

DE BEERS UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

DE BEERS UK LIMITED

COMPANY INFORMATION

| | |
|-----------------------------|--|
| Directors | N M Byers J C Frankish (appointed 1 March 2019) D S Fricker E Oberbeck F Sallie J D H Savage A E Tattershall (resigned 1 March 2019) |
| Company secretary | Anglo American Corporate Secretary Limited |
| Registered number | 02054170 |
| Registered office | 20 Carlton House Terrace London SW1Y 5AN United Kingdom |
| Independent auditors | Deloitte LLP Statutory Auditor London United Kingdom |

DE BEERS UK LIMITED

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DE BEERS UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Introduction

The Directors, in preparing this Strategic report, have complied with s414C of the Companies Act 2006.

General review and key performance indicators

The Company is a wholly-owned subsidiary of De Beers plc, incorporated in Jersey. De Beers plc is an 85% owned subsidiary of Anglo American Plc, incorporated in the United Kingdom.

The Company's principal activity is the provision of corporate functions and marketing services for the De Beers Group, and development and maintenance of intellectual property.

The key function of the Company is to develop and maintain intellectual property relevant to the diamond industry, and to provide marketing services to other Group companies. The Company receives a royalty from another member of the Group for the use of the intellectual property owned by the Company and also receives income for marketing services provided on behalf of the Group. The Company recorded an operating loss of US\$26,385 thousand (2018 loss: US\$1,520 thousand). The total net assets of the Company at the end of the year was US\$1,369,638 thousand.

The Company's financial key performance indicators are the control of and cost effective spend on research and development, marketing costs and associated overheads. Cost of sales have increased 9.5% year on year, which is deemed by the Directors to be an acceptable movement in the course of business.

Non-financial key performance indicators are:

- the delivery of effective marketing campaigns on behalf of the De Beers Group;
- effective research and development activities to create new intellectual property; and
- the protection and maintenance of intellectual property owned by the Company.

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.

Principal risks and uncertainties

Market risk

The principal risk facing the Company is variability in the performance of its subsidiaries within the Group, which is driven by the demand for diamonds from diamond wholesalers, which in turn is driven by fluctuations in the retail market and bank liquidity. The Directors have considered the impact of Brexit on the Company and do not consider there to be a significant risk to the business.

Credit risk

The Company's principal financial assets are bank balances and cash 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, which are predominantly with a small number of Group companies. The amounts presented in the statement of financial position are net of allowances for doubtful debts.

DE BEERS UK LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Interest risk

The Company is financed by a loan advanced by Anglo American Capital plc. The loan is advanced at floating rates linked to the London Inter Bank Offered Rate ("LIBOR").

Foreign exchange risk

The Company is exposed to foreign exchange rate movements on accounts denominated in currencies other than US Dollars, the largest balance being the defined benefit pension asset/liability, which is denominated in Pounds Sterling.

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 its 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.

Consideration of section 172 duty of the Companies Act 2006

The De Beers UK Limited Board is cognisant of 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 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.

Stakeholder considerations are integral to discussions at Board meetings and the decisions we make take into account any potential impacts on them and the environment. Like any business, we are aware that some of the decisions we make may have an adverse impact on certain stakeholders.

By listening to, understanding and engaging with our stakeholders, the Board endeavours to live up to their expectations, by staying true to the Purpose and making decisions in accordance with our Values.

Our Purpose and Values

The Board recognises the role of the Company business in society and within the De Beers Group. The Group's purpose is summarised as 'to make life brilliant', and the Company is focused on contributing to the achievement of this purpose.

The Group and Company have six values – put safety first, be passionate, pull together, build trust, show we care, and shape the future. They were developed by our employees in 2006 and remain the values we live by today. These values keep us focused on our purpose: to turn diamond dreams into lasting reality for the benefit of our customers and our stakeholders. It's this purpose that drives us to achieve our vision of unlocking the value of our leadership position across the diamond pipeline to create a better diamond industry for all.

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 governments, employees, customers, business partners, multinational organisations, industry peers, broader civil society, trade associations and suppliers in addition to our shareholder. More information on engaging with key stakeholders is provided below.

DE BEERS UK LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Long Term Decision Making

The Board took a 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 and its stakeholders, including key market updates, technology capability, safety, health and environment considerations. The De Beers Group are committed to achieving carbon neutral by 2030 and the Board are committed to achieving this goal.

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; 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 employee survey which was issued to all of the Company's employees.

The Board ensures that the interest of employees is always at the forefront of any decisions made.

Our first and most important value as a Company is to Put Safety First, firmly believing that no asset or goal is worth as much as a human life.

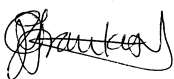
The Company participates in a number of Group engagement channels with employees, including the global Employee Engagement Survey, regular employee presentations, annual events such as Global Safety Day and the YourVoice platform which enables employees to anonymously raise any concerns they may have.

Relationships with Suppliers and Customers

The Company aims to be a valued and trusted partner to all members of the industry. This includes the suppliers and customers that we operate with. Supplier engagement takes place throughout the business bodies and initiatives. The Company's customers are largely intra-group and the Company engages with these customers largely through direct personal engagement.

Through the De Beers Group Best Practice Principles, the Group have set leading ethical, social and environmental standards, including on human rights and labour conditions, not just for De Beers, but for our whole value chain (our operations, our customers and their contractors). The Company follows these principles and is subject to the verification of the implementation of these standards annually through independently assured audits.

This report was approved by the board and signed on its behalf.



J Frankish
Director

Date: 14 May 2020

DE BEERS UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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

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 Financial Reporting Standard 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 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.

Results and dividends

The profit for the year, after taxation, amounted to \$38,683 thousand (2018 - \$55,098 thousand).

The Directors do not recommend the payment of an ordinary dividend (2018: US\$nil).

Directors

The Directors who served during the year and up to the date of signing were:

N M Byers
J C Frankish (appointed 1 March 2019)
D S Fricker
E Oberbeck
F Sallie
J D H Savage
A E Tattershall (resigned 1 March 2019)

DE BEERS UK LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Future developments

The Directors consider the outlook for the Company to be good. The Company will receive, in the form of dividends and royalties, substantial income from its subsidiaries which will permit the ongoing profitable operation of the Company. Ongoing global economic uncertainty persists but the Directors are confident that there will be continued demand for rough diamonds.

