

Company Registration No. 06501918

Forevermark Limited

Annual Report and Financial statements

For the year ended

31 December 2019

Forevermark Limited

Financial statements For the year ended 31 December 2019

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Forevermark Limited

Officers and professional advisers

Directors

R G Giles
J G Kendall
S C Lussier
A J Kirkbride
N Liu (appointed on 17 May 2019)

Company Secretary

Anglo American Corporate Secretary Limited

Registered Office

20 Carlton House Terrace
London
SW1Y 5AN
United Kingdom

Auditor

Deloitte LLP
Statutory Auditor
London
United Kingdom

Forevermark Limited

Strategic Report

The purpose of the strategic report is to provide a brief summary of Forevermark Limited's ("the Company") performance as well as the Company's strategies that will impact future reporting periods.

General review and key performance indicators

The Company receives funding through its parent, with additional revenues being derived from third parties with respect to services provided to Forevermark retailers and diamantaires.

Revenue for 2019 was \$171,570k (2018: \$143,254k) and gross profit \$1,221k (2018: operating loss \$144k). The Company's financial key performance indicators are:

- the maximisation of third party revenues; and
- the control and cost-effective spend of marketing costs.

Third party revenues are primarily Retail door revenue and Grading and Inscription revenue.

Group recoveries have increased due to increased marketing spend on behalf of the Group.

Retail door revenue has increased 20% year on year due to favourable variable fee income agreements and an increase in the number of doors in which Forevermark has presence.

Grading and Inscription revenue has increased 86% year on year (see note 3). This is primarily due to a renegotiation in contract terms with key customers, which resulted in a one-off inflow of revenue in 2019 and will also see increased revenues in future years.

The Company continues to effectively control spend on operating expenses. The increase of 19% is considered, by the directors, to be acceptable in the course of business.

Principal risks and uncertainties

The focus of risk management is on identifying, assessing, evaluating, managing, reporting and monitoring all known forms of risk across the Group. Group and Company management is involved in a continuous process of developing and enhancing its comprehensive risk mitigation and control procedures to improve the mechanisms for managing and monitoring risks.

Market risk

The principal risk facing the Company is variability in demand for Forevermark diamonds from consumers, driven by fluctuations in the retail market. The Company's marketing programmes form a key part of the De Beers Group's strategy to maintain demand in the retail market.

Credit risk

The Company's principal financial assets are cash at bank and trade and other receivables.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful debts.

The Company has no significant concentration of credit risk, with exposure spread over a number of customers.

Interest risk

The Company is financed by its parent, De Beers UK Limited, through funding received under a formal Service Licence Agreement which provides funds to cover the Company's day-to-day expenditure. A loan has also been advanced by Anglo American Capital plc with interest charged at a floating rate linked to the London Inter Bank Offered Rate ("LIBOR").

Fluctuations in interest rates will therefore impact on the Company's net finance cost. At the balance sheet date, all borrowings are unsecured.

The Group's Corporate Treasury function provides services to the Company, co-ordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Company. The Company does not seek to manage fair value interest rate risk and cash flow interest rate risk on

Forevermark Limited

Strategic Report (continued)

Principal risks and uncertainties (continued)

Interest risk (continued)

fixed and floating borrowings, or to manage foreign exchange risks on foreign currency liabilities as these risks are managed at the Group level. The Company does not enter into any financial derivative contracts, and does not enter into or trade financial instruments for speculative purposes.

Brexit risk

The Company does not consider Brexit to pose a material risk to ongoing operations.

Foreign exchange rate

The Company is exposed to foreign exchange rate movements on accounts denominated in currencies other than US\$.

Going concern

The Company's ability to operate as a going concern has been assessed by the Directors of the company, alongside the wider assessment of De Beers plc and its subsidiaries (together the "Group"), as the Company's viability is dependent upon the ability of the Group companies to settle their intercompany balances with the Company and to provide funds for working capital needs. In making this assessment, the Directors note that the Company's parent, De Beers UK Limited, has confirmed that they will provide financial resources, where requested, for at least 12 months from the date of signing these financial statements. In addition, the Directors note that the Company has committed funding in place through its contractual loan facility with its ultimate Parent Company Anglo American plc.

The Directors have therefore concluded that the Company will have sufficient funds, including taking account of possible risks relating to potential changes in trading performance (including specifically the potential impact of COVID-19 on the cash flows of the Company and Group) and amounts owed by other Group companies, to conclude that the Company can adopt the going concern basis for the foreseeable future.

Section 172 Statement

The Forevermark Limited Board recognises its legal duty to act in good faith and to promote the success of the Company for the benefit of its shareholders and with regard to the interests of other stakeholders. These include the likely consequences of any decisions we make in the long term; the need to foster the relationships we have with all our stakeholders; the interests of our employees; the impact our operations have on the environment and local communities; and the desire to maintain a reputation for high standards of business conduct.

The Board received an update on the Companies (Miscellaneous Reporting) Regulations 2018 amongst other things.

As with any business, we are aware that the decisions we make may affect different stakeholders in different ways and we therefore consider risks relating to potential adverse impacts on certain groups. By listening to, understanding and engaging with our stakeholders, the Board endeavours to consider their expectations, by staying true to our Purpose and making decisions in accordance with our Values.

