council experience; diamond and precious metals regulatory and industry governance	Member of the Trading and Technical Committee, Audit and Risk Committee and the Ad-hoc Business Case and Review Committee
Ms. H Diatile	Chairperson of the HR Committee	Human resources, labour relations, Occupational health and safety and dispute resolution	Chairperson of the Human Resource, Remuneration and Social and Ethics Committee and the Trading and Technical Committee
Dr A Cassim	Member	Economics and development economics; microeconomic policy, public finance and regulatory reform; SOE efficiency and structural reform implementation; data-driven policy research and analysis; energy and labour-market policy	(Appointed in August 2025)
Ms AJ Rossouw	Member	Labour relations, collective bargaining and wage negotiations; dispute resolution and CCMA processes; employee relations compliance; training and skills development	Member of the Human Resources, Remuneration and Social and Ethics Committee and the Ad-hoc Business Case and Models Review Committee (Until her resignation in November 2025)
Mr J Hugo	Chairperson of the Audit and Risk Committee	Executive leadership and business management; finance, budgeting and investment oversight; audit and risk committee experience; labour relations and dispute resolution; mining operations background	Chairperson of the Audit and Risk Committee
Mr J Böning	Member	Occupational health and safety; legal practice and labour law; COIDA and Mine Health and Safety Act matters; and law-enforcement management; employee relations and dispute resolution	Member of the Human Resource, Remuneration and Social and Ethics Committee
Mr M Sanane (alternate)	Member	Human resources, occupational health and safety, labour and dispute resolution	Member of the Board
Ms. NC Mzamo	Member	Geological sciences, mineralogy and mining operations; mineral beneficiation and mineral policy; strategic, operations and project management; human resources management; Kimberley Process diamond expert	Member of the Board
Mr NC Khosa	Member	Minerals and mining regulation; diamond and precious metals regulatory compliance; mineral beneficiation and export/import policy; environmental management and mine rehabilitation; executive management and stakeholder engagement	Member of the Trading and Technical Committee and Audit and Risk Committee

KEY MATTERS ATTENDED BY THE BOARD

Portfolio Committee

The SDT appeared before the Parliamentary Portfolio Committee (PPC) on Minerals and Petroleum Resources on 22 April 2025 to present the Corporate Plan and Annual Performance Plan for the 2025/26 financial year. The SDT appeared again on 14 October 2025 to present the Annual Report for the 2024/25 financial year.

Reports Submitted to the Executive Authority

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

Table 8: Reports submitted to the Executive Authority*

PERIOD	DOCUMENT
Quarter 1	♦ 4th Quarterly Report 2024/25 ♦ Draft Unaudited Annual Report FY 2024/25 ♦ Submission of the External Board Evaluation Report FY25/26
Quarter 2	♦ 1st Quarterly Report 2025/26 ♦ Audited Annual Report FY 2024/25
Quarter 3	♦ 2nd Quarterly Report 2025/26
Quarter 4	♦ 3rd Quarterly Report 2025/26 ♦ Corporate Plan FY 2026/27

* Quarterly reports include the following:

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

GOVERNANCE STRUCTURE AND THE BOARD

The Board

Introduction

The SDT operates within a governance framework grounded in accountability, transparency, ethical management, inclusiveness, and fairness. The Board recognises the value of an ethical culture and its link to value creation and sustainable development. The Board has approved a manual for corporate governance that is cognisant of its principles. The manual is reviewed annually to ensure relevance. The SDT is listed in Schedule 3B of the Public Finance Management Act No. 1 of 1999 (the PFMA). Its shareholder is the Government of the Republic of South Africa, represented by the Minister of Minerals and Petroleum Resources, who exercises executive authority on behalf of the government. The Board is the designated Accounting Authority and governs the SDT in accordance with the laws of the Republic of South Africa, in particular the Diamonds Act No. 56, 1986, as amended (the Act), and the PFMA, read with the applicable Treasury Regulations.

Primary responsibilities of the Board

The Board serves as the focal point and custodian for good corporate governance in the organisation. Board members recognise that good governance contributes to creating value for the benefit of all South Africans. The Board has adopted formal terms of reference outlining its scope of authority, responsibility, and functioning. The terms of reference are reviewed once annually. Certain functions are delegated to committees. Matters of strategic importance are reserved for the Board. These include decisions that affect the entity's overall vision, mission, and objectives, as well as changes to policies and frameworks. The following sets out the main areas where material decisions are taken by the Board:

- Approval of policies;
- Approval of the strategy, shareholders' compact, business plans and budgets and of any subsequent material changes in strategic direction or material deviations from strategies and business plans;
- Determination of the structure, composition, and terms of reference of committees and approval of all changes to the management of the organisation and the schedule of delegation;
- High-level monitoring of both financial and operational progress and performance, including an annual performance review covering the key performance indicators;
- Significant impacts on human resources and financial resources of the organisation; and
- High-level stakeholder interfaces, such as reporting to the Minister and overall policies on communications with regulated entities, the press, and the public.

The Board maintains a system of delegation within the entity. Any delegations outside the approved framework are specifically recorded in the Board's minutes or round-robin resolutions. The Board is entitled to access members of Executive Management and all relevant information to assist in the discharge of its duties. The Board is further entitled to engage advisers as necessary from time to time, at the expense of the entity. The Board met fourteen times during the year under review. Table 9 shows the attendance of Board meetings during the year under review.

Table 9: Board meeting attendance

Board Member	Meetings Attended
Ms. SMB Nyakale **(Chairperson)**	13
Mr A Chikane (Former Chairperson)	14
Dr NO Masekoa	9
Adv. MA Lebakeng	12
Mr LJ Dlamini	13
Mr E Blom	14
Ms. H Diatile	13
Ms. AJ Rossouw (Resigned in November 2025)	9
Mr J Hugo	12
Mr J Böning	7
Mr M Sanane	1
Dr A Cassim (Appointed in August 2025)	2
Ms. NC Mzamo	14
Mr NC Khosa	10

* The number of meetings attended also includes the Board governance workshop and the board strategic planning session.

Board and committee meetings during the financial year

The Board noted the high number of meetings held during the year. This was mainly attributable to the additional meetings required to consider and approve the Corporate Plan for FY2026/27. The Board considered it prudent and consistent with its fiduciary duties, to ensure that the Corporate Plan submitted to the Executive Authority was credible, realistic and capable of implementation, thereby supporting effective governance and responsible stewardship of public resources.

The Board also held several meetings to review the entity's policies. These sessions further served as induction opportunities for the Board, enabling members to familiarise themselves with the entity's governance framework, key policy instruments and operational context.

The Board acknowledged the high number of meetings held during the financial year and emphasised the need to reduce the number of meetings going forward, while ensuring that it continues to discharge its oversight responsibilities effectively.

GOVERNANCE **REPORTS** CONTINUED

Committees of the Board

In terms of Section 17(e) of the Act, the Board is empowered to establish committees to assist in the execution of its duties and has established the following committees:

- Audit and Risk Committee.
- Human Resources, Remuneration, and Social and Ethics Committee.
- Trading and Technical Committee.
- Governance Committee (Until its disbandment by the board on 6 August 2025).
- Ad-hoc Business Case and Models Review 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 ARC is a statutory committee of the Board, appointed in terms of Section 77 of the PFMA, read with Treasury Regulation 27.1.1, and has duties assigned to it by the Board in addition to its statutory duties. Specific responsibilities, as prescribed in their terms of reference, include:

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

The Committee is satisfied with the quality of work produced by both internal and external auditors and with the entity's internal control environment. The Committee is not aware of any adverse indicators that may impact the entity. A report of the ARC is also included on page 46 of this Annual Report. The ARC met ten times during the year under review. In addition, the Committee participated in three joint sessions with the Trading and Technical Committee and the Human Resources, Remuneration, and Social and Ethics Committee. The joint sessions have not been included in the attendance table. Table 11 shows the attendance of ARC meetings during the year under review.

Table 11: ARC meeting attendance

Committee Member	Meetings Attended
Ms SMB Nyakale (Former Chairperson)	10
Mr J Hugo **(Chairperson)**	10
Adv. MA Lebakeng	6
Mr NC Khosa (Appointed to the committee in December 2025)	2
Mr E Blom (Appointed to the committee in December 2025)	4

* The number of meetings attended also includes the strategic risk workshop session.

Human resources, remuneration, and social and ethics committee

HR, RE, and the S&E Committee assist the Board with the human resources strategy and the attraction, development, and retention of the required staff competencies. The committee is also entrusted with the oversight of the entity's social and ethics matters. The committee has conducted its affairs in compliance with its terms of reference and has discharged its responsibilities contained therein. The HR, RE and S&E Committee met seven times during the year under review. In addition, the Committee participated in a joint session with the Audit and Risk Committee. The joint session has not been included in the attendance table. Table 12 shows the attendance at HR, RE and S&E Committee meetings during the year under review.