Financial risk management policy

The financial risk management policy of the Company is disclosed in the Strategic report.

Employee involvement

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests through the Staff Consultative Committee.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. In both cases the Company would seek to make reasonable adjustments to accommodate the disabilities of the applicant/employee. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

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 De Beers plc 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.

Disclosure of information to auditors

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

DE BEERS UK LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Post balance sheet events

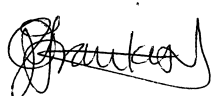
Since early January 2020, the coronavirus outbreak has spread across mainland China and beyond, causing severe disruption to business and economic activity in many territories. This has the potential to significantly impact the Company's business in the short term. Management regard this as a non-adjusting post balance sheet event, as they consider this did not reflect circumstances at 31 December 2019 results.

However, given the current uncertainty and socio-economic effects of coronavirus, this could materially affect the prospects of the Company in the future, and of the wider De Beers Group. However, it is not practical at this time to determine the financial impact of the coronavirus on future trading or the carrying value of the assets held.

Auditors

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.

This report was approved by the board and signed on its behalf.



Jeanine Frankish
Director

Date: 14 May 2020

DE BEERS UK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DE BEERS UK LIMITED

Independent auditor's report to the members of De Beers UK Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of De Beers UK 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 profit 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 income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 29.

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.

DE BEERS UK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DE BEERS UK LIMITED

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.

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.

DE BEERS UK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DE BEERS UK LIMITED

Matters on which we are required to report by exception

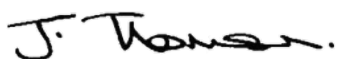
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.



Jon Thomson FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor

London

United Kingdom

Date: 14 May 2020

DE BEERS UK LIMITED

STATEMENT OF PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2019

| | Note | 2019 \$000 | 2018 (Restated) \$000 |
|--|------|-----------------|-----------------------------|
| Turnover | 3 | 277,914 | 291,636 |
| Cost of sales | | (290,066) | (264,899) |
| Gross (loss)/profit | | (12,152) | 26,737 |
| Administrative expenses | | (18,519) | (21,696) |
| Other operating income/(expenses) | 4 | 4,286 | (6,561) |
| Operating loss | | (26,385) | (1,520) |
| Investment income | | 61,035 | 74,193 |
| Expense from fixed assets | | (211) | (479) |
| Amounts written off for investments | | (471) | (2,058) |
| Interest receivable and similar income | 7 | 32,436 | 25,136 |
| Interest payable and similar expenses | 8 | (5,875) | (3,875) |
| Profit before tax | | 60,529 | 91,397 |
| Tax on profit | 11 | (21,846) | (36,299) |
| Profit for the financial year | | 38,683 | 55,098 |

The notes on pages 16 to 47 form part of these financial statements.

All of the results are derived from continuing operations.

The prior year cost of sales has been restated to exclude research and development costs that have been reallocated to administrative expenses.

DE BEERS UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

| | 2019 \$000 | 2018 \$000 |
|---|----------------|---------------|
| Profit for the financial year | 38,683 | 55,098 |
| Other comprehensive income/(expense): | | |
| Items that will not be reclassified to profit or loss: | | |
| Gross remeasurement of retirement benefit obligation | 7,967 | (32,729) |
| Shares issued during the year | 215,500 | - |
| Deferred tax movements | (1,354) | (11,718) |
| Share-based payment charge | 8,880 | 7,766 |
| | 230,993 | (36,681) |
| Total comprehensive income for the year | 269,676 | 18,417 |

The notes on pages 16 to 47 form part of these financial statements.

All of the results are derived from continuing operations.

DE BEERS UK LIMITED
REGISTERED NUMBER: 02054170

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

| | Note | 2019 \$000 | 2018 \$000 |
|---|------|-----------------------|-----------------------|
| Fixed assets | | | |
| Intangible assets | 12 | 7,657 | 11,842 |
| Tangible assets | 13 | 113,433 | 111,491 |
| Investments in subsidiary companies | 14 | 344,130 | 173,630 |
| Loans to subsidiaries | 14 | 9,922 | 70,682 |
| Investment in joint ventures | 14 | 87,260 | 87,260 |
| Retirement benefit assets | 21 | 197,918 | 147,452 |
| | | <hr/> 760,320 | <hr/> 602,357 |
| Current assets | | | |
| Stocks | 17 | 17,925 | 14,571 |
| Debtors: amounts falling due within one year | 18 | 679,634 | 684,183 |
| Bank and cash balances | | 5,277 | 1,758 |
| | | <hr/> 702,836 | <hr/> 700,512 |
| Creditors: amounts falling due within one year | 19 | (84,739) | (83,621) |
| Net current assets | | <hr/> 618,097 | <hr/> 616,891 |
| Total assets less current liabilities | | <hr/> 1,378,417 | <hr/> 1,219,248 |
| Creditors: amounts falling due after more than one year | 20 | (8,779) | (118,303) |
| | | <hr/> 1,369,638 | <hr/> 1,100,945 |
| Provisions for liabilities | | | |
| Deferred taxation | 15 | - | (983) |
| | | <hr/> - | <hr/> (983) |
| Net assets | | <hr/> <hr/> 1,369,638 | <hr/> <hr/> 1,099,962 |

DE BEERS UK LIMITED
REGISTERED NUMBER: 02054170

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2019

| | Note | 2019 \$000 | 2018 \$000 |
|-----------------------------|------|------------------|------------------|
| Capital and reserves | | | |
| Called up share capital | 22 | 88,140 | 62,927 |
| Share premium account | 23 | 473,272 | 282,985 |
| Other reserves | 23 | 19,314 | 20,277 |
| Profit and loss account | 23 | 788,912 | 733,773 |
| | | <u>1,369,638</u> | <u>1,099,962</u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



Jeanine Frankish
Director

Date: 14 May 2020

The notes on pages 16 to 47 form part of these financial statements.