Our Purpose, Values, Principles and Founding Objectives

The Board recognises the role the Company and the Forevermark brand plays in society and within De Beers Group. The Group's Purpose statement is to 'Make Life Brilliant', and the Company is focused on contributing to the achievement of this Purpose. Connected to this Group Purpose, the Forevermark brand Purpose is to 'Spark More Beautiful and Meaningful Tomorrows.' We seek to increase the meaning and significance of diamonds for consumers through their journey, now and in the future. By providing a branded diamond that comes with the promise of being beautiful, rare and responsibly sourced, Forevermark aims to be a trusted partner within the diamond industry.

The Group's Values: Put Safety First; Be Passionate; Pull Together; Build Trust; Show We Care; and Shape The Future, guide our behaviour and shape our culture, and are fundamental to creating enduring benefit for all our employees, shareholders, and stakeholders in a way that demonstrably improves people's lives.

Forevermark Limited

Strategic Report (continued)

Forevermark adheres to the De Beers Best Practice Principles (BPP). The BPP Programme is a set of the highest ethical, social and environmental standards that are verified by a third-party auditor, SGS United Kingdom Limited, on annual basis through verification visits. Forevermark participates in this programme alongside all other De Beers Group entities and is compliant against the criteria. The BPP's are based on globally-recognized best practice standards that include the United Nations Guiding Principles on Business and Human Rights, the International Finance Corporation's Performance Standards, the Organisation of Economic Cooperation and Development's Guidance for Responsible Sourcing, the International Labour Organisation and the Voluntary Principles on Security and Human Rights.

Forevermark was established with a defined set of objectives:

- Reinforce the emotional symbolism of natural diamonds, thereby supporting and growing consumer demand for the category
- Respond authoritatively and authentically to consumers' ethical concerns
- Offer a value-adding proposition to the retail diamond jewellery industry

The Board believes that, in pursuing our Purpose, living our Values, adhering to our Best Practice Principles and staying focused on our founding objectives, Forevermark operates in a way that seeks to meet the evolving expectations of our shareholders and stakeholders.

Engaging our stakeholders

Healthy stakeholder relationships help us to better communicate how our business decisions, activities and performance are likely to affect or be of significant interest to our stakeholders, and provide the opportunity to co-create effective and lasting solutions to business and other challenges.

The Company's stakeholders include our employees, customers, suppliers, business partners, governments, industry peers, trade associations, the media and importantly, our host communities, in addition to our shareholder.

Long-Term Decision Making

The Board takes a range of factors and stakeholder considerations into account when making decisions. Decisions are made within the current context but take into account long-term factors that may impact the Company and its stakeholders.

As a member of De Beers Group, Forevermark is well positioned to guide the diamond industry's engagement with consumers in the future. During 2019, the Board renewed Forevermark's desire to positively affect stakeholder groups through its business, social and environmental activities. This has been articulated in the framework 'Building Forever'.

Forevermark's application of the Building Forever framework incorporates the following goals:

- To become the most ethical and sustainable premium jewellery brand
- To go beyond the promise of responsibly sourced diamonds and ensure all product attributes are sourced in a socially and environmentally responsible way
- To support De Beers Group's journey towards carbon neutrality
- To ensure sustainability is at the heart of everything we do

The Board trust that, by incorporating Building Forever goals in all long-term decisions, Forevermark will have a positive influence on the diamond markets, communities and environment in which we operate.

The Interests of the Company's Employees

The Board acknowledges that our people are critical to everything we do. We create safe, inclusive and diverse working environments that encourage and support high performance and innovative thinking. We are acutely aware that to get the best from our people, we need to understand their viewpoints and address any concerns they may raise about working for us.

We consider workforce engagement to be a priority for every leader at De Beers Group; for several years, the Group has run regular surveys to identify areas where, for example, we need to do more to ensure that colleagues feel cared for and respected. In 2019, the Group completed an anonymous Employee Engagement Survey that was made available to all of the Company's employees. Responses have been collated and follow-up actions are being progressed.

The Board ensures that the interest of employees is at the centre of any decisions made. Our first and most important value as a Company is to Put Safety First, firmly believing that no diamond is worth as much as a human life.

Forevermark Limited

Strategic Report (continued)

The Company have a number of other engagement channels with employees, including regular employee presentations, annual events such as Global Safety Day and the YourVoice platform that enables employees to raise any concerns they may have anonymously.

Relationships with Suppliers and Customers

Forevermark aims to be a valued and trusted partner to all members of the diamond industry. This includes the suppliers and customers that we operate with.

Forevermark engages with suppliers and customers through a variety of business and industry forums in addition to direct personal conversation. Topics discussed include terms and conditions of contracts, delivery of product on agreed terms, and ensuring environmentally and socially responsible performance and risk management.

Forevermark adheres to a responsible sourcing policy and Pipeline Integrity Programme that audits against the adherence to this policy.

Communities

Forevermark aims to be a valued partner for all communities that we operate in. Through our promise to only sell diamonds that are responsibly sourced, we are committed to the support for the advancement of women, to ensuring that each diamond is conflict-free, and to preserve and protect the habitats and species of the natural world.

Directors training

All new directors receive suitable induction training and management are also made aware of the director's duties in order to enhance their effectiveness in achieving the Company's Purpose.

Information

The Company has an internal website for the purpose of communications to staff, where regular updates and events are communicated on a regular basis.

The Board receives a broad range of reports to address the s172 duty. These discuss current operational issues and market information, enabling them to make informed judgements about their stakeholder interests and factors that are relevant for the Company.

Approval

This report was approved by the board of directors and signed on its behalf by:



A J Kirkbride
Director
14 May 2020

Forevermark Limited

Directors' Report

The directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2019.