Table 12: HR, RE and S&E committee meeting attendance

Committee Member	Meetings Attended
Adv. MA Lebakeng (Chairperson)	6
Mr J Hugo	7
Ms H Diatile	7
Ms. AJ Rossouw* (Member of the committee until her resignation in November 2025)	4
Mr J Boning (Appointed to the committee in November 2025)	1

* A chairperson was elected to chair the meeting, wherein the standing chairperson was absent

Trading and technical committee

The Trading and Technical Committee (known as the Trading Committee) assists the Board with trading-related activities and in promoting the diamond beneficiation industry. It is also responsible for developing and implementing trading rules and sales strategies. The committee operates in accordance with the terms of reference approved by the Accounting Authority. The committee has conducted its affairs in compliance with these terms of reference and has duly discharged its responsibilities. The Trading and Technical Committee met eight times during the year under review. In addition, the Committee participated in two joint sessions with the Audit and Risk Committee. The joint sessions have not been included in the attendance table. Table 13 shows the attendance of the Trading and Technical Committee meetings during the year under review.

Table 13: Trading and Technical Committee meeting attendance

Committee Member	Meetings Attended
Dr NO Masekoa (Chairperson)	8
Mr A Chikane	8
Adv. MA Lebakeng	3
Mr E Blom	8
Ms H Diatile	8
Mr NC Khosa	4
Mr LJ Dlamini	5

Governance committee

The committee was established to assist the Chairperson of the Board in initiating and managing the Chief Executive Officer's overall performance evaluations. The Board has extended the committee's terms of reference to include coordination of all Board committee activities. This ensures the avoidance of duplication, addressing issues raised by the chairpersons of the Board committees, considering issues raised with the chairperson of the Board committees, and making recommendations to the Board on issues not allocated to a specific Committee.

The committee has conducted its affairs in compliance with the terms of reference and has duly discharged its responsibilities contained therein during the year under review.

Following the Board governance workshop and the external Board evaluation, the Board resolved to disband the Governance Committee on 6 August 2025, after it was recommended that the Committee's functions were duplicative of existing Board functions. The Governance Committee met twice during the year under review. Chaired by the Chairperson of the Board, the committee also comprises the chairpersons of the various Board committees. Table 14 shows the attendance of the Governance Committee meetings during the year under review.

Table 14: Governance Committee meeting attendance

Committee Member	Meetings Attended
Mr A Chikane (Former Chairperson)	2
Dr NO Masekoa	2
Adv. MA Lebakeng	2
Ms SMB Nyakale	2

Ad-hoc business case and models review committee

The Ad-hoc Business Case and Models Review Committee was established to review recommendations emanating from the development of the entity's business case, including its business, operating, financial, and governance models, prior to their submission to the Board. The Ad-hoc Business Case and Models Review Committee met once during the year under review.

Table 15: Ad-hoc Business Case and Models Review Committee meeting attendance

Committee Member	Meetings Attended
Mr LJ Dlamini (Chairperson)	1
Mr A Chikane	1
Adv. MA Lebakeng	1
Dr NO Masekoa	0
Mr E Blom	1
Ms AJ Rossouw	1



HUMAN RESOURCE
MANAGEMENT

EXECUTIVE MANAGEMENT TEAM



Ms Nosiphiwo Mzamo
Chief Executive Officer

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



Ms Somikazi Madolo
Chief Financial Officer

Accountancy and Auditing



Mr Conrad van der Ross
Operations Manager

Diamond Industry and Technical Diamond Skills



Mr Sihle Mhlangu
Company Secretary/Legal Manager

Legal, Compliance and Governance

HUMAN RESOURCES (HR) REPORT

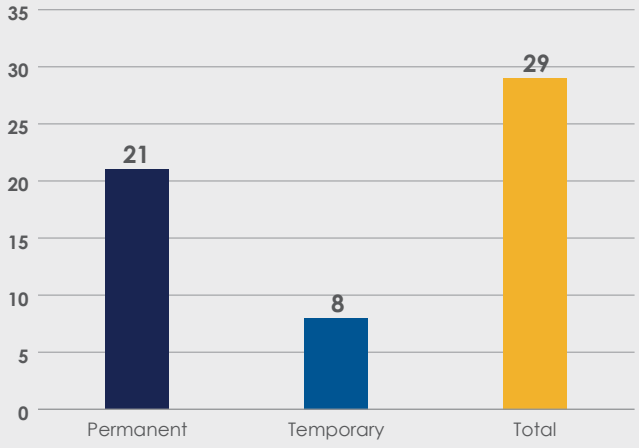
Workforce Profile

	MALE				FEMALE				FOREIGN		
Occupational levels	**African**	**Coloured**	**Indian**	**White**	**African**	**Coloured**	**Indian**	**White**	**Male**	**Female**	**TOTAL**
Top Management	1	1	0	0	2	0	0	0	0	0	4
Senior Management	1	0	0	0	1	0	0	0	0	0	2
Professionally Qualified	2	1	0	0	2	0	0	0	0	0	5
Skilled	3	0	0	0	5	0	1	0	0	0	8
Semi-Skilled	0	0	0	0	1	0	0	0	0	0	1
Unskilled	0	0	0	0	1	0	0	0	0	0	1
Total Permanent Employees	**7**	**2**	**0**	**0**	**11**	**0**	**1**	**0**	**0**	**0**	**21**
Temporary Employees	0	0	0	0	8	0	0	0	0	0	8
Total Employees	**7**	**2**	**0**	**0**	**19**	**0**	**1**	**0**	**0**	**0**	**29**

Eight temporary employees include three (3) Internships and five (5) Enterprise Development Programme Trainees.

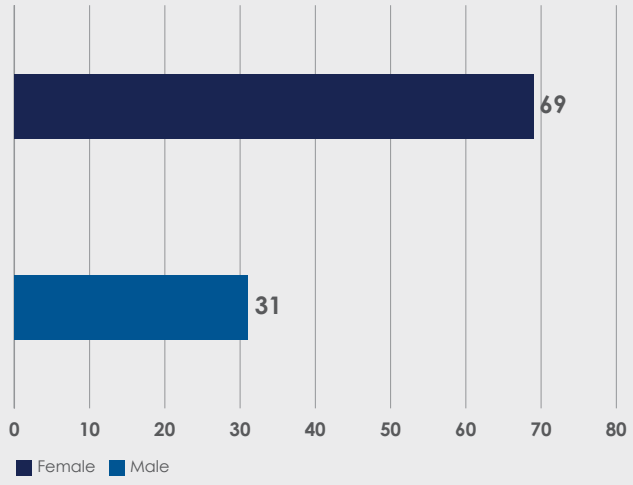
The employee composition graph is illustrated as follows:

Figure 5: Employee Composition



The gender ratio is illustrated as follows:

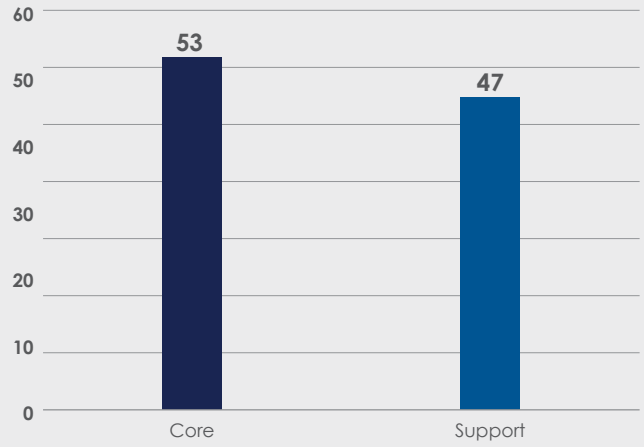
Figure 6: Gender Ratio



Salaries expenditure – core vs support

Annual salaries Total Guaranteed Packages (TGP) expenditure during the 2025 – 2026 financial year was divided into 53% for Core function employees and 47% for Support function employees as per the below graph.

Figure 7: Core vs Support 2025 – 2026 Salary Bill (%)



Internships And Training Programmes

Males	Females	Foreign nationals	Total
0	8	0	8

The programme had three (3) Internships and five (5) Enterprise Development Programme trainees.