DE BEERS UK LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

| | Called up share capital | Share premium account | Other reserves | Profit and loss account | Total equity |
|---|----------------------------|-----------------------------|-------------------|----------------------------|------------------|
| | \$000 | \$000 | \$000 | \$000 | \$000 |
| At 1 January 2019 | 62,927 | 282,985 | 20,277 | 733,773 | 1,099,962 |
| Comprehensive income for the year | | | | | |
| Profit for the year | - | - | - | 38,683 | 38,683 |
| Total comprehensive income for the year | - | - | - | 38,683 | 38,683 |
| Remeasurement of retirement benefit obligation | - | - | - | 7,967 | 7,967 |
| Shares issued during the year | 25,213 | 190,287 | - | - | 215,500 |
| Deferred tax movements | - | - | - | (1,354) | (1,354) |
| Share-based payment charge | - | - | 8,880 | - | 8,880 |
| Reclassification of equity settled share schemes | - | - | (9,843) | 9,843 | - |
| Total other comprehensive income/(expense) | 25,213 | 190,287 | (963) | 16,456 | 230,993 |
| At 31 December 2019 | 88,140 | 473,272 | 19,314 | 788,912 | 1,369,638 |

The notes on pages 16 to 47 form part of these financial statements.

DE BEERS UK LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

| | Called up share capital | Share premium account | Other reserves | Profit and loss account | Total equity |
|---|----------------------------|-----------------------------|-------------------|----------------------------|------------------|
| | \$000 | \$000 | \$000 | \$000 | \$000 |
| At 1 January 2018 | 62,927 | 282,985 | 17,976 | 717,657 | 1,081,545 |
| Comprehensive income for the year | | | | | |
| Profit for the year | - | - | - | 55,098 | 55,098 |
| Total comprehensive income for the year | - | - | - | 55,098 | 55,098 |
| Remeasurement of retirement benefit obligation | - | - | - | (32,729) | (32,729) |
| Deferred tax movements | - | - | (2,450) | (9,268) | (11,718) |
| Share-based payment charge | - | - | 7,766 | - | 7,766 |
| Reclassification of equity settled share schemes | - | - | (3,015) | 3,015 | - |
| Total other comprehensive income/(expense) | - | - | 2,301 | (38,982) | (36,681) |
| At 31 December 2018 | 62,927 | 282,985 | 20,277 | 733,773 | 1,099,962 |

The notes on pages 16 to 47 form part of these financial statements.

DE BEERS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. General information

De Beers UK Limited is a private company limited by shares, incorporated in the United Kingdom and registered in England and Wales. The address of the registered office is given on the Company Information page. The nature of the Company's operations and principal activities is set out in the Strategic report.

2. Accounting policies

2.1 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 preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.18. The following principal accounting policies have been applied:

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.2 Financial reporting standard 101 - reduced disclosure exemptions

The Company 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 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 requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of the second sentence 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 requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of 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 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 requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

Adoption of New and Revised Standards

IFRS 16

IFRS 16 is a new accounting standard applicable to the Company for the year end 31 December 2019. The Company has adopted a modified retrospective approach from start of current year on transition and has assessed that all leases are low value leases and are not on the balance sheet in line with IFRS 16.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as tablet and personal computers, small items of office furniture and telephones), the Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'Cost of sales' in profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.3 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 De Beers plc 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

2.4 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.

A joint venture is an entity in which the Company holds a long-term interest and shares joint control over the strategic, financial and operating decisions with one or more parties under a contractual agreement.

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 Company as an individual undertaking and not about its Group.

2.5 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided straight line at the following range:

Land - not depreciated
Buildings - over twenty to fifty years
Office equipment - over six years
Computer equipment - over three years
Diamond stock - not depreciated

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.6 Intangible assets

Intangible assets, which consist of patents and trademarks, which are internally generated, are stated at cost net of amortisation and any provision for impairment. Amortisation is provided at rates calculated to write off the cost, less estimated residual value, evenly over its expected useful life of three years and is included within operating expenses.

2.7 Inventories

Diamond stocks are valued at the lower of weighted average cost and net realisable value, based on standard selling values of rough diamonds.

Work-in-progress is valued at the lower of cost and net realisable value.

2.8 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 statement of financial position 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 statement of financial position 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.9 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 exchange rates ruling at 27 December 2019 have been deemed to be those ruling at the statement of financial position date, with monetary assets and liabilities denominated in foreign currencies being translated at the rates on this date.

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 except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

2.10 Retirement benefits

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each statement of financial position date. The net interest cost on the net defined benefit liability is charged to profit or loss and included within finance costs. Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to past service cost plus the present value of available refunds and reductions in future contributions to the plan.

Accounting for defined benefit pension schemes involves judgement about uncertain events, including the life expectancy of the members, salary and pension increases, inflation, the return on scheme assets and the rate at which the future pension payments are discounted. Estimates for all these factors are used in determining the pension cost and liabilities recognised in the financial statements. These represent management's best estimate of future developments, and are made in conjunction with independent actuaries.

Payments made to defined contribution retirement benefit plans are charged as an expense as they fall due.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.11 Impairment of tangible and intangible assets

At each statement of financial position 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.12 Financial instruments

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

From 1 January 2018, a financial asset not measured at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. The Company assesses on a forward-looking basis the expected credit losses, defined as the difference between the contractual cash flows and the cash flows that are expected to be received, associated with its assets carried at amortised cost and fair value through OCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables only, the simplified approach permitted by IFRS 9 is applied, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Any loss allowance on any trade receivables has been deemed minimal with low risk of credit deterioration based on historic and projected level of customer default.

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 direct attributable transaction costs.

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

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

Bank borrowings

Interest bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Company's policy for borrowing costs (see above).

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.

2.13 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.

2.14 Revenue recognition

Revenue is recognised in a manner that depicts the pattern of the transfer of goods and services to customers. The amount recognised reflects the amount to which the Company expects to be entitled in exchange for those goods and services. Sales contracts are evaluated to determine the performance obligations, the transaction price and the point at which there is transfer of control. The transactional price is the amount of consideration due in exchange for transferring the promised goods or services to the customer, and is allocated against the performance obligations and recognised in accordance with whether control is recognised over a defined period or at a specific point in time.

Revenue represents income from the provision of marketing services to other Group companies, diamond sales, royalties received from Group companies 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. Sales of diamonds are recognised when title has passed. Title passes when payment has been received and the diamonds are handed to a carrier at the location of the sale.

Revenue from services is recognised over time in line with the policy above. In situations where the Company is acting as an agent, amounts billed to customers are offset against the relevant costs.