Results and dividends

The loss for the year, after taxation, amounted to \$400k (2018: \$1,898k). The directors do not recommend the payment of an ordinary dividend (2018: \$nil).

Principal Activities

The Company is a wholly-owned subsidiary of De Beers UK Limited ("DBUK"), incorporated in the UK. The principal activity of the Company is to provide marketing activities on behalf of the De Beers Group (the "Group").

Financial risk management

Management of financial risk is discussed within the strategic report.

Future developments

The directors consider the outlook for the Company to be good. The Forevermark programme is being actively rolled out into new territories on a global basis and continues to go through a period of expansion.

Post balance sheet events

Since early January 2020, the coronavirus outbreak has spread across mainland China and beyond, causing disruption to business and economic activity in many territories. This has the potential to significantly impact the Diamond Industry and therefore the Company at least for the short to medium term. Management regard this as a non-adjusting post balance sheet event, and there is no deemed impact on the 31 December 2019 results. Given the inherent uncertainties and socio-economic effects of coronavirus, this could materially affect the prospects of the Company in the future. However, it is not practical at this time to determine the financial impact of the coronavirus on future trading or the carrying value of assets held.

Going Concern

The application of the going concern principle is discussed within the strategic report.

Disclosure of audit information

Each of the directors at the date of approval of this report confirms that:

- in so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware;
- the director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditor

Deloitte LLP will not be seeking re-appointment as auditor of the Company at the conclusion of their current term of office. Accordingly, the directors intend to appoint PricewaterhouseCoopers LLP as external auditor to the Company for 2020. This follows the impending appointment of PricewaterhouseCoopers LLP as external auditor to the Group at the 2020 Annual General Meeting of Anglo American plc, the Company's ultimate parent company. There are no circumstances connected with the resignation of Deloitte LLP as external auditor which should be brought to the attention of members or creditors of the Company.

Forevermark Limited

Directors' Report (continued)

Directors

The directors who served throughout the reporting period and up to the date of signing were as follows:

R G Giles
J G Kendall
S C Lussier
A J Kirkbride
N Liu (appointed 17 May 2019)

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

This report was approved by the board of directors and signed on its behalf by:



A J Kirkbride
Director
14 May 2020

Forevermark Limited

Directors' Responsibilities Statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Forevermark Limited

Independent auditor's report to the members of Forevermark Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Forevermark Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework" and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 25.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of Forevermark Limited (continued)

Auditor's responsibilities for the audit of the financial statements

Our 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Lucy Openshaw (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
14 May 2020

Forevermark Limited

Income Statement for the year end 31 December 2019

| | Notes | 2019 \$'000 | 2018 \$'000 |
|--|-------|----------------|----------------|
| Revenue | 3 | 171,570 | 143,254 |
| Cost of Sales | | (170,349) | (143,398) |
| | | <hr/> | <hr/> |
| Gross profit / (loss) | | 1,221 | (144) |
| Finance costs | 5 | (443) | (565) |
| Loss on disposal | | (4) | - |
| | | <hr/> | <hr/> |
| Profit / (Loss) before taxation | 6 | 774 | (709) |
| Taxation charge | 9 | (1,174) | (1,189) |
| | | <hr/> | <hr/> |
| Loss after taxation | | (400) | (1,898) |
| | | <hr/> | <hr/> |
| Total comprehensive expense | | (400) | (1,898) |
| | | <hr/> | <hr/> |

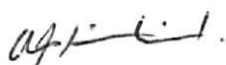
All of the results are derived from continuing operations. There were no items of other comprehensive income in the current or prior year other than loss for the year therefore a separate Statement of Comprehensive Income is not presented.

Forevermark Limited

Balance sheet as at 31 December 2019

| | Notes | 2019 \$'000 | 2018 \$'000 |
|--|-------|-----------------|-----------------|
| Non-current assets | | | |
| Intangible assets | 10 | 535 | 842 |
| Property, plant and equipment | 11 | 4,647 | 4,443 |
| Investments in subsidiaries | 12 | 17,499 | 13,999 |
| Deferred tax assets | 13 | 1,387 | 1,302 |
| Total non-current assets | | 24,068 | 20,586 |
| Current assets | | | |
| Trade and other receivables | 15 | 31,935 | 30,406 |
| Current tax assets | 16 | 182 | 331 |
| Cash and cash equivalents | 17 | 3,157 | 868 |
| Total current assets | | 35,274 | 31,605 |
| Total assets | | 59,342 | 52,191 |
| Current liabilities | | | |
| Trade and other payables | 18 | (25,436) | (22,208) |
| Total current liabilities | | (25,436) | (22,208) |
| Net current assets | | 9,838 | 9,397 |
| Total assets less current liabilities | | 33,906 | 29,983 |
| Non-current liabilities | | | |
| Medium and long term borrowings | 19 | (89) | (10,859) |
| Total non-current liabilities | | (89) | (10,859) |
| Net assets | | 33,817 | 19,124 |
| Equity | | | |
| Share capital | 21 | 9,687 | 1,000 |
| Share premium | | 4,813 | - |
| Capital contribution | | 262 | 262 |
| Share-based payment reserve | | 3,314 | 2,677 |
| Retained earnings | | 15,741 | 15,185 |
| Total equity | | 33,817 | 19,124 |

The financial statements of Forevermark Limited registered number 06501918 were approved by the Board of Directors on 14 May 2020 and signed on behalf of the Board of Directors by:



