

**Company Registration No. 04117269**

## **De Beers Jewellers Limited**

**Annual report and Financial Statements  
for the year ended 31 December 2019**

# **De Beers Jewellers Limited**

## **Annual report and financial statements for the year ended 31 December 2019**

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# **De Beers Jewellers Limited**

## **Annual report and financial statements for the year ended 31 December 2019**

### **Officers and professional advisers**

#### **Directors**

F Delage  
R Giles  
S Lussier

#### **Registered Office**

45 Old Bond Street  
London  
United Kingdom  
W1S 4QT

#### **Bankers**

National Westminster Bank Plc  
Holborn Circus Branch  
No. 1 Hatton Garden  
London  
EC1P 1DU

HSBC Bank PLC  
8 Canada Square, Level 30  
Canary Wharf  
London  
E14 5HQ

#### **Auditor**

Deloitte LLP  
Statutory Auditor  
1 New Street Square  
London  
United Kingdom  
EC4A 3HQ

# De Beers Jewellers Limited

## Strategic report

### Introduction and Strategy

The directors present their report and audited financial statements of De Beers Jewellers Limited (the “Company”) for the year ended 31 December 2019. The directors, in preparing this Strategic Report, have complied with s414C of the Companies Act 2006.

The Company is a private company, limited by shares registered in England and Wales.

### Principal activity and review of the business

The Company is the licensee of the De Beers trademark. It designs, manufactures and retails fine diamond jewellery and watches and develops the brand through public relations, marketing and retail activities through its branches in France and Taiwan, its subsidiaries in the UK, US, China, Hong Kong and Macau and franchisee store network.

At the end of 2019 the network (including franchise stores) numbered 17 stores in Asia (2018: 16), 6 across North America (2018: 6), 7 in Europe (2018: 8) and 3 in the Middle East (2018: 4).

### Key performance indicators

The directors of the De Beers Jewellers group manage the group’s operations on a divisional basis and monitor the performance of the Company at a consolidated brand level. For this reason, the Company directors believe that analysis using key performance indicators for the Company is not necessary nor appropriate for an understanding of the development, performance or position of the business of the Company.

### Branches outside of the UK

The Company has branches in France and Taiwan.

### Key Operational highlights

Positioning itself as ‘The home of diamonds since 1888’, the brand continued to communicate to its clientele on its diamond expertise, spanning from solitaires to design, in both jewellery and high jewellery. This includes key initiatives on legendary diamonds and rough diamonds which go back to the origin of its expertise and the genesis of the motional symbolism of diamonds. In addition, the Company maintained the popularity of existing lines, notably the Talisman, Enchanted Lotus, and Adonis Rose collections, supported by the success of its For You Forever personalisation app.

### Outlook

From a strategic point of view, in a more demanding customer environment, the Company intends to accelerate its growth in Greater China, become a truly omni-channel fine jewellery brand, whilst making a positive financial contribution to its sole shareholder. In order to achieve this, the Company will continue to revisit its store network where appropriate, while implementing relevant marketing, targeted customer promotion and enhanced in-store experience provided to its clientele, in order to ensure differentiation of the brand and build future growth. The priority remains to maximise returns from existing stores and to closely manage inventories, costs and working capital levels, with the continued support from its shareholder.

Brexit continues to cause uncertainty in the market affecting consumer confidence and causing volatility in the pound sterling exchange rates. The Company is putting procurement and taxation strategies in place to minimise any impact of changes in import and export regulations between the EU and UK and awaits final trade deals before implementing new processes.

# De Beers Jewellers Limited

## Strategic report

### Principal risks and uncertainties

#### *Diamond policy*

The Company is aware of the problem of conflict diamonds and has taken measures to guarantee that no conflict diamonds enter its supply chain or its jewellery.

The Company purchases diamonds only from suppliers that adhere in full to the Kimberley Process Certification Scheme and System of Warranties. Suppliers are also required to warrant to the Company that the merchandise they supply will be manufactured under working conditions consistent with international guidelines, primarily the UN's Universal Declaration of Human Rights and International Labour Organisation conventions, particularly those relating to child labour.

The Company has been a member of the Responsible Jewellery Council (RJC) since it was created. RJC is an international non-profit organisation representing over 200 member companies across the gold and jewellery supply chain with the aim to continue reinforcing the confidence in the diamond industry and exploit synergies between the members and those they do business with. As part of its continued commitment to operate its business in the most professional and ethical manner, the Company implemented a programme of 'best practice' in 2011 and as a result, from early 2012, it has been a fully certified member of the RJC, with successful completion of the RJC certification process achieved again in 2015 and 2018. Full RJC certification enables the Company to formally demonstrate that it puts such areas at the heart of its priorities and allows the Company to meet consumer expectations, which have become increasingly orientated towards the integrity of the diamond supply chain.

#### *Liquidity risk and going concern*

The Company continually assesses its cash position with regular medium and long-term forecast reviews, and the availability of loan facilities with group undertakings, to ensure that adequate liquidity is maintained and that the Company can meet its liabilities as they fall due. In the event that cash outflow needed to be tightly managed, the Company has a number of contingency plans in place. The Company's cash position is regularly reported to the Board.

Since early January 2020 the coronavirus outbreak has spread globally, causing disruption to business and economic activity. This has the potential to significantly impact the De Beers Jewellers Limited business in the short 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, it is not practical at this time to determine the impact of the coronavirus on the Company nor to provide a quantitative estimate of the impact.

No shareholder equity funding was provided in 2019 (2018: \$nil).