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

Dividend income from subsidiaries and joint ventures is recognised when shareholders' rights to receive payment have been established.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.15 Leasing

Leases are recognised as assets of the Company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

On transition to IFRS 16 a modified retrospective approach has been adopted from the start of the current year as all leases are low value leases and not recognised on the statement of financial position.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as tablet and personal computers, small items of office furniture and telephones), the Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'other operating expenses' in profit or loss.

2.16 Research and development costs

Research and development costs are expensed as incurred, except where fixed assets are constructed for use in the business, in which case attributable costs are capitalised. Development expenditure is not capitalised as management consider the expenditure to be defensive in nature to protect the business as a whole. Research and development costs relate to the research and development of diamond machinery.

2.17 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 or 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 either 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.18 Critical accounting judgements and key sources of estimation uncertainty

Key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described within this note, 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 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.

One of the more important accounting estimates relates to retirement benefits (carrying amounts and key sources of estimation are provided in note 21). Assumptions in respect of the expected costs are set after consultation with qualified actuaries. While management believes the assumptions used are appropriate, a change in the assumptions used would impact the earnings of the company going forward. Judgement has also been made in consideration of whether sufficient future taxable profits will arise to support the recognition of a deferred tax asset. Management believes this to be the case using approved long term business plans as support (refer to note 15 for further information on deferred tax).

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.

Critical accounting judgements

The only critical judgements made by the Directors in applying the Company's accounting policies are in respect of the financial and actuarial assumptions used to determine the costs of providing pensions under the defined benefit schemes, assessing investments for impairment and determining recoverability of loans.

2.19 Impairment of fixed assets

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

DE BEERS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

3. Revenue

The principal revenue stream for the Company is the provision of marketing services to other Group companies.

The following is an analysis of the Company's revenue for the year from continuing operations:

| | 2019 | 2018 |
|----------------------------|----------------|----------------|
| | \$000 | \$000 |
| Non-diamond sales/services | 269,988 | 286,723 |
| Diamond sales | 7,926 | 4,913 |
| | 277,914 | 291,636 |

Analysis of turnover by country of destination:

| | 2019 | 2018 |
|-------------------|----------------|----------------|
| | \$000 | \$000 |
| United Kingdom | 8,088 | 14,068 |
| Rest of Europe | 8 | 22,178 |
| Rest of the world | 269,818 | 255,390 |
| | 277,914 | 291,636 |

4. Other operating income/(expense)

| | 2019 | 2018 |
|---|--------------|----------------|
| | \$000 | \$000 |
| Foreign exchange gains/(losses) | 4,286 | (13,969) |
| Profit on disposal of Charterhouse Street | - | 7,408 |
| | 4,286 | (6,561) |

DE BEERS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

5. Profit before taxation

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

| | 2019 \$000 | 2018 \$000 |
|--|-------------------|-------------------|
| Net foreign exchange gain/(loss) | 4,268 | (13,969) |
| Profit on disposal of Charterhouse Street | - | 7,408 |
| Depreciation of property, plant and equipment | (2,147) | (2,576) |
| Amortisation of intangible assets | (6,689) | (9,248) |
| Research and development costs | (17,346) | (19,777) |
| Employee benefits expense | (65,694) | (62,822) |
| Cost of inventories recognised as an expense | (21,071) | (10,163) |
| Operating lease expense | (1,001) | (874) |
| Total fees payable to the Company's auditor for | - | - |
| - the audit of the Company's annual financial statements | (148) | (117) |
| - audit related assurance engagements | (14) | - |
| - taxation compliance services | - | (7) |
| | <u> </u> | <u> </u> |

The Company paid fees to the auditor, Deloitte LLP, \$162 thousand for services rendered in 2019 (2018: \$124 thousand). An analysis of the fees paid is as follows: fees payable for the audit of the Company's annual financial statements (\$148 thousand) and other services (\$14 thousand).

6. Investment income

| | 2019 \$000 | 2018 \$000 |
|--|---------------|---------------|
| Dividends from joint ventures | 33,089 | 45,771 |
| Dividends from subsidiary undertakings | 27,946 | 28,422 |
| Total investment income | <u>61,035</u> | <u>74,193</u> |

7. Interest receivable

| | 2019 \$000 | 2018 \$000 |
|--|---------------|---------------|
| Interest receivable from group companies | 27,595 | 22,972 |
| Interest income on post-retirement plans | 4,841 | 1,863 |
| Bank interest receivable | - | 301 |
| | <u>32,436</u> | <u>25,136</u> |

DE BEERS UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

8. Interest payable and similar expenses

| | 2019 | <i>2018</i> |
|---|---------------------|---------------------|
| | \$000 | <i>\$000</i> |
| Interest on amounts owing to group companies and joint ventures | 5,875 | <i>3,875</i> |
| | <u>5,875</u> | <u><i>3,875</i></u> |

9. Information regarding directors' remuneration and transactions

| | 2019 | <i>2018</i> |
|---|---------------------|---------------------|
| | \$000 | <i>\$000</i> |
| Directors' remuneration | | |
| Emoluments (excluding pension contributions) | 1,669 | <i>1,690</i> |
| | <u>1,669</u> | <u><i>1,690</i></u> |
| Company contributions to directors' pensions | | |
| Defined contribution scheme | 77 | <i>88</i> |
| | <u>77</u> | <u><i>88</i></u> |
| Benefits received or receivable under long-term incentive schemes | 698 | <i>667</i> |
| | <u>698</u> | <u><i>667</i></u> |
| Number of directors to whom retirement benefits are accruing under defined contribution schemes | 6 | <i>6</i> |
| Number of directors who exercised share options | - | <i>-</i> |
| Number of directors who received benefits under LTIS | 6 | <i>6</i> |
| | <u>6</u> | <u><i>6</i></u> |

| | 2019 | <i>2018</i> |
|---|-------------------|-------------------|
| | \$000 | <i>\$000</i> |
| Remuneration of the highest paid director | | |
| Emoluments (excluding pension contributions) | 383 | <i>397</i> |
| Benefits received or receivable under long-term incentive schemes | 181 | <i>180</i> |
| | <u>383</u> | <u><i>397</i></u> |

The highest paid director did not exercise share options during the period.