A J Kirkbride
Director
14 May 2020

Forevermark Limited

Statement of changes in equity for the year ended 31 December 2019

| | Share capital \$'000 | Share Premium \$'000 | Capital contribution \$'000 | Share-based payment reserve \$'000 | Retained earnings \$'000 | Total \$'000 |
|--|----------------------------|----------------------------|-----------------------------------|---|--------------------------------|-----------------|
| Balance at 1 January 2018 | 1,000 | - | 262 | 2,518 | 16,046 | 19,826 |
| Loss for the year and total comprehensive expense | - | - | - | - | (1,898) | (1,898) |
| Credit to equity for equity-settled share based payments | - | - | - | 1,196 | - | 1,196 |
| Share Based Payment Recycle to Retained Earnings | - | - | - | (1,037) | 1,037 | - |
| Balance at 31 December 2018 | 1,000 | - | 262 | 2,677 | 15,185 | 19,124 |
| Loss for the year and total comprehensive expense | - | - | - | - | (400) | (400) |
| Credit to equity for equity-settled share based payments | - | - | - | 1,593 | - | 1,593 |
| Share Based Payment Recycle to Retained Earnings | - | - | - | (956) | 956 | - |
| Issue of shares | 8,687 | 4,813 | - | - | - | 13,500 |
| Balance at 31 December 2019 | <u>9,687</u> | <u>4,813</u> | <u>262</u> | <u>3,314</u> | <u>15,741</u> | <u>33,817</u> |

Forevermark Limited

Notes to the financial statements

for the year ended 31 December 2019

1. General Information

The Company is a private company, limited by shares, incorporated and registered in the United Kingdom (England and Wales) and its principal place of business is London. The address of its registered office is disclosed with the officers and professional advisers on page 2 and the principal activities of the Company are disclosed in the Directors' report.

2. Significant accounting policies

Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006. The functional currency of the Company is USD; all amounts given in these financial statements are in USD unless otherwise stated.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies.

Financial Reporting Standard 101 – reduced disclosure exemptions

Forevermark Limited meets the definition of a qualifying entity under FRS 101 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Exemptions have been taken in relation to share-based payments, financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

The Company has taken advantage of the following disclosure exemptions as a qualifying entity under FRS 101:

- the requirements of paragraphs 45 (b) and 46-52 of IFRS 2 Share-based payment
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 16, 40A, 40B, 40C, 40D, 111 and 134-136 IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of the second sentence of paragraphs of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

The Company may take FRS 101 exemptions as it is a member of De Beers plc Group which prepares publicly available consolidated financial statements intended to give a true and fair view of the assets,

Forevermark Limited

Notes to the financial statements

for the year ended 31 December 2019

2. Significant accounting policies (continued)

Financial reporting standard 101 – reduced disclosure exemptions (continued)

liabilities, financial position and profit or loss and the Company is included in the consolidation. Refer to note 25 for the address of De Beers plc.

Adoption of New and Revised Standards

The Company has considered, and where applicable, applied the following new and revised standards:

IFRS 16 Leases

The Company has considered the impact of IFRS 16 Leases. The Company is not involved in any arrangements that meet IFRS 16 lease recognition criteria and, as such, has not been impacted by the revised lease accounting required under IFRS 16.

Going concern

The Company's ability to operate as a going concern has been assessed by the Directors of the company, alongside the wider assessment of De Beers plc and its subsidiaries (together the "Group"), as the Company's viability is dependent upon the ability of the Group companies to settle their intercompany balances with the Company and to provide funds for working capital needs. In making this assessment, the Directors note that the Company's parent, De Beers UK Limited, has confirmed that they will provide financial resources, where requested, for at least 12 months from the date of signing these financial statements. In addition, the Directors note that the Company has committed funding in place through its contractual loan facility with its ultimate Parent Company Anglo American plc.

The Directors have therefore concluded that the Company will have sufficient funds, including taking account of possible risks relating to potential changes in trading performance (including specifically the potential impact of COVID-19 on the cash flows of the Company and Group) and amounts owed by other Group companies, to conclude that the Company can adopt the going concern basis for the foreseeable future.

Investments in subsidiaries and joint ventures

Investments in subsidiaries and joint ventures represent equity holdings valued at cost less any impairment provisions. Such investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare Group accounts. Consequently, these financial statements present information about the undertaking as an individual undertaking and not about its Group.

Property, plant and equipment

Property, plant and equipment are stated at cost net of depreciation and any provision for impairment. Depreciation is provided on all plant and equipment at rates calculated to write off the cost, less estimated residual value, of each asset straight line over its expected useful life, as follows:

| | | |
|---------------------|---|------------------|
| Office equipment | - | over six years |
| Computer equipment | - | over three years |
| Plant and equipment | - | over six years |
| Jewellery | - | not depreciated |

Jewellery is not depreciated as it is expected that the residual value will be maintained or increase to an amount in excess of the cost. The carrying value of all jewellery is reviewed annually for evidence of impairment, with any impairment recognised immediately as additional depreciation charged to the statement of total comprehensive income.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets which consist of computer software are stated at cost net of amortisation and any provision for impairment. Amortisation is provided on computer software at rates calculated to write off the cost, less estimated residual value, straight line over its expected useful life of three years.

Forevermark Limited

Notes to the financial statements

for the year ended 31 December 2019

2. Significant accounting policies (continued)

Taxation

Income tax expense represents the sum of the current tax payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of total comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Foreign currencies

The financial statements of the Company are presented in the currency of the primary economic environment in which it operates (its functional currency). The results and financial position of the Company are expressed in United States Dollars, which is the functional currency for the Company.