After making enquiries of the Company's shareholders, the directors are confident that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore, the directors have prepared the financial statements on the going concern basis. Further details of the directors' assessment are provided in note 3.

### Future developments

The directors expect the level of activity to continue to grow in the forthcoming years. The Company will continue to benefit from the dynamism of the brand in its various markets with its local and tourist clientele, in both jewellery and high jewellery. The Company will continue to benefit from the support of its shareholders whilst aiming to achieve its ambitious targets.

### Section 172 statement

The directors of the Company are cognisant of their 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 stakeholders and other factors.

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.

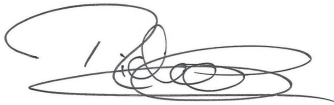
# De Beers Jewellers Limited

## Strategic report

By listening to, understanding and engaging with our stakeholders, the directors endeavour to live up to their expectations, by staying true to the Company's Purpose, acting in accordance with the Company Values, and delivering the Company strategy. Stakeholder considerations are integral to the discussions at Board meetings and the decisions made take into account any potential impacts on them and the environment. Like any business, the directors are aware that some of the decisions made may have an adverse impact on certain stakeholders.

The directors took a broad range of factors and stakeholder considerations into account when making decisions in the year. Decisions are made within the context of the long-term factors that may impact the Company, including key competitive trends and disruptions; technology capability; and climate change considerations.

Approved by the Board of Directors  
and signed on behalf of the Board

A handwritten signature in black ink, appearing to be 'R Giles', written over a horizontal line.

R Giles  
Director

24 September 2020

# **De Beers Jewellers Limited**

## **Directors' report**

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

Details of branches not in the UK, financial risk management, future developments and going concern can be found in the Strategic Report on pages 2 and 3 and form part of this report by cross reference.

### **Results and dividends**

The loss for the year, after taxation, amounted to \$67,086k (2018: \$35,498k). The directors do not recommend the payment of a dividend (2018: \$nil).

### **Corporate information**

The Company is a private company, limited by shares, incorporated in the United Kingdom and domiciled in England and Wales.

### **Directors**

The directors who served the Company throughout the year and to the date of this report are as listed on page 1.

### **Subsequent events**

On 15 January 2020 Riverbank Investments Limited sold their 50% holding of De Beers Jewellers Limited to De Beers plc who now own 100% of De Beers Jewellers Limited shares.

Since early January 2020 the coronavirus outbreak has spread globally, causing disruption to business and economic activity. This has the potential to significantly impact the De Beers Jewellers Limited business in the short 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, it is not practical at this time to determine the impact of the coronavirus on the Company nor to provide a quantitative estimate of the impact.

### **Auditor**

Each of the persons who is a director at the date of approval of this report confirms that:

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

At the 2020 Annual General Meeting of Anglo American plc, the Company's ultimate parent company, PricewaterhouseCoopers LLP were appointed as external auditor to the Group. Accordingly Deloitte LLP will not be seeking re-appointment as auditor of the Company at the conclusion of their current term of office. 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.

Approved by the Board of Directors and signed on behalf of the Board



R Giles  
Director

24 September 2020

# **De Beers Jewellers 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 judgments 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 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.



# **De Beers Jewellers Limited**

## **Independent Auditor's report to the members of De Beers Jewellers Limited**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion the financial statements of De Beers Jewellers Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31<sup>st</sup> 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 profit and loss account;
- the statement of comprehensive loss;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 22.

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 twelve 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

# **De Beers Jewellers Limited**

## **Independent Auditor's report to the members of De Beers Jewellers Limited (continued)**

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.

### **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](http://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.

## **De Beers Jewellers Limited**

### **Independent Auditor's report to the members of De Beers Jewellers Limited (continued)**

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.



Georgina Robb ACA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, UK

24 September 2020

**De Beers Jewellers Limited**  
**Profit and loss account**  
**Year ended 31 December 2019**

	Notes	2019 US\$'000	2018 US\$'000
<b>Revenue</b>	4	133,415	221,878
Cost of Sales		(95,637)	(171,004)
		<u>37,778</u>	<u>50,874</u>
Gross Profit			
Operating Expenses		(105,332)	(64,381)
Other operating income		3,593	3,365
<b>Operating Loss</b>	5	<u>(63,961)</u>	<u>(10,142)</u>
Finance income		-	137
Finance costs	7	(3,007)	(25,909)
<b>Loss before taxation</b>		<u>(66,968)</u>	<u>(35,914)</u>
Tax (charge)/credit	8	(118)	416
<b>Loss for the financial year</b>		<u><u>(67,086)</u></u>	<u><u>(35,498)</u></u>

Revenue and operating loss are all derived from continuing operations.

**Statement of comprehensive loss**  
**Year ended 31 December 2019**

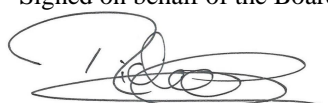
	2019 US\$'000	2018 US\$'000
<b>Loss for the financial year</b>	(67,086)	(35,498)
<b>Items that may be reclassified subsequently to the Profit and loss account</b>		
Exchange gain on translation of foreign operations	599	399
<b>Total comprehensive loss for the year</b>	<u><u>(66,487)</u></u>	<u><u>(35,099)</u></u>