DE BEERS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

10. Employee costs

Staff costs during the year were as follows:

| | 2019 \$000 | 2018 \$000 |
|-----------------------------------|-----------------------------|-----------------------------|
| Wages and salaries | 52,349 | 49,497 |
| National insurance | 9,350 | 6,469 |
| Defined contribution pension cost | 2,355 | 2,270 |
| Defined benefit pension cost | 1,640 | 2,877 |
| | <hr/> | <hr/> |
| Employee costs | 65,694 | 61,113 |
| | <hr/> | <hr/> |

The monthly average number of employees (including Directors) in the year was:

| | 2019 No | 2018 No |
|--------------------------|--------------------------|--------------------------|
| Global Sightholder Sales | 31 | 30 |
| Group Services | 178 | 185 |
| Shared Services | 68 | 68 |
| MD/CEO's Office | 3 | 2 |
| De Beers Auction Sales | 1 | 1 |
| | <hr/> | <hr/> |
| | 281 | 286 |
| | <hr/> | <hr/> |

DE BEERS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

11. Taxation

| | 2019 \$000 | 2018 \$000 |
|--|----------------|---------------|
| Current tax | | |
| Overseas tax | 24,183 | 25,408 |
| | <u>24,183</u> | <u>25,408</u> |
| Total current tax | <u>24,183</u> | <u>25,408</u> |
| Deferred tax expense | | |
| Origination and reversal of timing differences | (1,354) | 13,785 |
| Adjustments in respect of prior years | (983) | (2,894) |
| | <u>(2,337)</u> | <u>10,891</u> |
| Total deferred tax | <u>(2,337)</u> | <u>10,891</u> |
| Taxation on profit | <u>21,846</u> | <u>36,299</u> |

DE BEERS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 - *higher than*) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

| | 2019 \$000 | 2018 \$000 |
|---|-----------------|---------------|
| Profit before tax | 60,529 | 91,397 |
| Profit multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%) | 11,500 | 17,365 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 1,699 | 48 |
| Disposal of fixed assets | (40) | (1,492) |
| Non-taxable dividend income | (11,597) | (14,097) |
| Effect of a change in tax rate | 260 | (347) |
| Foreign tax suffered | 24,183 | 25,408 |
| Impairment of investment | 86 | (390) |
| Benefit of foreign tax expensed | (4,638) | 11,718 |
| Prior year adjustment in respect of deferred tax | (983) | (2,894) |
| Write-off of losses previously recognised | 1,376 | 980 |
| Total tax charge for the year | 21,846 | 36,299 |

Factors that may affect future tax charges

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.

DE BEERS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

12. Intangible assets

| | Patents \$000 | Computer software \$000 | Total \$000 |
|--------------------------|------------------|-------------------------------|----------------|
| Cost | | | |
| At 1 January 2019 | 18,221 | 33,821 | 52,042 |
| Additions | - | 3,379 | 3,379 |
| Transfer between classes | - | (720) | (720) |
| Disposals | - | (1,377) | (1,377) |
| At 31 December 2019 | 18,221 | 35,103 | 53,324 |
| Amortisation | | | |
| At 1 January 2019 | 18,221 | 21,979 | 40,200 |
| Charge for the year | - | 6,689 | 6,689 |
| On disposals | - | (1,222) | (1,222) |
| At 31 December 2019 | 18,221 | 27,446 | 45,667 |
| Net book value | | | |
| At 31 December 2019 | - | 7,657 | 7,657 |
| At 31 December 2018 | - | 11,842 | 11,842 |

DE BEERS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

13. Tangible fixed assets

| | Land \$000 | Buildings \$000 | Motor vehicles \$000 | Office equipment \$000 | Computer equipment \$000 | Diamond stock \$000 | Total \$000 |
|--|---------------|--------------------|----------------------------|------------------------------|--------------------------------|---------------------------|----------------|
| Cost | | | | | | | |
| At 1 January 2019 | 6,721 | 7,554 | - | 17,029 | 13,404 | 91,490 | 136,198 |
| Additions | - | 1,714 | 103 | 43 | 2,665 | - | 4,525 |
| Disposals | - | - | - | (2,184) | (384) | - | (2,568) |
| Transfers between classes | - | - | - | - | 720 | (49) | 671 |
| At 31 December 2019 | <u>6,721</u> | <u>9,268</u> | <u>103</u> | <u>14,888</u> | <u>16,405</u> | <u>91,441</u> | <u>138,826</u> |
| Accumulated depreciation and impairment | | | | | | | |
| At 1 January 2019 | - | 2,801 | - | 12,482 | 9,424 | - | 24,707 |
| Charge for the year | - | 138 | 21 | 706 | 1,282 | - | 2,147 |
| Disposals | - | - | - | (1,078) | (383) | - | (1,461) |
| At 31 December 2019 | <u>-</u> | <u>2,939</u> | <u>21</u> | <u>12,110</u> | <u>10,323</u> | <u>-</u> | <u>25,393</u> |
| Net book value | | | | | | | |
| At 31 December 2019 | <u>6,721</u> | <u>6,329</u> | <u>82</u> | <u>2,778</u> | <u>6,082</u> | <u>91,441</u> | <u>113,433</u> |
| At 31 December 2018 | <u>6,721</u> | <u>4,753</u> | <u>-</u> | <u>4,547</u> | <u>3,980</u> | <u>91,490</u> | <u>111,491</u> |

The Company had total capital commitments of \$17,099 thousand as at 31 December 2019.

DE BEERS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

14. Fixed asset investments

All investments in subsidiaries are accounted for at cost less any provision for impairment.

| | Investments in subsidiary companies \$000 | Loans to subsidiaries \$000 | Investment in joint ventures \$000 | Total \$000 |
|--------------------------|--|-----------------------------------|---|----------------|
| Cost or valuation | | | | |
| At 1 January 2019 | 173,630 | 70,682 | 87,260 | 331,572 |
| Additions | 170,971 | 91,617 | - | 262,588 |
| Repayments | - | (157,000) | - | (157,000) |
| Interest capitalised | - | 3,599 | - | 3,599 |
| Disposal of assets | - | 1,024 | - | 1,024 |
| At 31 December 2019 | 344,601 | 9,922 | 87,260 | 441,783 |
| Impairment | | | | |
| Charge for the period | 471 | - | - | 471 |
| At 31 December 2019 | 471 | - | - | 471 |
| Net book value | | | | |
| At 31 December 2019 | 344,130 | 9,922 | 87,260 | 441,312 |
| At 31 December 2018 | 173,630 | 70,682 | 87,260 | 331,572 |

The Company is a guarantor for Lightbox Jewelry Limited for \$10 million with Celestica and \$280 thousand with Gresham. The Company is also a guarantor for a \$1 million overdraft facility for Gemfair Limited. There are no deferred tax liabilities involved with subsidiaries. Additions during the year relate to a subscription of 104,666,667 shares in Lightbox Jewelry Limited on 26 November 2019 for consideration of \$157,000 thousand, 6,750,000 shares in Forevermark Limited on 26 November 2019 for consideration of \$13,500 thousand and Gemfair Limited (\$471 thousand). The impairment charge for the year relates to Gemfair Limited.