The financial statements have been prepared using a cut-off date of 27 December 2019, consistent with De Beers plc Group policy.

Accordingly the exchange rates ruling at 27 December 2019 have been deemed to be those ruling at the balance sheet date, with monetary assets and liabilities denominated in foreign currencies being translated at the rates on this date. The Sterling/US Dollar rates used are 0.7720 (2018: 0.7890) closing rate and 0.7828 (2018: 0.7493) average rate.

Transactions in foreign currencies are recorded at the rates ruling at the dates of the transactions. Exchange differences are recognised in the profit or loss in the period in which they arise.

Retirement benefits

Retirement benefits are provided for all eligible employees through either defined benefit or defined contribution funds.

The Company participates in a multi-employer defined benefit plan for qualifying employees, with all defined benefit costs being met by De Beers UK Limited, the Company's parent. The defined benefit section was closed to new entrants on 31 December 2001, with only a small number of the Company's employees being eligible to participate. This has been closed to further accrual from September 2015.

Full details on the defined benefit scheme are provided in the De Beers UK Limited statutory accounts. Payments made to defined contribution retirement benefit plans are charged as an expense as they fall due.

Forevermark Limited

Notes to the financial statements

for the year ended 31 December 2019

2. Significant accounting policies (continued)

Impairment of tangible and intangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Financial instruments

Financial assets and liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Investments

Investments are recognised and derecognised on a trade basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

Investments are classified as held-to-maturity and are measured at cost unless they are determined to be impaired, at which time the loss is included in the profit or loss for the year.

Impairment losses recognised in profit or loss for debt instruments classified as held-to-maturity are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly-liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Forevermark Limited

Notes to the financial statements

for the year ended 31 December 2019

2. Significant accounting policies (continued)

Financial Instruments (continued)

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Share-based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the profit and loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each statement of financial position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of each party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period. Where equity instruments are granted to persons other than employees, the profit or loss is charged with fair value of goods and services received.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Revenue recognition

Revenue represents income from diamond grading and inscription services, retail doors and administration fees receivable in the normal course of business measured at the fair value of consideration received or receivable and is stated net of value added tax. Grading and inscription revenue is recognised when diamonds are handed to a return courier at the location of the sales. Retail door revenue is recognised evenly over the annual invoice period.

Group recoveries recharged to De Beers UK Limited are recognised on a monthly basis, in line with the service being provided.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Forevermark Limited
Notes to the financial statements
for the year ended 31 December 2019

2. Significant accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The judgements and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Key sources of estimation uncertainty

One of the most important accountant estimates relates to the recoverability of debtors. The provision for doubtful debts is based on historical payments and trends. While management believe the provision is appropriate a change in these trends could result in an impact on the earnings of the Company and the carrying value of its debtors going forward. The Company holds a provision for doubtful debts of \$1,383k at the balance sheet date.

Critical accounting judgements

A critical judgmental area relates to the investment value of the six investments held by the Company. The Company conducts an impairment review each year comparing the fair value of each investments with its carrying value in the financial statements. If fair value is lower than carrying value, then the investment will be considered and accounted for as impaired. The total carrying value of all investments is \$17,499k.

Despite including judgments, as disclosed above, the financial statements are free from material estimates. The underlying assumptions that form the basis of judgments and need for potential estimates are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Forevermark Limited
Notes to the financial statements
for the year ended 31 December 2019

3. Revenue

An analysis of the Company's revenue for the year is as follows:

| | 2019 | 2018 |
|---------------------------------|----------------|----------------|
| | \$'000 | \$'000 |
| Group recoveries | 139,481 | 123,253 |
| Grading and inscription revenue | 21,667 | 11,626 |
| Retail door revenue | 9,765 | 8,157 |
| Other revenue | 657 | 218 |
| | <hr/> | <hr/> |
| | 171,570 | 143,254 |
| | <hr/> | <hr/> |
| Total revenue | <u>171,570</u> | <u>143,254</u> |

All revenue is derived from continuing operations. The directors have opted not to present Revenue by geographical location as this is believed to be prejudicial to the interests of the Company.

4. Segmental information

As the Company has no publicly traded equity or debt securities, the directors have opted not to present segmental information as permitted by "IFRS 8 Operating segments" as this is believed to be prejudicial to the interests of the Company.

5. Finance costs

| | 2019 | 2018 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Interest on amounts owing to Group companies | 443 | 565 |
| | <hr/> | <hr/> |

6. Profit/(Loss) before taxation

Profit/(Loss) before taxation has been arrived at after charging/(crediting):

| | | 2019 | 2018 |
|--|--------------|---------------|---------------|
| | Notes | \$'000 | \$'000 |
| Net foreign exchange losses / (gains) | | 398 | (160) |
| Depreciation of property, plant and equipment | 11 | 157 | 184 |
| Amortisation of intangible assets | 10 | 542 | 847 |
| Employee benefits expense | 8 | 7,976 | 7,155 |
| Amounts (released)/provided for in respect of doubtful debts | | (56) | 78 |
| Total fees payable to the Company's auditor for the audit of the Company's annual accounts | | 43 | 42 |
| Loss on sale of fixed assets | | 4 | - |
| | | <hr/> | <hr/> |

Forevermark Limited
Notes to the financial statements
for the year ended 31 December 2019

7. Information regarding directors' remuneration and transactions

| | 2019 US\$'000 | 2018 US\$'000 |
|---|--------------------------------|--------------------------------|
| Directors' remuneration | | |
| Emoluments (excluding pension contributions) | 374 | 364 |
| Company contributions to directors' pensions | | |
| Defined contribution scheme | 25 | 25 |
| Benefits received or receivable under long-term incentive schemes | 206 | 194 |
| Number of directors to whom retirement benefits are accruing under defined benefit schemes¹ | No. - | No. - |
| | | |
| | 2019 US\$'000 | 2018 US\$'000 |
| Remuneration of the highest paid director² | | |
| Emoluments (excluding pension contributions) | 374 | 364 |
| Benefits received or receivable under long-term incentive schemes | 206 | 194 |

There are deemed to be no key management within Forevermark requiring disclosure. No disclosure is therefore given for the remuneration of directors and key management personnel as details of the one director remunerated through Forevermark is shown above.