Employment changes/movement

Occupational levels	Employment at the beginning of the financial year	New appointments	Absorption of interns/trainees	Resignations	Employment at the end of the financial year
Top management	4	0	0	0	4
Senior management	2	0	0	0	2
Professionally qualified	5	0	0	0	5
Skilled	4	0	4	0	8
Semi-skilled	8	1	0	1	4
Unskilled	6	0	0	0	6
Total	**29**	**1**	**4**	**1**	**29**

- One (1) HR Intern was employed during this period.
- Three (3) Diamond Valuator Trainees were absorbed into three (3) vacant positions within the Operations Department. Vacant positions were Purchasing Officer, Client Relations Officer and Production Officer positions.
- One (1) Finance Administration Intern was absorbed into a permanent Junior Accountant – Finance Officer position.
- One (1) Supply Chain Management Intern resigned.

Employment and vacancies

- The 2025 – 2026 approved structure has twenty positions, and by the end of the financial year, 31 March 2026, there were two (2) vacant positions. Vacant positions were the Senior Information Communication and Technology Officer and the Supply Chain Management Internship.
- Therefore, the vacancy rate at the end of the financial year was ((2/28) *100) 7%.

Labour relations: misconduct and disciplinary action

Nature of disciplinary action	Number
Verbal warning	0
Written warning	1
Final written warning	0
Dismissal	0
Suspension	0
Total	**0**

Performance management bonuses

- There were no performance bonuses paid during the 2025 – 2026 financial year due to negative rough diamond trading markets and other external factors such as pricing and supply.

Training and development

Occupational levels	Training expenditure	Number of employees
Top management	R222 480	1
Senior management	R61 504	1
Professionally qualified	R117 243	2
Skilled	R183 557	3
Semi-skilled	R8 785	1
Unskilled	R128 570	5
Total	**R722 140**	**13**

Training and development initiatives were implemented as follows during the 2025 – 2026 financial year:

- **Top Management:** NQF Level 9 bursary (fees for the entire 2-year qualification).
- **Senior Management:** NQF Level 9 bursary (last semester fees).
- **Professionally Qualified:** 2 NQF Level 8 bursaries.
- **Skilled:** 2 Management development short courses and 1 NQF Level 8 bursary.
- **Semi-Skilled:** 1 NQF Level 7 bursary
- **Unskilled:** Enterprise Development Programme training for 5 trainees



FINANCE
REPORT

AUDIT AND RISK COMMITTEE REPORT

I am pleased to present the Report of the Audit and Risk Committee of the SDT for the financial year ended 31 March 2026. The committee was established in compliance with Section 77 of the PFMA to assist the Board in maintaining an effective, efficient, and transparent system of financial and risk management and internal control.

The ARC operates under formal terms of reference approved by the Board. Our mandate includes both statutory duties and additional responsibilities assigned by the Board. The committee reviewed the SDT's accounting policies and financial statements and confirmed that they are appropriate and compliant with International Financial Reporting Standards (IFRS).

In addition, the ARC oversaw the internal audit process, including an assessment of the effectiveness of the entity's system of internal control and risk assessments, including internal financial controls. The Board assigned oversight of the SDT's risk management function to the committee in respect of the entity's risk register, financial reporting risks, internal controls, fraud risk, and information technology risk. We are responsible for ensuring that the entity's internal audit function is independent and able to discharge its duties.

Additionally, we oversee cooperation between the internal and external auditors and serve as a link between the Board and these assurance functions. The internal audit function reports to us and is responsible for reviewing and providing assurance on the adequacy of the internal control environment across the entity's operations. The Annual Financial Statements were prepared on a going concern basis, and we are satisfied that the entity is financially sound and has adequate resources to continue operating for the foreseeable future. We have executed our duties effectively, ensuring sufficient internal controls, good financial reporting, management, and risk management.

Finally, I would like to express our appreciation to the Board, CEO, external and internal auditors, and members of the Audit and Risk Committee for their support and contributions during the year.



Mr J Hugo
Chairperson of the Audit and Risk Committee

NOTE: As a result of Ms SMB Nyakale being appointed Chairperson of the Board and relinquishing the position of Chairperson of the Audit and Risk Committee, Mr J Hugo signed as the current Chairperson of the Audit and Risk Committee.

STATEMENT OF RESPONSIBILITY FOR FINANCIAL STATEMENTS

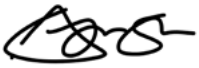
The Board is required by the Public Finance Management Act 1 of 1999 (PFMA) to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report.

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

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

The Board establishes policies and standards designed to provide reasonable assurance against material misstatements and losses. This enables the Board to execute its responsibilities as required. The State Diamond Trader maintains internal financial controls, thereby providing assurance regarding the management and maintenance of its assets and the integrity of its financial records. The internal policies are underpinned by the policy framework and strategic objectives, which provide strategic direction to management regarding expected performance and outcomes. These are regularly reviewed to ensure compliance and relevance.

The financial statements that appear hereunder were approved by the Accounting Authority, Ms SMB Nyakale and are signed on its behalf by:



Ms SMB Nyakale
Chairperson of the Board



Mr J Hugo
Chairperson of the Audit and Risk Committee

CHIEF FINANCIAL OFFICER'S OVERVIEW



Ms Somikazi Madolo
Chief Financial Officer

The State Diamond Trader (SDT) is a government entity that generates its revenue through the trading of rough diamonds. As the entity does not receive funding from the State, it relies entirely on margins earned from the sale of rough diamonds. Consequently, its financial performance is significantly influenced by global economic conditions and developments within the international diamond market.

The SDT Audit Committee of the Board plays a key oversight structure of the Accounting Authority. It is charged with ensuring that the entity maintains robust systems of internal control, risk management and governance that enables the of financial statements free from material misstatement, full compliance with applicable laws and regulations and reliable reporting on predetermined company objectives.

The annual financial statements are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates based on the current challenging market conditions.

During the 2025/26 financial year the entity concluded with an unqualified opinion confirming the reliability of State Diamond Trader's financial statements. This outcome reflects the organisation's commitment to sound governance, transparency, and adherence to robust internal controls. It also underscores the diligence of the finance team and the collective responsibility across the organisation in upholding the highest standards of accountability.

All statutory submissions were submitted timeously in compliance with the Public Finance Management Act (PFMA) and National Treasury Regulations.

The entity continued to comply with the applicable National Treasury cost-containment measures and instructions.

Financial Performance

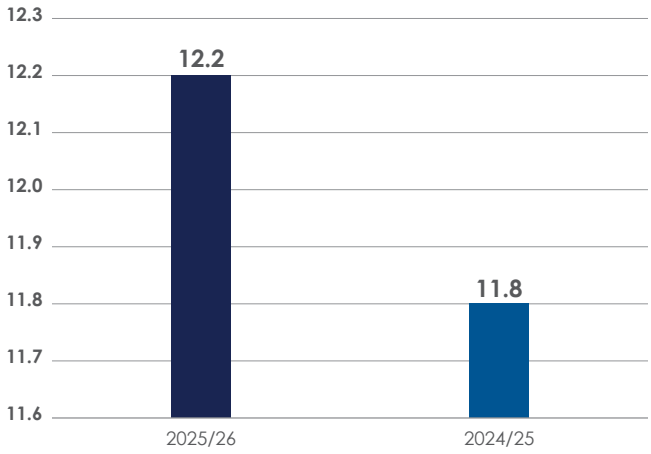
The diamond market continued to face significant challenges during the 2025/26 financial year. Reduced demand for natural diamonds, supply chain constraints, increasing competition from synthetic diamonds and ongoing geopolitical uncertainties contributed to difficult trading conditions.

As a result, revenue declined by 3%, from R334.5 million in 2024/25 to R324.2 million in 2025/26.

Despite the decline in revenue, gross profit increased by 3%, from R11.8 million to R12.2 million. This is due to the initiatives of the entity of buying from Botswana. However, the gross profit margin increased slightly from 3.52% to 3.79%, reflecting continued pressure on trading margins as the small diamonds prices were affected this reporting financial year.

The table below illustrates the year-on-year movement in gross profit between the 2024/25 and 2025/26 financial years.

Figure 8: Gross profit (R million)



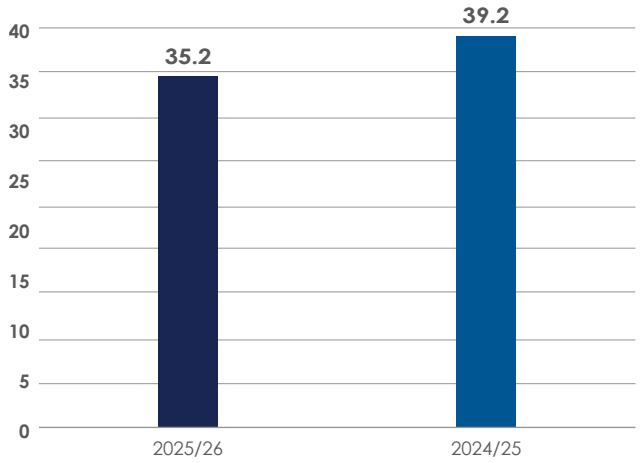
Total operating expenditure decreased by 11%, from R39 million in the previous financial year to R35.2 million. Expenditure was also 5% below the approved budget of R37 million, primarily due to the deferral of certain projects in response to the prevailing market conditions as executives introduced cost containment measures to preserve cash.