The loans to subsidiaries is repayable upon demand and interest is charged on the balance at the quarterly LIBOR rate plus a mark up of 1.25%.

DE BEERS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

| Name | Registered office | Class of shares | Holding |
|--|---|------------------------|----------------|
| Lightbox Jewelry Ltd. | 20 Carlton House Terrace, London, SW1Y 5AN, United Kingdom | Ordinary | 100% |
| De Beers Global Sightholder Sales (Pty) Limited | 3rd Floor, DTCB Building Plot 63016, Block 8 Airport Road, Gaborone, Botswana | Ordinary | 100% |
| Forevermark Limited | 20 Carlton House Terrace, London, SW1Y 5AN, United Kingdom | Ordinary | 100% |
| Gemfair Limited | 20 Carlton House Terrace, London, SW1Y 5AN, United Kingdom | Ordinary | 100% |
| De Beers Namibia Holdings (Proprietary) Limited | 6th Floor, Namdeb Centre, 10 Dr Frans Indongo Street, Windhoek, Namibia | Ordinary | 100% |
| Forevermark Marketing (Shanghai) Company Limited | Suite 4601, 4602, 4608, The Park Place No. 1601, Nan Jing West Road, Shanghai, PRC, China | Ordinary | 100% |

Joint venture

The following was a joint venture of the Company:

| Name | Registered office | Holding |
|--|--|----------------------------|
| Diamond Trading Company Botswana (Proprietary) Limited | Plot 63016, Airport Road, Block 8, Gaborone, Botswana. | 50% Ordinary share capital |

The principal place of business of the joint venture is Botswana. The Company's share in the joint venture was acquired for cash consideration, and is accounted for at cost.

There are no deferred tax liabilities involved with the joint venture.

DE BEERS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

15. Deferred taxation

| | 2019 \$000 |
|---|---------------|
| At beginning of year | (983) |
| Net deferred tax movement in the period | 983 |
| At end of year | - |

The deferred taxation balance is made up as follows:

| | 2019 \$000 | 2018 \$000 |
|-------------------------------|---------------|---------------|
| Accelerated tax depreciation | 3,804 | 4,039 |
| Retirement benefit obligation | (24,168) | (25,067) |
| Tax losses | 16,005 | 16,014 |
| Short-term timing differences | 4,359 | 4,031 |
| | - | (983) |

At 31 December 2019, the Company recognised deferred tax assets to the extent of its deferred tax liabilities. No additional deferred tax assets were recognised due to insufficient evidence of future taxable profits against which the Company's deductible temporary differences and tax losses could be utilised.

The Company had tax losses of \$274,186 thousand at 31 December 2019 for which no deferred tax asset has been recognised as it is not considered probable that there will be future taxable profits available against which these tax losses can be utilised.

DE BEERS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

15. Deferred tax (continued)

The following are the major deferred tax liabilities and assets recognised by the Company, and the movements thereon during the current and prior periods:

| | Accelerated tax depreciation \$000 | Retirement benefit obligations \$000 | Share- based payments \$000 | Tax losses \$000 | Short-term timing differences \$000 | Total \$000 |
|--|---|---|--------------------------------------|------------------------|--|----------------|
| At 1 January 2018 | 1,722 | (3,240) | 4,461 | 13,959 | 4,724 | 21,626 |
| Credit/(charge) to the profit or loss account for the year | 2,657 | (12,559) | (2,011) | (1,824) | (48) | (13,785) |
| Credit/(charge) to other comprehensive income for the year | - | (9,268) | (2,450) | - | - | (11,718) |
| Prior year adjustment | (340) | - | - | 3,879 | (645) | 2,894 |
| At 31 December 2018 | 4,039 | (25,067) | - | 16,014 | 4,031 | (983) |
| Credit/(charge) to the profit or loss account for the year | 1,502 | (5,738) | - | 5,796 | (206) | 1,354 |
| Credit/(charge) to other comprehensive income for the year | - | (7,580) | - | 6,226 | - | (1,354) |
| Prior year adjustment | (1,737) | 14,217 | - | (12,031) | 534 | 983 |
| At 31 December 2019 | 3,804 | (24,168) | - | 16,005 | 4,359 | - |

16. Financial instruments

| | 2019 \$000 | 2018 (Restated) \$000 |
|---|---------------|-----------------------------|
| Financial assets | | |
| Loans and receivables (including cash and cash equivalents) | 690,706 | 679,119 |
| Financial liabilities | | |
| Amortised cost | 58,031 | 149,165 |

Loans and receivables comprise amounts owed by Group undertakings and other debtors.

Financial liabilities measured at amortised cost comprise amounts owed by group undertakings and other creditors.

DE BEERS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

17. Stocks

| | 2019 \$000 | 2018 \$000 |
|------------------|---------------|---------------|
| Work in progress | 8,649 | 12,836 |
| Diamond stock | 9,276 | 1,735 |
| | <u>17,925</u> | <u>14,571</u> |

Work in progress is stores and materials at the research and development facility in Maidenhead, and includes labour and materials.

During the year \$49 thousand of diamond sample stock has been reallocated from property, plant and equipment to inventories, which has been discussed in the accounting policies.

18. Debtors

| | 2019 \$000 | 2018 \$000 |
|---------------------------------|----------------|----------------|
| Trade debtors | 777 | 369 |
| Amounts owed by group companies | 674,243 | 680,688 |
| Other debtors | 1,853 | 2,272 |
| Prepayments and accrued income | 1,628 | 854 |
| Capital commitments | 1,133 | - |
| | <u>679,634</u> | <u>684,183</u> |

Amounts owed to group companies are repayable on demand and includes a loan to De Beers Global Sightholder Sales (Pty) Limited of \$639,819 thousand. Interest is charged on the balance at the one month LIBOR rate plus a mark-up of 1.25%. All other amounts owed are interest-free.