**De Beers Jewellers Limited**  
**Balance Sheet**  
**As at 31 December 2019**

	Notes	2019 US\$'000	2018 US\$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	9	43	171
Property, plant and equipment	10	13,296	2,853
Investments	11	-	1
Long-term deposits	12	29	30
Amounts due from subsidiary undertaking	14	41,223	53,269
		<b>54,591</b>	<b>56,324</b>
<b>Current assets</b>			
Inventories	13	62,314	64,175
Trade and other receivables	14	14,890	14,491
Cash and cash equivalents		2,077	4,340
		<b>79,281</b>	<b>83,006</b>
<b>Current liabilities</b>			
Trade and other payables	15	(22,756)	(20,762)
Provision for liabilities		-	-
		<b>(22,756)</b>	<b>(20,762)</b>
<b>Net current assets</b>		56,525	62,244
<b>Total assets less current liabilities</b>		<b>111,116</b>	<b>118,568</b>
<b>Non-current liabilities</b>			
Shareholder loans	16	(115,923)	(61,569)
Long-term lease liability	17	(4,680)	-
		<b>(120,603)</b>	<b>(61,569)</b>
<b>Net (liabilities)/assets</b>		<b>(9,487)</b>	<b>56,999</b>
<b>Equity</b>			
Called up share capital	18	590,800	590,800
Accumulated deficit		(579,463)	(512,377)
Foreign currency translation reserve		(20,824)	(21,424)
<b>Total Equity</b>		<b>(9,487)</b>	<b>56,999</b>

The financial statements of De Beers Jewellers Limited, (registered number 04117269) were approved and authorised for issue by the Board of Directors on 24 September 2020.

Signed on behalf of the Board of Directors



R Giles  
Director  
24 September 2020

**De Beers Jewellers Limited****Statement of changes in equity****Year ended 31 December 2019**

	<b>Share capital</b>	<b>Accumulated deficit</b>	<b>Foreign currency translation reserve</b>	<b>Total</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
At 31 December 2017	590,800	(476,879)	(21,822)	92,099
Loss for the financial year	-	(35,498)	-	(35,498)
Foreign exchange movements	-	-	399	399
At 31 December 2018	590,800	(512,377)	(21,423)	57,000
Loss for the financial year	-	(67,086)	-	(67,086)
Foreign exchange movements	-	-	599	599
At 31 December 2019	<b>590,800</b>	<b>(579,463)</b>	<b>(20,824)</b>	<b>(9,487)</b>

# De Beers Jewellers Limited

## Notes to the financial statements Year ended 31 December 2019

### 1. General Information

The financial statements of the Company for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors. The Company is a private company, limited by shares incorporated in the United Kingdom under Companies Act 2006 and registered in England and Wales. The nature of the Company's operations and its principal activities are set out in the Strategic report on pages 2 to 3. The address of the Company's registered office is shown on page 1.

### 2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 3, the directors are required to make judgments (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions 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.

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the progress of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

#### Revenue recognition

The Company recognises revenue based on the date of delivery except for inventory on consignment for which the sale is recognised on invoicing. This is, in directors' judgement, the most appropriate revenue base as this matches the point at which the risks and rewards associated with the goods is transferred. Revenue is recognised net of sales incentives given to dealers and retail finance credit given to final customers. Sales incentive involve estimation and have been dealt with below.

#### Impairment of non-financial assets and investments

The Company assesses whether there are indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amount may not be recoverable. When value-in-use calculations are undertaken, management must estimate future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. These calculations use cash flow projections based on financial budgets and forecasts covering a five year period to 31 December 2024. The average pre-tax discount rate used was 7.0%.

#### Deferred tax assets

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of future tax planning strategies. Management has made a judgement that a deferred tax asset should not be recognised for the value of tax losses carried forward due to uncertainty regarding the level and timing of future taxable profits against which these losses can be utilised.

#### Key source of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

# **De Beers Jewellers Limited**

## **Notes to the financial statements (continued)**

### **Year ended 31 December 2019**

#### **2. Critical accounting judgements and key sources of estimation uncertainty (continued)**

##### **Key source of estimation uncertainty (continued)**

###### **Warranty provision**

The directors use their judgement to determine the extent to which products claims will be made under warranty agreements, the proportion of which will result in cost to the Company. The directors utilise historic data and current year sales patterns to determine an estimate of the liability which will likely crystallise in future periods.

###### **Sales incentive provision**

The Company recognises as at year end a provision for sales incentive related to goods sold to dealers during the year but still not sold to the final customer. The directors use their judgement to determine the extent to which incentives will be claimed by the dealers. The directors utilise historic data and current year sales patterns to determine an estimate of the liability which will likely crystallise in the next months.

#### **3. Significant accounting policies**

##### **Basis of preparation**

The financial statements are presented in US dollars and all values are rounded to the nearest thousand dollars (US\$'000) except when otherwise indicated. The US dollar is regarded as the Company's functional currency. The financial statements are prepared under the historical cost convention.

The financial statements for the year ended 31 December 2019, including the comparatives, contain information about the Company as an individual company and do not contain consolidated financial information as the parent of a group. The Company has taken advantage of the exemption under section 401 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it and its subsidiary undertakings are included in the consolidated financial statements of its ultimate parent, Anglo American plc, a company incorporated in the UK.

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2018 the Company had undergone transition from reporting under IFRSs adopted by the European Union to FRS 101 'Reduced Disclosure Framework'. This transition is not considered to have had a material effect on the financial statements.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the group accounts of De Beers plc, the group accounts of De Beers plc are available to the public and can be obtained as set out in note 21.

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.



# **De Beers Jewellers Limited**

## **Notes to the financial statements (continued)**

### **Year ended 31 December 2019**

#### **3. Significant accounting policies (continued)**

##### **Going Concern**

The Board of directors regularly monitors the ability of the Company to meet its liabilities as they fall due for the foreseeable future against the facilities and funding options open to it.