Despite prudent cost management, the difficult operating environment resulted in a net loss of R17 million during the year under review. The continued operating losses highlight the importance of restoring profitability while maintaining disciplined expenditure and effective working capital management.

CHIEF FINANCIAL OFFICER'S OVERVIEW CONTINUED

The chart below illustrates the year-on-year movement in operating expenditure between 2024/25 and 2025/26 financial years.

Figure 9: Operating expenditure (R million)



Financial position

The SDT concluded the financial year with total assets of R100 million and total liabilities of R4 million.

Cash and cash equivalents amounted to R87.2 million, representing approximately 87% of total assets. This strong cash position demonstrates the entity's ability to meet its short-term obligations while maintaining sufficient operational flexibility to respond to changing market conditions. Cash and cash equivalents include R6 million invested in short-term investments.

With total liabilities of only R4 million and no interest-bearing loans or external borrowings, the entity remains liquid and solvent. The low level of liabilities relative to total assets reflects a strong balance sheet and limited financial leverage, thereby reducing financial risk.

However, while the balance sheet remains fundamentally strong, the accumulation of operating losses and the increase in current liabilities emphasise the importance of prudent working capital management and preserving cash resources. Sustained improvements in profitability will be essential to protect the entity's long-term financial sustainability.

Cash flow

Cash and cash equivalents declined from R107.4 million in 2024/25 to R87.2 million in 2025/26, primarily as a result of the operating loss incurred during the year and the funding of operational activities. Nevertheless, the entity continues to maintain a healthy liquidity position, enabling it to meet its financial obligations as they fall due.

Equity

Retained earnings decreased from R105 million to R87.7 million, primarily due to the R17 million net loss recorded during the year under review. The decline in equity underscores the importance of restoring profitability to preserve shareholder value and ensure the entity's long-term financial sustainability.

Going Concern

The Annual Financial Statements for the year ended 31 March 2026 have been prepared on the going concern basis. In accordance with IAS 1 Presentation of Financial Statements, management has assessed that the entity will continue operating for the foreseeable future, being at least twelve months from the reporting date.

The entity's substantial cash reserves, strong liquidity position and absence of interest-bearing debt provide a solid foundation to support continued operations. However, sustained operating losses could erode these reserves over time if not addressed. Accordingly, management remains focused on improving profitability, strengthening working capital management, containing costs and implementing strategic initiatives to enhance financial sustainability.

One such strategic initiative is the expansion of the procurement of rough diamonds from foreign jurisdictions to diversify supply sources, strengthen revenue generation opportunities and enhance the entity's long-term financial sustainability.

Events after the reporting date

There have been no material events or circumstances arising between the reporting date and the date of approval of the Annual Financial Statements that require adjustment to, or disclosure in, the financial statements.

I extend my sincere appreciation to the executive leadership and dedicated teams across The State Diamond Trader, whose commitment has been instrumental in achieving these financial outcomes.



Ms Somikazi Madolo
Chief Financial Officer



FINANCIAL *PERFORMANCE*

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE STATE DIAMOND TRADER

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the State Diamond Trader set out on pages 54 to 77 which comprise the statement of financial position as at 31 March 2026, statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the State Diamond Trader as at 31 March 2026 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and the Diamonds Amendment Act 29 of 2005 (DAA).

Basis for opinion

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

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

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

Emphasis of matter – going concern

6. I draw attention to note 28 in the financial statements, which deals with the effects of the diamond market decline on the entity's prospects, performance and cash flows. Management have also described how they plan to approach this matter.

7. My opinion is not modified in respect of this matter.

Responsibilities of the accounting authority for the financial statements

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

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

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

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

11. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located on page 53, forms part of my auditor's report.

Report on the annual performance report

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

13. I selected the following material performance indicators related to Economically feasible, transformed beneficiation of diamonds presented in the annual performance report for the year ended 31 March 2026. I selected those indicators that measure the entity's performance on its primary mandated functions and that are of significant national, community or public interest.

- Percentage of purchased rough diamonds inspected
- Number of producers bought from
- Percentage growth in volume sold to historically disadvantaged South Africans (HDSA)

- Number of industry research reports provided
- Percentage access to market initiatives implemented versus planned
- Percentage performance on Enterprise Development Program (EDP) annual plan

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

15. I performed procedures to test whether:

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

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

17. I did not identify any material findings on the reported performance information for the selected indicators.

Other matters

18. I draw attention to the matters below.

Achievement of planned targets

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

20. The table that follows provides information on the achievement of planned targets and lists the key indicators that were not achieved as reported in the annual performance report. The reasons for any underachievement of targets and measures taken to improve performance are included in the annual performance report on pages15 to 17.

Economically feasible, transformed beneficiation of diamonds

Targets achieved: 83%
Budget spent: Not applicable, as the target does not have dedicated funding allocated to it.

Key indicator not achieved	Planned target	Reported achievement
Percentage of purchased rough diamonds inspected	6%	2,61%

Material misstatement

21. I identified a material misstatement in the annual performance report submitted for auditing. This material misstatement was in the reported performance information for percentage growth in volume sold to HDSA. Management subsequently corrected the misstatement, and I did not include a material finding in this report.

Report on compliance with legislation

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

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

24. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the entity, clear to allow consistent measurement and evaluation,

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE STATE DIAMOND TRADER CONTINUED

while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

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

Other information in the annual report

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

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

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

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

Internal control deficiencies

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

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

Auditor-General

Johannesburg

31 July 2026

AUDITOR-GENERAL SOUTH AFRICA

Auditing to build public confidence

ANNEXURE TO THE AUDITOR'S REPORT

The annexure includes the following:

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

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

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

Financial statements

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

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

Communication with those charged with governance

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

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

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

LEGISLATION	SECTIONS OR REGULATIONS
Public Finance Management Act 1 of 1999	Section 50(3)(a); 50(3)(b); 51(1)(a)(iii); 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii); 52(b); 54(2)(c); 54(2)(d); 55(1)(a); 55(1)(b); 55(1)(c)(i); 56; 57(b); 66(3)(b)
Treasury Regulations, 2005	Regulation 29.1.1; 29.1.1(a); 29.1.1(c); 29.2.1; 29.2.2; 29.3.1; 31.1.2(c); 31.2.5; 31.2.7; 33.1.1; 33.1.3
Companies Act 71 of 2008	Section 45(2); 45(3)(a)(ii); 45(3)(b)(i); 45(3)(b}(ii); 45(4); 46(1)(a); 46(1}(b}; 46(1)(c); 112(2)(a); 129(7)
Construction Industry Development Board Regulations, 2004	Regulation 17; 25(7A)
National Treasury SCM Instruction No. 03 of 2021/22	Paragraph 4.2
Preferential Procurement Policy Framework Act 5 of 2000	Section 1; 2.1(a); 2.1(f)
Preferential Procurement Regulations, 2022	Regulation 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3; 5.4
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)

STATEMENT OF FINANCIAL POSITION

as at 31 March 2026

	Note(s)	2026 R	2025 R
Assets			
Non-Current Assets			
Property, plant and equipment	3	1 823 041	1 730 757
Right-of-use assets	4	6 780 197	8 012 961
		8 603 238	**9 743 718**
Current Assets			
Trade and other receivables	6	4 881 697	29 107 518
Cash and cash equivalents	7	87 268 148	107 378 012
		92 149 845	**136 485 530**
Total Assets		**100 753 083**	**146 229 248**
Equity and Liabilities			
Equity			
Retained income		87 791 871	105 095 666
Liabilities			
Non-Current Liabilities			
Lease liabilities	8	8 705 779	9 838 368
Current Liabilities			
Trade and other payables	9	3 122 844	30 382 695
Lease liabilities	4&8	1 132 589	912 517
		4 255 433	**31 295 212**
Total Liabilities		**12 961 212**	**41 133 580**
Total Equity and Liabilities		**100 753 083**	**146 229 246**

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2026

	Note(s)	2026 R	2025 R
Revenue	10	324 247 060	334 478 623
Cost of sales	11	(311 966 693)	(322 713 589)
Gross profit		**12 280 367**	**11 765 034**
Other operating income	12	309 907	1 825 469
Other operating expenses	20	(35 212 846)	(39 005 977)
Operating loss	20	**(22 622 572)**	**(25 415 474)**
Investment income	14	6 250 089	9 032 820
Finance costs	15	(931 314)	(1 003 846)
Loss for the year		**(17 303 797)**	**(17 386 500)**
Other Comprehensive Income		–	–
Total comprehensive loss for the year		**(17 303 797)**	**(17 386 500)**