¹ At the end of 2019, there were no directors to whom retirement benefits were accruing under defined benefit schemes. The defined benefit scheme closed to further accrual from 30 September 2015. Those directors impacted by the closure to further accrual are having contributions made towards a defined contribution plan.

² In 2019, only one director is remunerated through Forevermark and so the highest paid director agrees to total directors' remuneration.

8. Information regarding staff costs and numbers

| | 2019 \$'000 | 2018 \$'000 |
|---|------------------------------|------------------------------|
| Staff costs during the year including directors | | |
| Wages and salaries | 7,976 | 7,155 |
| Social security costs | 808 | 854 |
| Pension and other post-retirement costs (note 20) | 431 | 391 |
| | 9,215 | 8,400 |
| The monthly average number of employees (including directors) in the year was: | | |
| | No. | No. |
| Marketing Employees | 28 | 26 |
| Operations Employees | 36 | 35 |
| Total Employees | 64 | 61 |

Forevermark Limited
Notes to the financial statements
for the year ended 31 December 2019

9. Taxation on profit

| | 2019 | 2018 |
|--|----------------|----------------|
| | \$'000 | \$'000 |
| Current tax | | |
| Foreign tax | (1,084) | (1,229) |
| (Under)/Over provision in previous years | (175) | - |
| | <u>(1,259)</u> | <u>(1,229)</u> |
| Deferred tax expense | | |
| Origination and reversal of timing differences | 89 | 40 |
| Adjustments in respect of prior years | (4) | - |
| | <u>(1,174)</u> | <u>(1,189)</u> |
| Taxation charge | | |

Domestic income tax in the UK is calculated at 19% (2018: 19%) of the estimated assessable profit for the year.
The total charge for the year can be reconciled to the accounting profit as follows:

| | 2019 | 2018 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Profit / (loss) before tax | 774 | (709) |
| Tax at the domestic income tax rate of 19.0% (2018: 19%) | 147 | (135) |
| Expenses not deductible for tax purposes | 42 | 29 |
| Foreign tax suffered | 914 | 1,098 |
| Deferred tax on share based payments | (65) | (6) |
| Effect of a change in the tax rate | 10 | 5 |
| Prior year adjustment in respect of deferred tax | 4 | - |
| Prior year adjustment | 175 | - |
| Group relief (claimed) / surrendered free of charge | (53) | 198 |
| | <u>1,174</u> | <u>1,189</u> |
| Taxation charge | | |

On 26 October 2015, the Finance (No.2) Act 2015 was substantively enacted and provided for a reduction in the main rate of corporation tax from 20% to 19% effective from 1 April 2017. On 6 September 2016, the Finance Act 2016 was substantively enacted and provided for a reduction in the main rate of UK corporation tax to 17% from 1 April 2020. In the March 2020 Budget the reduction in the corporation tax rate was withdrawn and it will now stay at 19%; the impact will be accounted for in the accounts for the year ended 31 December 2020.

Forevermark Limited
Notes to the financial statements
for the year ended 31 December 2019

10. Intangible assets

| | Computer software |
|---------------------------------|------------------------------|
| | \$'000 |
| Cost | |
| At 1 January 2019 | 7,054 |
| Additions | 235 |
| | <hr/> |
| At 31 December 2019 | 7,289 |
| | <hr/> |
| Accumulated amortisation | |
| At 1 January 2019 | 6,212 |
| Charge for the year | 542 |
| | <hr/> |
| At 31 December 2019 | 6,754 |
| | <hr/> |
| Carrying amount | |
| At 31 December 2019 | 535 |
| | <hr/> <hr/> |
| At 31 December 2018 | 842 |
| | <hr/> <hr/> |

Forevermark Limited
Notes to the financial statements
for the year ended 31 December 2019

11. Property, plant and equipment

| | Plant and equipment | Jewellery | Office equipment | Computer equipment | Assets in the course of construction | Total |
|---------------------------------|--------------------------------|------------------|-----------------------------|-------------------------------|---|---------------|
| Cost | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| At 1 January 2019 | 7,215 | 4,056 | 138 | 306 | 24 | 11,739 |
| Additions | 50 | 316 | - | - | - | 366 |
| Disposals | (6,342) | (5) | (102) | (306) | - | (6,755) |
| Reclassification | 24 | - | - | - | (24) | - |
| At 31 December 2019 | 947 | 4,367 | 36 | - | - | 5,350 |
| Accumulated depreciation | | | | | | |
| At 1 January 2019 | 6,872 | - | 118 | 306 | - | 7,296 |
| Charge for the year | 151 | - | 6 | - | - | 157 |
| Disposals | (6,342) | - | (102) | (306) | - | (6,750) |
| At 31 December 2019 | 681 | - | 22 | - | - | 703 |
| Carrying amount | | | | | | |
| At 31 December 2019 | 266 | 4,367 | 14 | - | - | 4,647 |
| At 31 December 2018 | 343 | 4,056 | 20 | - | 24 | 4,443 |