The Company is still in the development phase of its operations to reach its critical mass and the directors have prepared an updated strategic plan for the next five years which sets out the path for the Company to reach profitability, including key actions to improve both store sales productivity and average margin on products sold, in addition to an on-going monitoring of the Company's cost structure and network wherever appropriate.

This strategic plan forecasts that the Company will be able to fund its activities in 2020 through access to a De Beers Group facility. The directors have also made enquiries and have had confirmation that it is the shareholders' intention to provide or procure the provision of adequate financial resources to the Company if requested by such company to meet its obligations as they fall due for at least 12 months from the date of approval of these financial statements.

Taking into account the aforementioned and further mitigating actions that the Company could take in the event of possible adverse changes in performance compared to its strategic plan, the Company expects to be able to operate within the level of its available facilities for at least 12 months from the date of approval of these financial statements.

Accordingly the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these financial statements.

Since early January 2020 the coronavirus outbreak has spread globally, causing disruption to business and economic activity. This has the potential to significantly impact the De Beers Jewellers Limited business in the short 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, it is not practical at this time to determine the impact of the coronavirus on the Company nor to provide a quantitative estimate of the impact.

##### **Property, plant and equipment**

Property, plant and equipment and right of use assets are recorded initially at cost. Provision is also made for significant leasehold improvement restitution costs where these are a requirement of the lease. Depreciation is provided on property, plant and equipment, at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life. Depreciation is provided on right of use assets evenly over the length of the lease.

Assets in the course of construction, which have not yet been brought into use, and stones not held for resale where residual value exceeds carrying value, are not depreciated.

Depreciation is provided on all property, plant and equipment, at rates calculated to write off the cost or valuation of each asset evenly over its expected useful life, as follows:

Leasehold improvements	3 to 7 years
Fixtures and fittings	2 to 5 years
Computer equipment	2 to 5 years
Plant and machinery	3 to 7 years

##### **Intangible fixed assets**

Trademarks and patents are capitalised at cost and amortised over their expected useful life of five years.

# **De Beers Jewellers Limited**

## **Notes to the financial statements (continued)**

### **Year ended 31 December 2019**

#### **3. Significant accounting policies (continued)**

##### **Investments in subsidiaries**

Investments are stated at cost less any provision required to reflect any diminution in value.

##### **Long-term deposits**

Long-term deposits are recognised at their transactional value, with an impairment review taking place at the reporting date.

##### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Raw materials are valued at average purchase cost. Jewellery includes the cost of direct materials and labour plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal. It is the Company's policy to provide against any non-recoverable amount of inventories on an ageing basis.

##### **Impairment of non-financial assets**

The Company assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value being a pre-tax nominal discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

##### **Financial assets and liabilities**

Financial assets and liabilities are recognised when the Company becomes party to the contracts that give rise to them and are classified as loans, receivables or as available-for-sale financial assets, as appropriate. The Company determines the classification of its financial assets and liabilities at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end. When financial assets and liabilities are recognised initially, they are measured at fair value, being the transaction price plus directly attributable transaction costs. Subsequently any profit or loss, including any interest or dividend income, are recognised in the income statement.

# De Beers Jewellers Limited

## Notes to the financial statements (continued)

### Year ended 31 December 2019

#### 3. Significant accounting policies (continued)

##### i. Financial assets

###### *Trade and other receivables*

Trade receivables, which generally have 0-90 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision is made based on the ageing of overdue receivables. Balances are written off when the probability of recovery is assessed as being remote.

###### *Cash and cash equivalents*

Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

###### *Impairment of financial assets*

The Company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced, through the use of an allowance account. The amount of the loss shall be recognised in administration costs.

The Company applies the IFRS 9 simplified approach to measure expected credit losses which use a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The Company have therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the balance sheet date.

##### ii. Financial liabilities

###### *Interest-bearing loans and borrowings*

Obligations for loans and borrowings are recognised when the Company becomes party to the related contracts and are measured initially at fair value less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance income and finance cost.

###### *Other financial liabilities*

Other financial liabilities, including trade and other payables, are initially recognised at fair value and subsequently at amortised cost.

# **De Beers Jewellers Limited**

## **Notes to the financial statements (continued)** **Year ended 31 December 2019**

### **3. Significant accounting policies (continued)**

#### **iii. Derecognition of financial assets and liabilities**

A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

#### **Provisions**

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance policy, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

Where the unavoidable cost of fulfilling a lease contract is deemed to outweigh the benefit to the Company an onerous lease provision has been recognised. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

#### **Income taxes**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

- provision is made for deferred income tax that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable; and
- deferred income tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted, and on cash flow benefit expected under the shareholder consortium relief agreement.

Deferred income tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### **Store opening costs**

Costs associated with new store openings, other than those related to tangible fixed assets, are expensed in the period incurred and included within property costs.

#### **Pension costs**

The Company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

# De Beers Jewellers Limited

## Notes to the financial statements (continued)

### Year ended 31 December 2019

#### 3. Significant accounting policies (continued)

##### **Start-up costs**

Other start-up costs, including consultants' fees and other costs relating to brand components, are written off as incurred.

##### **Foreign currencies**

Transactions in foreign currencies are initially recorded in each branch's functional currency at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

##### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts derived from retail sales of diamond jewellery and watches which fall within the Company's continuing activities.

Revenue is stated net of discounts, VAT and other sales related taxes. Revenue is reduced for customer returns.