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2026

	Retained income R	Total equity R
Balance at 01 April 2024	**122 482 166**	**122 482 166**
Loss for the year	(17 386 500)	(17 386 500)
Other comprehensive income	–	–
Total comprehensive Loss for the year	**(17 386 500)**	**(17 386 500)**
Balance at 01 April 2025	**105 095 668**	**105 095 668**
Loss for the year	(17 303 797)	(17 303 797)
Other comprehensive income	–	–
Total comprehensive Loss for the year	**(17 303 797)**	**(17 303 797)**
Balance at 31 March 2026	**87 791 871**	**87 791 871**

STATEMENT OF CASH FLOWS

for the year ended 31 March 2026

	Note(s)	2026 R	2025 R
Cash flows from operating activities			
Cash used in operations	16	(24 040 572)	(82 315 660)
Interest income	14	6 207 816	9 032 820
Finance costs	15	(931 314)	(1 003 846)
Net cash from operating activities		**(18 764 070)**	**(74 286 686)**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(433 277)	(118 795)
Cash flows from financing activities			
Cash repayments on lease liabilities	4	(912 517)	(719 359)
Total cash movement for the year		**(20 109 864)**	**(75 124 840)**
Cash and cash equivalents at the beginning of the year		107 378 012	182 502 852
Cash and cash equivalents at the end of the year	7	**87 268 148**	**107 378 012**

ACCOUNTING POLICIES

1. Basis of preparation and summary of material accounting policies

a) Statement of compliance

The financial statements have been prepared in accordance with, and comply with the International Financial Reporting Standards (IFRS) and the Public Finance Management Act 1 of 1999 (PFMA).

b) Basis of measurement

The annual financial statements have been prepared in accordance with the historical cost convention, unless otherwise stated in the accounting policies, and in compliance with International Financial Reporting Standards.

c) Presentation currency

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

d) Going concern

Management has assessed the entity's ability to continue as a going concern and has a reasonable expectation that the entity has adequate resources to continue in operational existence for at least 12 months from the date of approval of these financial statements. Accordingly, the going concern basis has been applied in the preparation of these annual financial statements.

E) use of judgements and key sources of estimation uncertainty

In preparing these annual financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates. Management reviews these judgements and estimates on a regular basis, and any changes are accounted for in the period in which they are revised.

The following areas involve material judgements and significant estimation uncertainties:

Material judgements

- **Going Concern:** Management assesses the entity's ability to continue as a going concern, considering cash flow forecasts, funding availability, and market conditions.
- **Revenue Recognition:** Judgement is applied in determining the timing of revenue recognition, including the identification of performance obligations and the assessment of when control transfers to customers.
- **Lease Term Determination:** Where lease contracts contain extension or termination options, management exercises judgement in determining the lease term based on the likelihood of exercising such options.

Key sources of estimation uncertainty:

- **Expected Credit Losses (ECLs):** The measurement of ECLs for receivables and other financial assets involves complex estimates regarding the probability of default, loss given default, and forward-looking information.
- **Useful Lives of Property, Plant and Equipment:** Useful lives and residual values are reviewed annually. Estimates are based on expected usage, technical obsolescence, and historical experience.
- **Impairment Assessments:** The determination of whether an asset or cash-generating unit is impaired requires management to estimate the recoverable amount, which involves assumptions about future cash flows and discount rates.
- **Inventory Valuation:** Inventory is reviewed for impairment and net realisable value is estimated based on expected selling prices and costs to sell.

1.1. Material accounting policy information

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

Estimates of residual values and useful lives

The State Diamond Trader reassesses annually the residual values and remaining useful lives of fixed assets.

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

Provisions

Provisions are recognised when the State Diamond Trader has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented

in the Statement of Financial Performance. Contingent assets and contingent liabilities are not recognised on the Statement of Financial Position.

Contingent liabilities

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

Contingent assets

A contingent asset is a possible asset that arises from the past events, the existence of which will be confirmed

only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

1.2 Leases

Lease Accounting Policy (IFRS 16):

The State Diamond Trader recognises a right-of-use (ROU) asset and a corresponding lease liability at the commencement date of each lease, which is the date on which the lessor makes the underlying asset available for use.

The lease liability is initially measured at the present value of unpaid lease payments, discounted using the interest rate implicit in the lease

The ROU asset is initially measured at cost, which includes:

- The initial amount of the lease liability,
- Any lease payments made at or before the commencement date,
- Any initial direct costs incurred
- An estimate of costs to dismantle, remove or restore the asset (where applicable),
- Less any lease incentives received.

The ROU asset is depreciated on a straight-line basis from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term.

After initial recognition:

- The lease liability is increased by interest and reduced by lease payments made.
- The liability is subsequently remeasured to reflect changes in lease terms, lease payments, or if there is a change in the assessment of whether an option will be exercised.

Lease modifications that are not accounted for as a separate lease are remeasured by discounting the revised lease payments using a revised discount rate.

Short-term leases (lease term of 12 months or less) and leases for low-value assets are not recognised on the balance sheet; instead, payments are recognised as an expense on a straight-line basis over the lease term in accordance with the exemption provisions under IFRS 16.

1.3 Property, plant and equipment

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

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

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

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

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

Asset Category	Depreciation rate
Furniture and fixtures	10%
Right of use of asset	10%
Leasehold Improvements	10%
Security Equipment	10%
Computer Equipment	20% – 33%
Diamond Equipment	10%

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

An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated

ACCOUNTING POLICIES CONTINUED

recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount, these are included in profit or loss.

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

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

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

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

1.4 Inventories measurement

Inventories are measured at the lower of cost or net realizable value in the statement of financial position.

Cost Formula

The cost of inventories is determined using the specific identification method and the actual cost of each individual item in inventory is tracked and assigned to that specific item. This means that each diamond is recorded at its actual purchase cost, not an average or assumed cost.

Rough diamonds are individually significant and easily distinguishable and each stone may have a different size, quality, and price, making it both practical and reliable to track the exact cost of each one.

Components of inventory cost

Inventory cost includes:

- Purchase price of rough diamonds
- Non-refundable taxes and import duties
- Transport, freight, handling, and insurance costs
- Other directly attributable costs incurred to bring the inventory to its present location and condition

Inventory cost excludes:

- Refundable taxes (e.g., VAT)
- Storage costs incurred after inventories have reached their present location and condition

Foreign currency transactions

- Inventories purchased in foreign currency are recorded at the spot exchange rate on the transaction date,in accordance with IAS 21
- Subsequent exchange differences, arising from settlement or revaluation of monetary items, do not form part of the inventory cost and are recognized in profit or loss.

Net realizable value

Net realizable value is defined as the estimated selling price of inventory in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

1.5 Impairment of trade and other receivables

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

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

Derecognition

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

1.6 Employee benefits

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

1.7 Revenue

a) contracts with customers

Enforceability of oral "Mazal" contracts

Contracts with customers are established based on customary business practices within the diamond industry, specifically through the oral tradition of the Mazal handshake. This oral agreement is enforceable by industry custom and is recognized as binding between the parties. To solidify enforceability, a broker's note is subsequently prepared and signed, formally documenting the transaction and transfer of ownership.

Payment terms

Sales of rough diamonds are conducted on a cash basis. Payment is due within 72 hours of the customer receiving the sales invoice. These terms are clearly communicated and agreed upon at the point of sale.

Broker's note and transfer of control

Following the oral Mazal agreement, a broker's note is issued and signed by both parties. This broker's note serves as the official record of the transaction, specifying the rights and obligations of each party and the specific diamonds being transferred.Control and ownership of the diamonds are considered transferred to the customer upon signing the broker's note and physical delivery of the diamonds.

b) Performance obligation

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

c) The transaction price

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

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

d) Allocation of the transaction price to the performance obligation

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

e) Revenue recognition

The entity recognizes revenue at a point in time when it satisfies the performance obligation by transferring the promised rough diamonds to a customer. This is determined as the point at which the customer obtains control of the rough diamonds.

When the customer collects the rough diamonds, she/he becomes the rightful owner of the diamonds

A document known as the Broker's Note is signed by both the State Diamond Trader and the customer to indicate the transfer of control of rough diamonds to the customer.