19. Creditors: Amounts falling due within one year

| | 2019 \$000 | 2018 \$000 |
|------------------------------------|---------------|---------------|
| Trade creditors | 34,539 | 34,736 |
| Amounts owed to group companies | 33,934 | 33,731 |
| Other taxation and social security | 1,348 | 1,322 |
| Accruals and deferred income | 14,918 | 13,832 |
| | <u>84,739</u> | <u>83,621</u> |

DE BEERS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

19. Creditors: Amounts falling due within one year (continued)

Amounts owed to group companies are interest-free and repayable on demand, it includes \$348 thousand payable to the parent entity.

20. Creditors: Amounts falling due after more than one year

| | 2019 \$000 | 2018 \$000 |
|-----------------|---------------|----------------|
| Anglo facility | 8,779 | 117,872 |
| Trade creditors | - | 431 |
| | <u>8,779</u> | <u>118,303</u> |

All trade payables are payable within 5 years. The final liability for the Anglo loan facility will be payable at the end of the loan term in June 2022.

Fees on the Anglo American facility are charged at LIBOR plus 125 basis points.

DE BEERS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

21. Retirement benefit asset/(liability)

Defined contribution plan

The Company offers a defined contribution retirement benefit plan for all qualifying employees employed after 1 January 2002. The assets of the plan are held separately from those of the Company in funds under the control of the trustees.

The total expense recognised in the statement of total comprehensive income of US\$2,355 thousand (2018: US\$2,270 thousand) represents contributions payable to the plan by the Company at rates specified in the rules of the plan.

Defined benefit plan

The Company operates a funded defined benefit plan for qualifying employees. The defined benefit section was closed to new entrants on 31 December 2001. The assets of the scheme are held separately from those of the Company. The latest full actuarial valuation of the scheme was carried out as at 30 September 2017.

As the defined benefit section is closed to new entrants, under the projected unit method, the pension cost for the section will increase as the members of that section approach retirement.

Under the plan, members are entitled to retirement benefits of up to two thirds of final salary on attainment of a retirement age of 60. The defined benefit scheme was closed to further accrual from 30 September 2015.

At the end of 2018, the Trustees agreed that the proceeds from the sale of Charterhouse Street of £90 million would be contributed into the scheme.

The latest IAS 19 valuation by Hymans Robertson LLP of the De Beers UK Pension Scheme took place on 6 January 2020. The principal assumptions used were:

| | 2019 | 2018 |
|--|-------|------|
| Inflation | 2.95% | 3.3% |
| Expected return on plan assets | 2.00% | 2.9% |
| Rate of general long-term increase in salaries | 2.95% | 3.3% |
| Rate of increase to pensions in payment (LPI) | 2.85% | 3.3% |
| Discount rate for scheme liabilities | 2.00% | 2.9% |

The amount recognised in the statement of financial position in respect of the Company's defined benefit retirement benefit plan is as follows:

DE BEERS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

21. Retirement benefit asset/(liability) (continued)

The amount recognised in the statement of financial position in respect of the Company's defined benefit retirement benefit plan is as follows:

| | 2019 \$000 | 2018 \$000 |
|---|----------------|----------------|
| Present value of funded obligations | (1,789,296) | (1,574,712) |
| Fair value of plan assets | 1,987,214 | 1,722,164 |
| Net assets arising from defined benefit obligation | 197,918 | 147,452 |

Amounts recognised in the statement of total comprehensive income in respect of the defined benefit plan are as follows:

| | 2019 \$000 | 2018 \$000 |
|---|----------------|---------------|
| Current service cost | 1,646 | 1,656 |
| Interest on obligation | 44,908 | 43,344 |
| Expected return on plan assets | (49,749) | (45,207) |
| Past service costs | - | 3,162 |
| Total (credit)/charge to statement of profit or loss | (3,195) | 2,955 |

The charge for the year is included in the employee benefits expense and net finance cost in the statement of total comprehensive income.

The remeasurement gain was \$7,967 thousand (2018: loss of \$32,729 thousand).

Changes in the present value of the defined benefit liabilities are as follows:

| | 2019 \$000 | 2018 \$000 |
|--|--------------------|--------------------|
| Opening defined benefit liabilities | (1,574,712) | (1,735,388) |
| Service cost | (1,646) | (1,656) |
| Interest cost | (44,908) | (43,344) |
| Past service costs | - | (3,162) |
| Remeasurement (losses)/gains | (206,607) | 43,779 |
| Benefits paid | 77,090 | 80,141 |
| Foreign exchange movements | (38,513) | 84,918 |
| Closing defined benefit liabilities | (1,789,296) | (1,574,712) |

DE BEERS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

21. Retirement benefit asset/(liability) (continued)

Changes in the fair value of plan assets are as follows:

| | 2019 \$000 | 2018 \$000 |
|--|------------------|------------------|
| Opening fair value of plan assets | 1,722,164 | 1,754,450 |
| Return on plan assets | 49,749 | 45,207 |
| Remeasurement gains/(losses) | 214,574 | (76,508) |
| Contributions by employer | 36,598 | 171,773 |
| Benefits paid | (77,090) | (80,141) |
| Foreign exchange movements | 41,219 | (92,617) |
| Closing fair value of plan assets | 1,987,214 | 1,722,164 |

The fair value of plan assets at the Statement of financial position date is analysed as follows:

Fair value of assets

| | 2019 \$000 | 2018 \$000 |
|--------------------|------------------|------------------|
| Equity instruments | 66 | 72 |
| Debt instruments | 1,976,667 | 1,578,620 |
| Property | - | 25,202 |
| Other assets | 10,481 | 118,270 |
| | 1,987,214 | 1,722,164 |

The overall expected rate of return is a weighted average of weighted returns of the various categories of plan assets held. The directors' assessment of the expected returns is based on historical trends and analysts' predictions of the market for the asset in the next 12 months.

The plan assets do not include any of the Company's own financial instruments, nor any property occupied by, or other asset used by the Company.

In line with IAS 19 (2011) the overall expected rate of return is calculated using the discount rate.