##### *Sale of goods*

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Company has adopted IFRS 15 Revenue from Contracts with Customers with a date of initial application of 1 January 2018 and there has been no material impact on the Company's financial statements.

##### *Rental income*

Rental income arising from sub-letting of rented premises is accounted for on a straight-line basis over the lease terms.

# **De Beers Jewellers Limited**

## **Notes to the financial statements (continued)**

### **Year ended 31 December 2019**

#### **3. Significant accounting policies (continued)**

##### **Adoption of new and revised standards**

##### **Application of new and revised International Financial Reporting Standards**

##### ***IFRS 16 Leases***

IFRS 16 Leases became effective for the Company from 1 January 2019, replacing IAS 17 Leases. The principal impact of IFRS 16 is to change the accounting treatment by lessees of leases previously classified as operating leases. Lease agreements give rise to the recognition of a right-of-use asset and a related liability for future lease payments.

On transition, lease liabilities were recognised as the present value of lease payments still to be made, discounted at the appropriate incremental borrowing rate applicable at 1 January 2019 or where available, at the rate of interest implicit in the lease. For the majority of leased assets, the corresponding right of use asset was recognised equal to the value of the lease liability at 1 January 2019, adjusted for any accrued or prepaid lease payments.

Following adoption of IFRS 16, the costs of leases other than short-term leases less than 12 months, variable leasing costs and leases of low value assets are allocated between the depreciation of right-of-use assets and a finance charge representing the unwind of the discount on lease liabilities; previously leasing costs for operating leases were recognised within operating costs. On adoption of IFRS 16, for the year ended 31 December 2019 the depreciation of right of use assets (\$4,650,000 charged against operating expenses) are excluded from underlying EBITDA and finance costs incurred on lease liabilities (\$310,000 charged against Net finance costs) are excluded from underlying EBIT and underlying EBITDA. Short-term and low value leases, variable leasing costs and the costs of non-lease components continue to be charged against Operating costs within underlying EBITDA.

On adoption of IFRS 16 on 1 January 2019, additional lease liabilities of \$13,620,000 previously classified as operating leases were included in net debt. Corresponding right-of-use assets of \$13,620,000 were recognised within property plant and equipment. This amount represents leases for the Company's offices and retail stores.

The Group adopted the following practical expedients on transition to IFRS 16:

- The Group applied a single discount rate to portfolios of leases with similar characteristics, such as those of the same length and in the same country.
- Lease liabilities and corresponding right-of-use assets where the lease term will end during 2019 were excluded from leases brought on to the balance sheet unless the leases were significant.
- The Group considered known events after 1 January 2019 when determining the lease term, including using hindsight to assess whether options to extend or terminate the lease would be exercised.
- An impairment review was conducted for right-of-use assets on adoption of the standard.
- The Group separated non-lease components from lease components for certain leases for the first time as part of the transition adjustment.

## **De Beers Jewellers Limited**

### **Notes to the financial statements (continued)** **Year ended 31 December 2019**

#### **3. Significant accounting policies (continued)**

##### **Application of new and revised International Financial Reporting Standards (continued)**

At the date of inception of a new contract or significant modification of an existing contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains a lease if the contract conveys the right to control the asset for a period of time in exchange for consideration. To identify lease arrangements, the Group assesses whether:

- The contract specifies the use of an identified asset or collection of assets.
- The Group has the right to obtain substantially all of the economic benefits from the use of the identified asset(s).
- The Group has the right to direct the use of the asset. The Group has paid particular attention to the judgement over whether the lessor has a substantive right to substitute the specified assets for alternatives.
- Many assets used by the Group are highly specialised in nature and are purpose built or modified to meet the Group's specification. Judgement is required to assess whether the assets can be substituted and used for other purposes without significant additional modification.

## De Beers Jewellers Limited

### Notes to the financial statements (continued)

#### Year ended 31 December 2019

#### 4. Revenue

Revenue represents sales of stock to franchise outlets and other entities within the De Beers Jewellers Limited group.

	2019 US\$'000	2018 US\$'000
<i>Sales of goods</i>		
United Kingdom	24,388	41,718
Europe	10,579	15,583
America	9,856	13,399
Middle East	2,044	1,791
Asia	86,548	149,387
<b>Total</b>	<b>133,415</b>	<b>221,878</b>
<i>Interest income</i>	-	137
	<b>133,415</b>	<b>222,015</b>

#### 5. Operating loss

Operating loss is stated after charging:

	2019 US\$'000	2018 US\$'000
Auditor's remuneration:		
- fees payable to the company's auditor for the audit of the company's annual accounts	77	77
Amortisation of intangible assets (note 9)	128	129
Depreciation of tangible fixed assets (note 10)	5,391	884
Loss on disposal of tangible fixed assets (note 10)	72	-
Impairment of tangible fixed assets (note 10)	69	1,760
Impairment charge/(reversal) on investments (note 11)	1	56
Impairment charge/(reversal) on intercompany receivables (note 14)	53,838	7,336
Impairment charge/(reversal) on trade receivables (note 14)	151	(252)
Cost of inventories recognised as an expense	91,744	168,230
Write-down of inventory recognised as an expense	1,555	580
Operating lease rentals:		
- land and buildings	3,054	9,772
- other	4	6
(Gain)/ loss on foreign exchange	(957)	3,347



# De Beers Jewellers Limited

## Notes to the financial statements (continued)

### Year ended 31 December 2019

#### 6. Staff costs

	2019 US\$'000	2018 US\$'000
Wages and salaries	7,444	8,367
Social security costs	1,033	1,144
Other pension costs	486	608
	<b>8,963</b>	<b>10,119</b>

The monthly average number of employees during the year was as follows:

	2019 No.	2018 No.
Executive	7	6
Administration	54	55
Technical	1	1
Office Services	50	44
	<b>112</b>	<b>106</b>

Compensation of key management personnel comprised employee benefits of \$1,828,494 (31 December 2018: \$1,787,000).