1.7.1 Contract liability (income received in advance)

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

1.7.2 Critical estimates and judgements

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

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

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

ACCOUNTING POLICIES CONTINUED

1.8 Finance income and expense

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

1.9 Cost of sales

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

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

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

1.10 Financial instruments

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

Classification

Financial instruments are measured at fair value and subsequently measured at amortised cost.

Recognition

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

Measurement

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

Cash and cash equivalents

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

Trade and other receivables

Trade and other receivables, excluding, when applicable, VAT and prepayments, are measured, subsequent to initial recognition, at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

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

Trade and other payables

Trade and other payables, excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

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

1.11 Related parties

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

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

1.12 Irregular, fruitless, and wasteful expenditure

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

1.13 Un-recognised commitments

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

1.14. Financial risk management

1.14.1 Overview

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

- Credit risk
- Liquidity risk
- Market risk.

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

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

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

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

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

Credit risk

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

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

Liquidity risk

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

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

Market risk

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

1.14.2 Market risk-sensitivity analysis currency risk

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

Interest rate risk

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

Foreign currency

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The entity is exposed to financial loss arising from currency fluctuations or transactions denominated in a currency other than the entity's functional currency.

ACCOUNTING POLICIES CONTINUED

The entity discloses:

- Its exposure to currency risk
- Risk management strategy
- A sensitivity analysis showing the impact of reasonably possible changes in the ZAR/USD exchange rate on profit
- Hedging arrangements

1.15. Accounting policies, changes in accounting estimates and errors

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

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

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

1.16 Expenditure

Expenditure is a payment or the incurrence of a liability in exchange of goods and services that is measured at cost.

1.17 Translation of foreign currencies

Foreign currency transactions

- The entity enters into uncovered/unhedged foreign currency transactions in respect of purchases of rough diamonds and other goods and services.
- Uncovered foreign currency transactions are recorded on initial recognition in the functional currency (ZAR) using the spot rate on the transaction date.
- The transaction date is the date on which the transaction first qualifies for recognition Where goods and services are delivered Free on Board (FOB) from the port of departure, the significant risks and rewards associated with ownership of the goods are transferred to the entity on delivery to the point of departure. The entity pays for the shipping costs and insurance as well as the price of the purchased items.
- If goods are delivered on a cost, insurance, freight (CIF) basis, the risks and rewards of ownership associated with ownership still pass at the port, but the seller arranges for the shipping of the items involved.
- The entity distinguishes between Monetary Items (Cash, Debtors and Creditors) and Non-Monetary Items (Prepayments, Inventories, Property Plant and Equipment etc) to determine subsequent measurement.
- Once a non-monetary item (Inventory) has been recorded at a particular amount, the amount will not subsequently change due to currency fluctuations.
- Where a foreign monetary item has not been paid at the reporting date, it will be converted at the closing rate ruling on that date and any differences are taken to the profit or loss section of the statement of profit or loss and other comprehensive income.
- Where a foreign monetary item has not been paid at the reporting date, it will be converted at the closing rate ruling on that date and any differences are taken to the profit or loss section of the statement of profit or loss and other comprehensive income.
- If a foreign monetary item is settled prior to the reporting date, any differences that may arise are taken to the profit or loss section of the statement of profit or loss and other comprehensive income.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the State Diamond Trader has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

STANDARD/INTERPRETATION	EFFECTIVE DATE YEARS BEGINNING ON OR AFTER	EXPECTED IMPACT
Lack of exchangeability – amendments to IAS 21	1 January 2025	The adoption of this amendments has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the financial statements

2.2 Standards and interpretations not yet effective

The State Diamond Trader has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the State Diamond Trader's accounting periods beginning on or after 1 April 2026 or later periods:

STANDARD/INTERPRETATION	EFFECTIVE DATE YEARS BEGINNING ON OR AFTER	EXPECTED IMPACT
IFRS 18 Presentation and Disclosure in Financial Statements	1 January 2027	The impact is reasonably expected to be significant for SDT
Amendments to IFRS 7 Financial Instruments: Disclosures	1 January 2026	The impact is reasonably expected to be significant for SDT
Amendments to IFRS 9 Financial Instruments	1 January 2026	The impact is reasonably expected to be significant for SDT
Amendments to IAS 7 Statement of Cash flows	1 January 2026	The impact is reasonably expected to be significant for SDT
Amendments to IFRS 9 and IFRS 7: Amendments to the Classification and Measurement of Financial Instruments	1 January 2026	The impact is reasonably expected to be significant for SDT

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

3. Property, plant and equipment

	2026			2025		
	Cost or revaluation R	Accumulated depreciation R	Carrying value R	Cost or revaluation R	Accumulated depreciation R	Carrying value R
Furniture and fixtures	796 514	(555 103)	241 411	659 839	(554 903)	104 936
Leasehold improvements	554 649	(187 677)	366 972	451 649	(140 796)	310 853
Security equipment	382 389	(157 925)	224 464	382 389	(121 829)	260 560
Computer equipment	1 083 890	(645 355)	438 535	905 671	(485 065)	420 606
Diamond equipment	1 492 729	(941 070)	551 659	1 477 609	(843 807)	633 802
Total	**4 310 171**	**(2 487 130)**	**1 823 041**	**3 877 157**	**(2 146 400)**	**1 730 757**

Reconciliation of property, plant and equipment – 2026

	Opening balance R	Additions R	Depreciation R	Carrying value R
Furniture and fixtures	104 936	136 938	(463)	241 411
Leasehold improvements	310 853	103 000	(46 882)	366 972
Security equipment	260 560	–	(36 096)	224 464
Computer equipment	420 606	178 219	(160 290)	438 535
Diamond equipment	633 802	15 120	(97 261)	551 659
	1 730 757	**433 277**	**(340 992)**	**1 823 041**

Reconciliation of property, plant and equipment – 2025

	Opening balance R	Additions R	Depreciation R	Carrying value R
Furniture and fixtures	112 633	–	(7 697)	104 936
Leasehold improvements	356 018	–	(45 165)	310 853
Security equipment	280 717	15 942	(36 099)	260 560
Computer equipment	456 572	102 852	(138 818)	420 606
Diamond equipment	740 300	–	(106 498)	633 802
	1 946 240	**118 794**	**(334 277)**	**1 730 757**

Changes in estimates

The entity has reassessed the useful lives of property,plant and equipment which resulted in certain assets remaining useful lives changes;Diamond Equipment, Furniture and Fittings, Security Equipment and Computer Equipment useful lives increased by one(1) year on average. The effect of the change in accounting estimates has resulted in a decrease in depreciation amounting to R11 925.00 for the current period. The effect on future periods will decrease the depreciation and amortisation by R11 925.00.

Impairment of assets

In terms of IAS 36 "Impairment of assets", entities are required to assess the impairment of its assets to comply with IFRS standards and assets management policy. State Diamond Trader has assessed the impairment of its assets for the financial year ended 31 March 2026. Indications of impairment have not been identified during impairment assessment and therefore impairment loss was not recognised at the reporting date.

4. Right-of-use assets

	2026			2025		
	Cost or revaluation R	Accumulated depreciation R	Carrying value R	Cost or revaluation R	Accumulated depreciation R	Carrying value R
Buildings	12 120 264	(5 340 067)	6 780 197	12 120 264	(4 107 303)	8 012 961

Reconciliation of right-of-use assets – 2026

	Opening balance R	Depreciation R	Carrying value R
Buildings	8 012 961	(1 232 763)	6 780 197

Reconciliation of right-of-use assets – 2025

	Opening balance R	Additions R	Depreciation R	Carrying Value R
Buildings	8 642 885	445 733	(1 075 657)	8 012 961

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

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

The adjustment relates to parking bays that were still under construction

The entity's details and its leasing activities are provided in Note 4.3.

Other disclosures

	2026 R	2025 R
Interest expense on lease liabilities	931 314	1 003 846

Right-of-use assets held at revalued amounts

Lease liabilities – (Refer to lease liability separate note 8)

The maturity analysis of lease liabilities is as follows:

	2026 R	2025 R
Non-current liabilities	8 705 779	9 838 368
Current liabilities	1 132 589	912 517
	9 838 368	**10 750 885**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

4.1 Amounts recognised in the statement of comprehensive income

Depreciation charge of Right-of-Use (Office Building and Parking Bays) Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The Right-of-Use asset is depreciated over the underlying asset's useful life.

	2026 R	2025 R
Depreciation charge of Right-of-use (Office building and parking bays)	1 232 763	1 075 657
Interest on lease liabilities	931 314	1 003 846
	2 164 077	**2 079 503**

4.2 Amounts recognised in the statement of cash flows

	2026 R	2025 R
The total cash outflow for leases	1 843 832	1 723 207

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

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

The non-lease components are included in operating expenses.

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

4.4 Interest rate

The lease payments are discounted using the interest rate implicit in the lease.