Forevermark Limited
Notes to the financial statements
for the year ended 31 December 2019

12. Investments in subsidiaries

All investments in subsidiaries are in ordinary shares and are accounted for at cost less any provision for impairment. Details of the Company's subsidiaries at 31 December 2019 are as follows:

| Name of subsidiary | Place of incorporation ownership (or registration) and operation | Proportion of voting interest (%) | Proportion of voting power held (%) |
|--|---|--|--|
| Forevermark KK | Japan | 100% | 100% |
| Forevermark Limited | Hong Kong | 100% | 100% |
| Forevermark Italy s.r.l | Italy | 100% | 100% |
| International Institute of Diamond Grading and Research (Belgium) NV | Belgium | 100% | 100% |
| Forevermark US, Inc | US | 100% | 100% |
| Forevermark Diamonds Private Limited | India | 100% | 100% |
| | | | \$'000 |
| Cost at 1 January 2019 | | | 13,999 |
| Additions | | | 3,500 |
| Cost at 31 December 2019 | | | <u>17,499</u> |

On 20 November 2019, the directors approved a capital contribution of \$3,500k to Forevermark US Inc. This was an equity investment paid for in cash on 26 November 2019. The capital contribution was made on the capital stock already in issue.

The registered address for each subsidiary is as follows:

| | |
|--|--|
| Forevermark KK | New Otani Garden Court 7 th Floor 4-1, Kioi-cho Chiyoda-ku Tokyo Japan |
| Forevermark Limited | RM 02B&03-06 26/F Kinwick Centre 32 Hollywood Road Central Hong Kong |
| Forevermark Italy s.r.l | Via F. Burlamacchi Francesco 14 20135 Milan Italy |
| International Institute of Diamond Grading and Research (Belgium) NV | 21 Schupstraat 21, 2018 Antwerp Belgium |
| Forevermark US, Inc | 300 First Stamford Place Stamford CT 06902 USA |
| Forevermark Diamonds Private Limited | 601 6 th Floor TCG Financial Centre, C-53 G Block, Bandra Kurla Complex Bandrar (East) Mumbai – 400 058 India |

Forevermark Limited
Notes to the financial statements
for the year ended 31 December 2019

13. Deferred tax

The following is the deferred tax asset recognised by the Company, and the movements during the current and prior year:

| | Accelerated tax depreciation \$'000 | Retirement benefit obligation \$'000 | Share-based payments \$'000 | Total \$'000 |
|----------------------------|--|---|--|-------------------------|
| At 1 January 2018 | 1,026 | 3 | 233 | 1,262 |
| Credit to income statement | 32 | 2 | 6 | 40 |
| At 31 December 2018 | 1,058 | 5 | 239 | 1,302 |
| Credit to income statement | 27 | 4 | 58 | 89 |
| Prior year adjustment | - | 1 | (5) | (4) |
| At 31 December 2019 | 1,085 | 10 | 292 | 1,387 |

The deferred tax asset is deemed to be recoverable due to expected future profits.

Forevermark Limited
Notes to the financial statements
for the year ended 31 December 2019

14. Financial instruments

| | 2019 | 2018 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Financial assets | | |
| Loans and receivables (including cash and cash equivalents) | 33,698 | 30,205 |
| Financial liabilities | <u>23,832</u> | <u>31,597</u> |
| Amortised cost | <u>23,832</u> | <u>31,597</u> |

At the reporting date there are no loans and receivables designated at fair value through profit or loss (FVTPL). The carrying amount reflected above represents the Company's maximum exposure to credit risk for such loans and receivables.

15. Trade and other receivables

| | 2019 | 2018 |
|------------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Amounts owed by parent undertaking | 21,948 | 20,509 |
| Amounts owed by Group undertakings | 2,124 | 2,385 |
| Other taxes receivable | 258 | 393 |
| Trade receivables | 5,652 | 6,227 |
| Prepayments and accrued income | 1,953 | 892 |
| Included in current assets | <u>31,935</u> | <u>30,406</u> |
| Total trade and other receivables | <u>31,935</u> | <u>30,406</u> |

No interest is levied on intercompany receivables and all balances are not secured and repayable on demand.

16. Other financial assets

Current tax assets

| | 2019 | 2018 |
|--------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Current tax assets | <u>182</u> | <u>331</u> |

Current tax assets relate to advance tax payments to the Indian tax authority.

Forevermark Limited
Notes to the financial statements
for the year ended 31 December 2019

17. Cash and cash equivalents

Cash and cash equivalents comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets is approximately equal to their fair value.

18. Trade and other payables

| | 2019 | 2018 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Amounts owed to Forevermark Group undertakings | 19,218 | 15,798 |
| Amounts owed to Group undertakings | 645 | 758 |
| Social security and Taxation | 156 | 127 |
| Trade creditors | 1,717 | 2,520 |
| Accruals and deferred income | 3,700 | 3,005 |
| | <hr/> | <hr/> |
| Amounts falling due within one year | 25,436 | 22,208 |
| | <hr/> | <hr/> |

The directors consider that the carrying amount of trade and other payables is approximately equal to their fair value. No interest is added to intercompany payables and all balances are unsecured and repayable on demand.