There was US\$nil directors' remuneration paid by the shareholders of the Company to the directors during 2019 (2018: US\$nil) in respect of services rendered.

#### 7. Finance costs

	2019 US\$'000	2018 US\$'000
Interest on bank overdrafts and loans	3,654	1,735
Foreign exchange rate cost	(957)	3,348
Write off of intercompany loans	-	20,826
Interest on lease liability	310	-
	<b>3,007</b>	<b>25,909</b>

#### 8. Tax

##### (a) Major components of tax income

	2019 US\$'000	2018 US\$'000
Current tax on loss for the year	118	38
Adjustment in respect of prior years	-	(454)
Tax expense/(income) for the year	<b>118</b>	<b>(416)</b>

## De Beers Jewellers Limited

### Notes to the financial statements (continued)

#### Year ended 31 December 2019

#### 8. Tax (continued)

Corporation tax is calculated at 19% (2018: 19%) of the estimated assessable loss for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Adjustments in respect of prior years include amounts received in relation to consortium relief of \$nil (2018: US\$454,000).

#### (b) Relationship between tax income and accounting loss

The credit for the year can be reconciled to the profit per the income statement as follows:

	2019 US\$'000	2018 US\$'000
Loss before tax-	(66,968)	(35,914)
Tax at UK corporation tax	(12,724)	(6,824)
Effects of:		
Adjustments relating to prior years	-	(454)
Expenses not deductible for tax purposes	10,623	5,745
Group relief claimed for nil consideration	2,068	875
Other tax	151	38
Deferred tax not recognised	-	204
Total tax income for the year	<u><u>118</u></u>	<u><u>(416)</u></u>

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2017 (on 6 September 2017). These include reductions to the main rate to reduce the rate from 17% from 1 April 2020, however post year end it was announced to remain at 19%. The rate reduction has been reflected in the calculation of deferred tax at the balance sheet date due to the announcement being post year end.

#### (c) Deferred tax

At the balance sheet date, the Company has unused tax losses of \$24,170,000 (2018: US\$24,170,000) available for offset against future profits. The total amount of potential deferred tax asset not recognised is \$24,983,000 (2018: US\$24,909,000). No deferred tax asset has been recognised in respect of such losses as it is not considered probable that there will be sufficient future taxable profits available.

## De Beers Jewellers Limited

### Notes to the financial statements (continued)

#### Year ended 31 December 2019

#### 9. Intangible assets

	<b>Total US\$'000</b>
<b>Cost</b>	
At 1 January 2019	1,974
Additions	-
Disposals	(253)
At 31 December 2019	<u><u>1,721</u></u>
<b>Amortisation</b>	
At 1 January 2019	1,803
Charge for the year	128
Disposals	(253)
At 31 December 2019	<u><u>1,678</u></u>
<b>Net book amount</b>	
At 31 December 2018	<u><u>171</u></u>
At 31 December 2019	<u><u>43</u></u>

Intangible assets comprise of De Beers trademarks and jewellery patents. Fully depreciated De Beers trademarks and jewellery patents are still in use. Amortisation of intangible assets, comprising De Beers trademarks, jewellery patents and software, is included in the income statement under operating expenses.

# De Beers Jewellers Limited

## Notes to the financial statements (continued) Year ended 31 December 2019

### 10. Property, plant and equipment

	Leasehold improvements	Plant and machinery	Fixtures and fittings	Computer Equipment	Right of Use	Stones not held for resale	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Cost</b>							
At 1 January 2018	8,652	3,951	7,056	9,114	-	23	28,796
Additions	2,599	283	30	148	-	-	3,060
Disposals	(1,376)	-	(645)	(11)	-	-	(2,032)
Foreign exchange differences	(160)	(1)	(29)	(2)	-	-	(192)
As at 31 December 2018	9,715	4,233	6,412	9,249	-	23	29,632
IFRS 16 implementation	-	-	-	-	13,620	-	13,620
As at 1 January 2019	9,715	4,233	6,412	9,249	13,620	23	43,252
Additions	1,196	-	86	845	-	-	2,127
Disposals	(1,699)	(1,068)	(2,750)	(1,216)	-	-	(6,733)
Foreign exchange differences	(87)	(48)	(13)	45	213	-	110
As at 31 December 2019	9,125	3,117	3,735	8,923	13,833	23	38,756
<b>Accumulated Depreciation</b>							
At 1 January 2018	7,930	3,417	6,181	8,738	-	-	26,266
Charge for the year	654	39	43	148	-	-	884
Disposals	(1,376)	-	(645)	(11)	-	-	(2,032)
Foreign exchange differences	(69)	(1)	(27)	(2)	-	-	(99)
Impairment	1,733	-	23	4	-	-	1,760
As at 31 December 2018	8,872	3,455	5,575	8,877	-	-	26,779
Charge for the year	567	28	23	123	4,650	-	5,391
Disposals	(1,698)	(1,049)	(2,750)	(1,164)	-	-	(6,661)
Foreign exchange differences	(98)	(1)	(18)	(1)	-	-	(118)
Impairment	-	-	20	1	48	-	69
As at 31 December 2019	7,643	2,433	2,850	7,836	4,698	-	25,460
<b>Carrying amount</b>							
As at 31 December 2019	1,482	684	885	1,087	9,135	23	13,296
As at 31 December 2018	843	778	837	372	-	23	2,853

The Company is required to carry out an impairment review annually and utilises various estimates to perform the review which are subject to uncertainty. The value in use method is applied and calculations use cash flow projections based on financial budgets and forecasts and an average pre-tax nominal discount rate of 7.0%. This review has given rise to an impairment charge of \$69,000 (2018: US\$1,760,000). Please note that for the purpose of the impairment review the store assets (mainly property, plant and equipment) are aggregated to form the cash generating unit and the carrying value is compared to the discounted future cashflows. A review of this provision will be carried out at subsequent reporting dates.