4.5 Variable lease payments

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

4.6 Extension and termination options

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

5. Inventories

	2026 R	2025 R
Opening stock	–	822 546
Purchases	311 542 966	321 539 048
Transport costs	423 727	351 995
Cost of sales	(311 966 693)	(322 713 589)
Closing stock	**–**	**–**

6. Trade and other receivables

	2026 R	2025 R
Financial instruments:		
Accrued income	86 929	44 656
Other receivables	-	-
Gross carrying amount	451 858	583 517
Less – credit loss allowances	(451 858)	-
Net carrying amount	-	-
Non-financial instruments:		
Vat receivable	4 071 072	1 465 088
Prepayments	723 696	27 014 257
Total trade and other receivables	**4 881 697**	**29 107 518**

Exposure to currency risk

7. Cash and cash equivalents

	2026 R	2025 R
Cash and cash equivalents consist of:		
Bank balances	42 512 991	29 310 853
Short-term Investments	44 755 157	78 067 159
	87 268 148	**107 378 012**

8. Lease liabilities

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

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

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

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

	2026 R	2025 R
Net lease liabilities		
Current liabilities	1 132 589	912 517
Non-current liabilities	8 705 779	9 838 368
	9 838 368	**10 750 885**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

9. Trade and other payables

	2026 R	2025 R
Financial instruments:		
Creditors	224 366	1 232 713
Vat payable	-	237 912
Leave accrual	1 528 648	956 464
Accrued expenses	1 369 830	662 426
Non-financial instruments:		
Income received in advance	–	27 293 180
	3 122 844	**30 382 695**

10. Revenue

	2026 R	2025 R
Sales derived from local purchases	300 816 966	334 478 623
Sales derived from foreign purchases - Botswana	23 430 094	–
	324 247 060	**334 478 623**

11. Cost of sales

Reconciliation	Note(s)	2026 R	2025 R
Cost of sales			
Opening stock		–	822 546
Purchases		311 542 966	321 539 048
Transport costs		423 727	351 995
	11	**311 966 693**	**322 713 589**

Purchases from Botswana, totaling R22 489 593.89, and the related transport costs totaling R17 936.24 are included in the cost of sales.

12. Other income

	2026 R	2025 R
Mining Qualification Authority Grants	309 907	1 825 469

13. Depreciation and amortisation

	2026 R	2025 R
Depreciation		
Property, plant and equipment	340 731	334 277
Right-of-use assets	1 232 763	1 075 657
	1 573 494	**1 409 934**

14. Finance income

	2026 R	2025 R
Interest income		
Interest received	6 250 089	9 032 820

15. Finance costs

	2026 R	2025 R
Interest on lease liability	931 314	1 003 846

16. Cash used in operations

	2026 R	2025 R
Total Comprehensive Loss for the year	(17 303 797)	(17 386 500)
Adjustments for:		
Depreciation, amortisation, impairments and reversals of impairments	1 573 495	1 409 934
Movements in provisions	–	(1 637 156)
Adjust for items which are presented separately:		
Finance income	(6 250 089)	(9 032 820)
Finance costs	931 314	1 003 846
Changes in working capital:		
(Increase) decrease in inventories	–	822 546
(Increase) decrease in trade and other receivables	24 268 094	(25 535 299)
Increase (decrease) in trade and other payables	(27 259 589)	(31 960 211)
	24 040 572	**(82 315 660)**

17. Commitments

	2026 R	2025 R
Unrecognised commitments		
Unrecognised commitments relate to items that been contracted for but not provided for:		
♦ Unrecognised commitments	4 372 588	2 719 176
Lease commitments		
Minimum lease payments due		
– within one year	2 140 903	2 044 661
– in second to fifth year inclusive	8 616 184	10 828 848
	10 757 087	**12 873 509**

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

18. Contingencies

Contingent Liabilities

The State Diamond Trader is not aware of any contingent liabilities that existed as at 31 March 2026.

Contingent Assets

The State Diamond Trader is not aware of any contingent asset that existed as at 31 March 2026.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

19. Related parties

The State Diamond Trader is wholly owned by the National Government of the Republic of South Africa represented by the Minister of Mineral and Petroleum Resources. The State Diamond Trader is a Schedule 3B public entity in terms of the PFMA. The State Diamond Trader has a related party relationship with its shareholders, government entities controlled by the shareholder and its board and executive team.

All transactions with government departments and its entities were at arm's length and therefore these were normal dealings.

Relationships

- Shareholder (Department of Mineral Resources and Petroleum)
- Members of key management (Note 22)
- Board members (Note 22)

Key transactions and balances with related parties

The below transactions and balances with related parties have been entered into in the capacity of entities owned by the same shareholder:

	2026 R	2025 R
Purchases of goods and services		
♦ Department of Mineral and Petroleum Resources	300 000	300 000
♦ South African Diamond & Precious Metals Regulator (SADPMR)	27 193	5 300
♦ Alexkor RMC JV	8 697 437	9 629 524

20. Profit/(Loss) from operating activities is stated after accounting for the following operating expenses:

	2026 R	2025 R
Marketing and advertising	474 404	642 778
Auditors remuneration	1 527 938	1 795 426
Bank charges	30 182	26 696
Consulting fees	1 378 043	1 126 491
Depreciation	1 573 494	1 409 934
Conferences and exhibitions	992 408	6 514 822
Office supplies	249 622	129 854
Board fees	1 222 920	751 838
Water and electricity	379 809	345 679
General expenses	505 527	1 370 564
Employee benefits	20 595 622	16 893 273
ICT services	959 438	930 357
Insurance	410 613	372 073
Legal services	-	162 630
Printing and stationery	29 594	146 020
Repairs and maintenance	40 087	16 260
Security and cleaning	196 411	213 544
Telephone	86 808	83 278
Training and development	736 497	722 374
Travelling	3 371 208	5 352 086
Bad debts	452 221	–
	35 212 846	**39 005 977**

Employee costs

The total cost of employment of all employees, including executive directors, was as follows:

	2026 R	2025 R
Salaries	17 439 399	14 083 370
Employee benefits	3 156 223	2 809 903
Accrued performance bonuses	–	–
Accrual	–	1 637 156
Reversal	–	(1 637 156)
Total employee costs	**20 595 622**	**16 893 273**

21. Executive emoluments

Executive

Short-term benefits

2026	Executive fees R	Total R
Executive remuneration		
Ms N Mzamo	2 584 834	2 584 834
Ms S Madolo	1 835 583	1 835 583
Mr C van der Ross	1 968 913	1 968 913
Mr S Mhlangu	1 424 443	1 424 443
	7 813 773	**7 813 773**

2025	Executive fees R	Total R
Executive remuneration		
Ms N Mzamo	2 438 523	2 438 523
Ms S Madolo	1 731 682	1 731 682
Mr C van der Ross	1 857 465	1 857 465
Mr S Mhlangu	1 343 815	1 343 815
	7 371 485	**7 371 485**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

Non-executive

Board emoluments

2026	Board fees R	Travel claims and data allowances R	Total R
Services as Board members			
Mr A Chikane	295 812	15 000	310 812
Mr J Hugo	178 479	7 500	185 979
Adv M Lebakeng	227 994	10 500	238 494
Ms H Diatile	179 709	7 500	187 209
Ms SMB Nyakale	–	10 500	10 500
Mr E Blom	179 968	7 500	187 468
Mr L Dlamini	–	10 500	10 500
Ms A Rossouw(From 20 September 2024 to 30 November 2025)	93 345	6 054	99 399
Dr O Masekoa	–	10 500	10 500
Mr J Du Toit Boning	55 106	7 500	62 606
Mr S Mosepedi	12 507	875	13 382
	1 222 920	**93 929**	**1 316 849**

2025	Board fees R	Travel claims and data allowances R	Total R
Services as Board members			
Mr J Hugo (From 01 April 2024 until 20 September 2024)	53 570	2 500	56 070
Mr A Chikane(From 20 September 2024)	159 148	7 500	166 648
Adv M Lebakeng (From 20 September 2024)	106 833	4 500	111 333
Mr J Hugo(From 20 September 2024)	77 776	6 500	84 276
Mr J Du Toit Boning (From 20 September 2024)	8 010	3 000	11 010
Ms S.M.B Nyakale (From 20 September 2024)	-	4 500	4 500
Ms H Diatile (From 20 September 2024)	72 578	4 500	77 078
Ms M Mosing (From 1 April until 20 September 2024)	79 458	6 428	85 886
Mr E Blom (From 20 September 2024)	69 583	4 500	74 083
Mr L Dlamini	–	4 500	4 500
Dr O Masekoa	–	4 500	4 500
Mr T Malekutu (From 20 September 2024 until 11 December 2024)	8 010	750	8 760
Ms A Rossouw (From 20 September 2024)	60 194	3 000	63 194
	695 160	**56 678**	**751 838**

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

- Mr L Dlamini
- Mr C Khosa
- Ms S Nyakale
- Dr O Masekoa

22. Subsequent events

The financial statements were authorised for issue by the Board on 31 July 2026. Management and the Board have evaluated events occurring after the reporting date and up to the date of authorisation. No material events have occurred in this period that would require adjustment to or disclosure in these financial statements.