19. Medium and long term borrowings

Unsecured borrowings

| | 2019 | 2018 |
|----------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Anglo American loans | 89 | 10,859 |
| | <hr/> | <hr/> |

Anglo American Capital plc have advanced the Company funds for working capital requirements. These borrowings are unsecured and held at a floating rate linked to LIBOR. This is repayable at the end of the loan term in March 2022.

20. Retirement benefit obligations

Defined contribution plan

The Company offers a defined contribution retirement benefit plan for all qualifying employees. The assets of the plan are held separately from those of the Company in funds under the control of the trustees. Where employees leave the plan prior to vesting fully in the contributions, the contributions payable by the Company are reduced by the amount of the forfeited contributions.

The total expense recognised in the income statement of \$431k (2018: \$391k) represents contributions payable to the plan by the Company at rates specified in the rules to the plan.

Forevermark Limited
Notes to the financial statements
for the year ended 31 December 2019

21. Share capital

| | 2019 | 2018 |
|-------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Issued and fully paid: | | |
| At 1 January | 1,000 | 1,000 |
| Issue of shares | 8,687 | - |
| At 31 December | <u>9,687</u> | <u>1,000</u> |

The Company has one class of ordinary shares with par value of £1, which carry no right to fixed income. The Company issued 6,750,000 shares of £1 each for consideration of \$13,500,000, split \$8,687,000 share capital and \$4,813,000 share premium. The Company has 7,373,001 ordinary shares issued at 31 December 2019.

22. Reserves

Share premium account

Share premium represents the excess of the issue price over the par value on shares issued less transaction costs arising on the issue.

Other reserves

Other reserves represent a share-based payment reserve.

Profit and loss account

Retained earnings represents accumulated retained earnings or losses.

Forevermark Limited
Notes to the financial statements
for the year ended 31 December 2019

23. Share-based payments

During the year ended 31 December 2019, the Company had share-based payment arrangements with employees relating to the shares of Anglo American plc. All of these schemes are equity settled, either by award of ordinary shares (Bonus Share Plan (BSP), Long Term Incentive Plan (LTIP) and Share Incentive Plans (SIP)) or award of options to acquire ordinary shares (Save As You Earn (SAYE)). The weighted average share price at the date of exercise in 2019 was £5.92. For shares outstanding at 31 December 2019, the exercise price ranges from £10.41 to £20.25 and the weighted average remaining contractual life is 2 years.

Schemes settled by award of ordinary shares

The fair value of ordinary shares awarded under the BSP and LTIP was calculated using a Black Scholes model. The assumptions used in these calculations are set out below:

| | 2019 | |
|---|-------------|-------------|
| Arrangement (1) | BSP | LTIP |
| Date of grant | 08/03/2019 | 08/03/2019 |
| Number of instruments | 84,348 | 38,200 |
| Share price at the date of grant (£) | 20.25 | 20.25 |
| Contractual life (years) | 3 | 3 |
| Vesting conditions | (2) | (2) |
| Expected volatility | 35% | 35% |
| Risk free interest rate | 0.8% | 0.8% |
| Expected departures | 5% pa | 5% pa |
| Dividend yield | 1.8% | 1.8% |
| Fair value at date of grant (weighted average) (£) | 20.25 | 20.25 |
| | 2018 | |
| Arrangement (1) | BSP | LTIP |
| Date of grant | 09/03/2018 | 09/03/2018 |
| Number of instruments | 76,493 | 17,500 |
| Share price at the date of grant (£) | 17.52 | 17.52 |
| Contractual life (years) | 3 | 3 |
| Vesting conditions | (2) | (2) |
| Expected volatility | 35% | 35% |
| Risk free interest rate | 0.9% | 0.9% |
| Expected departures | 5% pa | 5% pa |
| Dividend yield | 0.0% | 0.0% |
| Fair value at date of grant (weighted average) (£) | 17.52 | 17.52 |

Forevermark Limited

Notes to the financial statements

for the year ended 31 December 2019

23. Share-based payments (continued)

(1) The number of instruments used in the fair value models may differ from the total number of instruments awarded in the year due to awards made subsequent to the fair value calculations. The fair value calculated per the assumptions above has been applied to the total number of awards. The difference in income statement charge is not considered significant.

(2) Three years of continuous employment with enhancement shares having variable vesting based on non-market based performance conditions.

24. Post balance sheet events

COVID-19

Since early January 2020, the coronavirus outbreak has spread across mainland China and beyond, causing disruption to business and economic activity in many territories. This has the potential to significantly impact the Diamond Industry and therefore the Company at least for the short to medium term. Management regard this as a non-adjusting post balance sheet event, and there is no deemed impact on the 31 December 2019 results. Given the inherent uncertainties and socio-economic effects of coronavirus, this could materially affect the prospects of the Company in the future. However, it is not practical at this time to determine the financial impact of the coronavirus on future trading or the carrying value of assets held.

25. Parent undertaking and controlling party

The smallest Group for which Group accounts are prepared is De Beers plc, incorporated in Jersey. The immediate parent of the Company is De Beers UK Limited, incorporated in the UK. Accounts for De Beers Plc and De Beers UK Limited can both be obtained from its registered address at Anglo American plc, 20 Carlton House Terrace, London SW1Y 5AN, United Kingdom.

The largest Group to consolidate these financial statements is Anglo American plc. The Company's ultimate parent is Anglo American plc, a public limited company registered in England and Wales (registered number 03564138). The consolidated accounts of Anglo American plc may be obtained from The Company Secretary, Anglo American plc, 20 Carlton House Terrace, London SW1Y 5AN, United Kingdom which is the registered address of Anglo American plc.