On adoption of IFRS 16 Leases, right-of-use assets for items formerly recognised as leased under operating leases were recognised within property, plant and equipment. Leased assets relate to corporate offices and stores.

# De Beers Jewellers Limited

## Notes to the financial statements (continued) Year ended 31 December 2019

### 11. Investments in subsidiary undertakings

	2019 US\$'000	2018 US\$'000
Initial Cost		
At 1 January 2019	49,460	49,460
Additions	-	-
As 31 December 2019	<u>49,460</u>	<u>49,460</u>
Provision for impairment		
At 1 January 2019	49,459	49,403
Impairment charge	1	56
As 31 December 2019	<u>49,460</u>	<u>49,459</u>
Carrying amount		
At 31 December 2018	<u>1</u>	<u>57</u>
As 31 December 2019	<u>-</u>	<u>1</u>

The Company is required to carry out an impairment review annually and utilises various estimates to perform the review which are subject to uncertainty. The value in use method is applied and calculations use cash flow projections based on financial budgets and forecasts and an average pre-tax nominal discount rate of 7.0%. This review has given rise to an impairment charge of US\$1,000 (2018: US\$56,000). Please note that for the purpose of the impairment review the store assets (mainly property, plant and equipment) are aggregated to form the cash generating unit and the carrying value is compared to the discounted future cashflows. A review of this provision will be carried out at subsequent reporting dates.

Details of the investments in which the Company has control are as follows:

Subsidiary undertaking, name of company	Country of incorporation	Proportion of voting rights and shares held	Nature of business	Registered office
De Beers Jewellers Trade Mark Limited	United Kingdom	100%	Non-trading	45 Old Bond Street, London W1S 4QT
De Beers Jewellers Japan KK	Japan	100%	Retail of precious stones and jewellery	New Otani Garden Court, 7 <sup>th</sup> Floor, 4-1 Kioi-cho, Chiyoda-ku, Tokyo
De Beers Jewellers UK Limited	United Kingdom	100%	Retail of precious stones and jewellery	45 Old Bond Street, London W1S 4QT
De Beers Jewellers (US), Inc.	United States	100%	Retail of precious stones and jewellery	598 Madison Avenue, 4 <sup>th</sup> Floor, New York, NY 10022
De Beers Jewellers (Hong Kong) Limited	Hong Kong	100%	Retail of precious stones and jewellery	RM 02B&03-06 26/F, Kinwick Centre, 2 Holly Wood Road Central, Hong Kong
De Beers Jewellers Commercial (Shanghai) Co., Ltd	China	100%	Retail of precious stones and jewellery	Room 3703, 37F, The Park Place, No. 1601, West Nanjing Road, Shanghai, China
De Beers Jewellers (Macau) Company Limited	Macau	100%	Retail of precious stones and jewellery	Avenida da Praia Grande No. 409, China Law Building 16/F – B79, Macau

The Company had no other interests, either direct or indirect, other than those disclosed above.

# De Beers Jewellers Limited

## Notes to the financial statements (continued) Year ended 31 December 2019

### 12. Long-term deposits

	<b>Property lease deposits</b>	
	<b>2019</b>	<b>2018</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Redeemable in 2-5 years:</b>		
At 1 January	30	39
To redeem in 1 year	-	(8)
Effect of exchange rate differences	(1)	(1)
At 31 December	<u>29</u>	<u>30</u>

### 13. Inventories

	<b>2019</b>	<b>2018</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Raw materials and consumables	14,135	16,767
Work in progress	14,193	14,261
Finished goods and goods for resale	33,986	33,148
Total	<u>62,314</u>	<u>64,175</u>

Inventories include provision for potentially obsolete inventory, with provision made for all non-recoverable amounts based on the ageing of inventory of US\$11,967,000 (2018: US\$10,650,000). The value of inventory pledged as security for bank loan payables at 31 December 2019 was \$nil (2018: \$nil).

### 14. Trade and other receivables

	<b>2019</b>	<b>2018</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Amounts falling due within one year</b>		
Trade receivables	6,817	7,621
Other receivables	233	254
VAT recoverable	4,526	2,612
Amounts due from subsidiaries	-	-
Prepayments	3,314	4,004
<b>Total</b>	<u>14,890</u>	<u>14,491</u>
<b>Amounts falling due after one year</b>		
Amounts due from subsidiary undertakings	<u>41,223</u>	<u>53,269</u>

It is considered probable that trade receivables will be recoverable in full, apart from an amount of US\$1,248,000 (2018: US\$1,340,000), against which provision has been made in line with the Company accounting policy.