23. Segment reporting

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

a. That engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity).

b. Whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and

c. For which discrete financial information is available.

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

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

24. Contract liabilities

	2026 R	2025 R
Reconciliation of contract liabilities		
Opening contract liabilities(Income received in advance)	27 293 180	–
Additions (New advances received)	–	27 293 180
Amounts recognised as revenue during the year	(27 293 180)	–
Closing contract liabilities (Income received in advance at 31 March 2026)	–	–
Closing Balance	**–**	**27 293 180**

25. Taxation

The entity is exempt from income tax in terms of Section 10(1)(cA)(i) of the Income Tax Act. Because the entity's receipts and accruals are fully exempt, no temporary differences arise, and consequently, no deferred tax assets or liabilities are recognised in the financial statements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

26. Financial instruments and risk management

Financial risk management

Credit risk management

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

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

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

The maximum exposure to credit risk is presented in the table below:

		2026			2025		
	Note(s)	Net carrying amount	Credit loss allowance R	Amortised cost/fair value	Net carrying amount	Credit loss allowance R	Amortised cost/fair value
Trade and other receivables	6	86 929	–	86 929	628 173	–	628 173
Cash and cash equivalents	7	87 268 148	–	87 268 148	107 378 012	–	107 378 012
		87 355 077	**–**	**87 355 077**	**108 006 185**	**–**	**108 006 185**

Liquidity risk management

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

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

2026	Total R	Not later than one month R	Later than one month and not later than three R	Later than three months and not later than one year R	Total R	Later than one year R
Non-current liabilities						
Lease liabilities	9 838 368	81 559	270 195	780 836	10 970 958	8 705 779
Current liabilities						
Trade and other payables	–	1 594 196	–	–	1 594 196	–
Lease liabilities	–	–	–	1 132 589	1 132 589	–
	9 838 368	**1 675 755**	**270 195**	**1 913 425**	**13 697 743**	**8 705 779**

2025	Note(s)	Total R	Not later than one month R	Later than one month and not later than three R	Later than three months and not later than one year R	Total R	Later than one year R
Non-current liabilities							
Lease liabilities		10 288 909	64 552	216 977	630 988	11 201 426	9 838 368
Current liabilities							
Trade and other payables	9	–	1 895 139	–	–	1 895 139	–
Lease liabilities		–	–	–	912 517	912 517	–
		10 288 909	**1 959 691**	**216 977**	**1 543 505**	**14 009 082**	**9 838 368**

The maturity profile of contractual cash flows of liabilities are as follows:

Currency risk

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

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The entity is exposed to financial loss arising from currency fluctuations or transactions denominated in a currency other than the entity's functional currency.

No material foreign currency exposure existed at year end.

Market risk management

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

Interest rate risk

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

Year	Cash and cash equivalents	1%	2%	3%	4%
2026 impact of increase in possible rate changes	87 268 148	88 140 829	89 013 511	89 886 192	90 758 874
2026 impact of decrease in possible rate changes	87 268 148	86 395 467	85 522 785	84 650 104	83 777 422
2025 impact of increase in possible rate changes	107 378 012	108 451 792	109 525 572	110 599 352	111 673 132
2025 impact of decrease in possible rate changes	107 378 012	106 304 232	105 230 452	104 156 672	103 082 892
	–	–	–	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

27. Irregular,fruitless and wasteful expenditure

There was no irregular,fruitless & wasteful expenditure reported in the current period.

28. Going concern

In assessing the appropriate basis for preparing the financial statements, the Board and management of SDT have evaluated whether the entity can continue to operate for the foreseeable future. This assessment considered the current and forecasted financial position, recurring financial performance, ongoing cost management initiatives, and a review of the business model.

28.1. Assessment period

The Board's going concern assessment covers the period to at least twelve months from the date of approval of these financial statements, ending no earlier than 30 June 2027.

28.2. Key forecast assumptions

The financial forecasts are based on management's best estimates regarding:

- **Market recovery:** Gradual improvement in diamond market prices in the second half of FY2026/27.
- **Sales volumes:** Modest growth in rough diamond sales, factoring in current market conditions and ongoing sourcing initiatives.
- **Cost management:** Continued realisation of cost reductions and operational efficiencies as per current plans.
- Stable regulatory environment and no material adverse changes in trading conditions.

28.3. Downside scenario

Management has performed sensitivity analyses and modeled scenarios including:

- Prolonged market weakness leading to lower-than-expected revenues.
- Delays in realising cost reductions or unexpected increases in core expenses.
- Potential disruptions in diamond sourcing or export logistics. In these downside cases, mitigating actions include further cost containment, pausing discretionary spending, and seeking additional short-term funding if required.

28.4. SDT's financial position

As at 31 March 2026, SDT had cash and cash equivalents of R87.3 million and a highly liquid balance sheet, with current assets of R92.1 million exceeding current liabilities of R4.2 million. The liquidity ratio of 21:1 and solvency ratio of 7.77 demonstrate SDT's ability to meet its short-term and long-term obligations. SDT's low leverage, liabilities are a small portion of total assets, minimises reliance on external debt. Despite a declining trend in equity and assets as a result of recurring losses, the entity maintains strong liquidity and financial stability.

28.5. Cash availability, funding, and sourcing status

SDT's cash reserves are forecast to remain above R60 million throughout the assessment period under the base case. SDT is actively pursuing additional funding sources, including government grants and private finance to support its revised business model. SDT's diamond sourcing arrangements with local and foreign producers, including Botswana, remain in place and are under regular review to ensure stability.

28.6. Recurring losses

Over the past three financial years, SDT has experienced recurring operating and net losses due to sustained depressed diamond market conditions. For FY2025/26, SDT reported a net loss of R17.3 million (prior year: R17.39 million). Operating losses have improved, decreasing from R25.4 million in FY2024/25 to R22.6 million in FY2025/26, reflecting early success in cost reduction and operational efficiency. The continued cash outflows to cover operating losses have resulted in a reduction in cash reserves, highlighting the importance of restoring profitability for long-term sustainability.

28.7. Cost containment measures

Management has implemented and continues to monitor comprehensive cost containment measures: Operating expenses were reduced from R39.0 million in FY2024/25 to R35.2 million in FY2025/26. Ongoing initiatives target further efficiencies in employee costs, consulting fees, and other operating expenses. These measures have contributed to narrowing operating losses and reducing cash utilized in operations from R82.3 million in FY2024/25 to R24 million in FY2025/26.

28.8. Review of the operating model

SDT has embarked on a strategic review and revision of its operating and business model, with the following objectives:

- Align the business model with the mandate prescribed in the Diamonds Act (Act 56 of 1986).
- Develop a financial model appropriate for SDT's revised business case for sourcing and trading diamonds.
- Identify and diversify revenue streams to support SDT's financial sustainability, as demonstrated by the profitable inclusion of rough diamond purchases from Botswana in FY2025/26 revenues.
- Explore potential funding sources for SDT's development and marketing strategies.
- Provide recommendations on the most viable and sustainable financial strategies for SDT's long-term success.
- The business model is in progress and is expected to be completed before the end of FY2026/27.

28.9. Post-year-end performance

Subsequent to year end and up to the date of this report, trading performance was below expectations as post year end results were below initial expectations due to persistent production declines. There have been no significant adverse events or deterioration in liquidity. Management continues to monitor market developments and review financial forecasts on a regular basis.

28.10. Going concern considerations

While the Board and management remain confident in SDT's ability to continue as a going concern, they acknowledge concerns regarding the continued depressed market conditions, recurring losses, and reliance on a timely recovery in diamond prices. Should market conditions worsen significantly or forecasted improvements not materialize, the SDT may need to seek additional funding or undertake further cost restructuring to ensure continued viability.

28.11. Conclusion

Based on the above, and with reference to forecasts and current cash reserves, the Board and management believe SDT has adequate resources and a robust strategy to continue as a going concern. The financial statements have therefore been prepared on a going concern basis. The Board and management remain committed to restoring profitability, preserving liquidity, and ensuring long-term financial sustainability through ongoing cost monitoring, revenue diversification, and strategic business model enhancement.

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