Due to the history of losses in the subsidiaries, and the uncertainty surrounding the projections of future revenues and cash flows in the current economic climate, a US\$173,386,000 (2018: US\$119,548,000) provision has been made in the company for non-recoverable intercompany receivables of De Beers Jewellers Japan KK, De Beers Jewellers UK Limited, De Beers Diamond Jewellers US Inc., De Beers Diamond Jewellers (Hong Kong) Ltd and De Beers Jewellers Commercial (Shanghai) Co., Ltd. No interest is chargeable on overdue debts from subsidiary undertakings and there are no fixed repayment terms. A review of this provision will be carried out at subsequent reporting dates. This affects the company financial statements only.

# De Beers Jewellers Limited

## Notes to the financial statements (continued) Year ended 31 December 2019

### 15. Trade and other payables

	Note	2019 US\$'000	2018 US\$'000
Trade payables		12,717	13,499
Other taxation and social security		564	557
Amounts owed to subsidiaries		-	-
Accruals		4,740	6,706
Short Term Lease Liability	17	4,735	-
<b>Total</b>		<b>22,756</b>	<b>20,762</b>

### 16. Borrowings

	2019 US\$'000	2018 US\$'000
Amounts owed to shareholders and their affiliated undertakings	115,923	61,569

Interest is payable on the loans from related undertakings is at a rate of 3 month LIBOR plus 125bps.

Amounts owed to shareholders and their affiliated undertakings represent loans extended to the Company to fund the operating cash outflows. The carrying values of non-current liabilities approximate their fair values.

The Company makes voluntary prepayments, with the full loan being repayable at the final maturity date.

At the balance sheet date, the Company had access to the following undrawn overdrafts and facilities:

- Composite facility comprising of current account no interest facility and/of overdrawn facility of £5,000,000 and;
- Sterling dealing limit facility of £15,000,000.

### 17. Lease Liabilities

	2019 US\$'000
<b>Maturity analysis</b>	
Year 1	4,911
Year 2	4,620
Year 3	105
Year 4	19
Year 5	-
	<u>9,655</u>
Less unearned interest	(240)
	<u>9,415</u>
<b>Analysed as:</b>	
Short-term	4,735
Long-term	4,680
	<u>9,415</u>

Following the adoption of IFRS 16 Leases, lease liabilities of US\$13,620,000 were recognised within external borrowings included within net debt at the date of transition at 1 January 2019.

Corresponding right-of-use assets were recognised within Property, plant and equipment. Refer to note 10.

# De Beers Jewellers Limited

## Notes to the financial statements (continued)

### Year ended 31 December 2019

#### 18. Authorised and issued share capital

Group and company	2019 US\$'000	2018 US\$'000
<b>Authorised</b>		
295,399,999 (2018: 295,399,999) A ordinary shares of US\$1 each	295,399,999	295,399,999
295,399,999 (2018: 295,399,999) B ordinary shares of US\$1 each	295,399,999	295,399,999
1 Special dividend share of US\$1	1	1
1 Deferred share of US\$1	1	1
	<u>590,800,000</u>	<u>590,800,000</u>
<b>Allotted, called up and fully paid</b>		
295,399,999 (2018: 295,399,999) A ordinary shares of US\$1 each	295,399,999	295,399,999
295,399,999 (2018: 295,399,999) B ordinary shares of US\$1 each	295,399,999	295,399,999
1 Special dividend share of US\$1	1	1
1 Deferred share of US\$1	1	1
	<u>590,800,000</u>	<u>590,800,000</u>

#### 19. Operating lease commitments

	2019 US\$'000	2018 US\$'000
<b>Land and buildings</b>		
- within one year	641	5,604
- within two to five years	641	10,600
	<u>1,282</u>	<u>16,204</u>

The Company leases its retail properties on various terms, including fixed rental subject to periodic rent review or annual increment, and variable rental which is contingent on turnover. In 2019 the Group incurred an expense of US\$641,000 (2018: US\$5,604,000) in relation to minimum lease payments and paid contingent rent of US\$2,412,000 (2018: US\$4,168,000).

Operating lease commitments which fall under IFRS16 are disclosed as part of note 17 Lease Liabilities following the adoption of IFRS16 on 1 January 2019.

#### 20. Related party transactions

The Company has taken advantage of the exemption available under FRS 101 from providing details of related party transactions with other wholly owned members of the Group as they are included within the consolidated accounts of its parent company De Beers plc, which are publicly available.



## **De Beers Jewellers Limited**

### **Notes to the financial statements (continued)**

#### **Year ended 31 December 2019**

##### **21. Parent undertaking and controlling party**

In the opinion of the directors, the Company's ultimate parent company and ultimate controlling party is Anglo American plc, a public limited company incorporated in England and Wales (registered number 3564138). The parent undertaking of the largest group, which includes the Company and for which group accounts are prepared, is Anglo American plc. The registered office of Anglo American plc is 20 Carlton House Terrace, London, SW1Y 5AN.

The parent undertaking of the smallest such group and for which group accounts are prepared is De Beers plc, a Company incorporated in Jersey (registered number 122752). The registered office of De Beers plc is 3<sup>rd</sup> Floor, 44 Esplanade, St Helier, Jersey, JE4 9WG.

Copies of the group financial statements of Anglo American plc and De Beers plc are available from the Company Secretary, 20 Carlton House Terrace, London, SW1Y 5AW.

##### **22. Subsequent events**

On 15 January 2020 Riverbank Investments Limited sold their 50% holding of De Beers Jewellers Limited to De Beers plc who now own 100% of De Beers Jewellers Limited shares.

Since early January 2020 the coronavirus outbreak has spread globally, causing disruption to business and economic activity. This has the potential to significantly impact the De Beers Jewellers business in the short 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, it is not practical at this time to determine the impact of the coronavirus on the Company nor to provide a quantitative estimate of the impact.