DE BEERS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

21. Retirement benefit asset/(liability) (continued)

The history of the plan for the last four periods is as follows:

| | 2019 \$000 | 2018 \$000 | 2017 \$000 | 2016 \$000 |
|--|---------------|---------------|---------------|---------------|
| Present value of defined benefit liabilities | 1,789,296 | 1,574,712 | 1,735,389 | 1,673,924 |
| Fair value of plan assets | (1,987,214) | (1,722,164) | (1,754,450) | (1,551,524) |
| (Surplus)/deficit | (197,918) | (147,452) | (19,061) | 122,400 |
| Experience adjustments on plan liabilities | 23,866 | 68,986 | (1,343) | (2,567) |

The most recent triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. Under the funding schedule agreed with the scheme trustees in 2015, the Company agreed to contribute £27.4 million (approximately US\$33.7 million) annually for the period from 1 January 2019 to 31 December 2024 inclusive.

The Company will monitor funding levels annually and the funding schedule will be reviewed by the Company and the trustees at least every three years, based on actuarial valuations.

The total cash expenditure for the pension scheme was US\$39,188 thousand (2018: US\$174,123 thousand), comprising of defined benefit contributions of \$36,598 thousand and defined contribution contributions of \$2,355 thousand.

Risk and sensitivity analysis — defined benefit plan

The nature of the scheme exposes the Company to the risk of paying unanticipated contributions to the scheme in times of adverse experience. The most financially significant risks are likely to be:

- Members living longer than expected;
- Higher than expected actual inflation and salary increase experience;
- Lower than expected investment returns; and
- The risk that movements in the scheme's liabilities are not met by corresponding movements in the value of the scheme's assets.

In line with IAS 19 guidance, the scheme's actuary, Hymans Robertson LLP, performed a sensitivity analysis on the assumptions used when preparing the defined benefit scheme valuation. The results are as follows:

| Assumption | Change in assumption compared to 31/12/2019 assumption used | Actuarial value of liabilities on 31/12/2019 (\$000) |
|---|---|--|
| Decrease in discount rate | 0.50% | 173,734 |
| Increase in life expectancy | 1 year | 25,830 |
| Increase in inflation (including salary increase) | 0.50% | 95,969 |

DE BEERS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

22. Share capital

| | 2019 £000 | 2018 £000 |
|--|-----------------------|---------------|
| Authorised: | | |
| 2019: 500,010,000 (2018: 500,010,000) ordinary shares of par value £1 each | 500,010 | 500,010 |
| | 2019 \$000 | 2018 \$000 |
| Issued and fully paid: | | |
| 2019: 52,447,731 (2018: 32,856,822) of £1 each | 88,140 | 62,927 |

The Company has one class of ordinary shares, which carry no right to fixed income. 19,590,909 shares were allotted on 26 November 2019 for consideration of \$215,500 thousand.

23. 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.

24. Commitments under operating leases

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as tablet and personal computers, small items of office furniture and telephones), the Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'other operating expenses' in profit or loss.

This note has been retained for comparative purposes.

At 31 December 2019, the Company had future minimum lease payments under non-cancellable operating leases as follows:

| | 2019 \$000 | 2018 \$000 |
|--|---------------|---------------|
| Not later than 1 year | 175 | 610 |
| Later than 1 year and not later than 5 years | 147 | 221 |
| | 322 | 831 |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

25. 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), Long Term Incentive Plan – Return on Capital Employed (LTIP-ROCE), Long Term Incentive Plan – Total Shareholder Return (LTIP-TSR) 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, LTIP and LTIP - ROCE, being the more material share schemes, was calculated using a Black Scholes model. The fair value of shares awarded under the LTIP - TSR scheme was calculated using a Monte Carlo model. The assumptions used in these calculations are set out below:

| Arrangement (1) | BSP | LTIP | LTIP-ROCE | 2019 LTIP-TSR |
|---|------------|------------|------------|------------------|
| Date of grant | 08/03/2019 | 08/03/2019 | 08/03/2019 | 08/03/2019 |
| Number of instruments | 165,681 | 204,000 | 46,084 | 46,084 |
| Share price at the date of grant (£) | 20.25 | 20.25 | 20.25 | 20.25 |
| Contractual life (years) | 3 | 3 | 3 | 3 |
| Vesting conditions | (2) | (2) | (3) | (4) |
| Expected volatility | 35% | 35% | 35% | 35% |
| Risk free interest rate | 0.8% | 0.8% | 0.8% | 0.8% |
| Expected departures | 5% pa | 5% pa | 5% pa | 5% pa |
| Dividend yield | 1.8% | 1.8% | 1.8% | 1.8% |
| Fair value at date of grant (weighted average)(£) | 20.25 | 20.25 | 20.25 | 14.65 |
| Arrangement (1) | BSP | LTIP | LTIP-ROCE | 2018 LTIP-TSR |
| Date of grant | 09/03/2018 | 09/03/2018 | 09/03/2018 | 09/03/2018 |
| Number of instruments | 178,911 | 99,100 | 51,421 | 51,421 |
| Share price at the date of grant (£) | 17.52 | 17.52 | 17.52 | 17.52 |
| Contractual life (years) | 3 | 3 | 3 | 3 |
| Vesting conditions | (2) | (2) | (3) | (4) |
| Expected volatility | 35% | 35% | 35% | 35% |
| Risk free interest rate | 0.9% | 0.9% | 0.9% | 0.9% |
| Expected departures | 5% pa | 5% pa | 5% pa | 5% pa |
| Dividend yield | 0.0% | 0.0% | 0.0% | 0.0% |
| Fair value at date of grant (weighted average)(£) | 17.52 | 17.52 | 17.52 | 10.89 |

(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.

(3) Three years of continuous employment.

(4) Variable vesting dependent on three years of continuous employment and Group ROCE target being achieved.

(5) Variable vesting dependent on three years of continuous employment and market based performance conditions being achieved.

DE BEERS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

26. Contingent liabilities

The Company is subject to various claims which arise in the ordinary course of business. Having taken appropriate legal advice, the Company believe that the probability of a material liability arising from the claims received is remote.

27. Post balance sheet events

Since early January 2020, the coronavirus outbreak has spread across mainland China and beyond, causing severe disruption to business and economic activity in many territories. This has the potential to significantly impact the Company's business in the short term. Management regard this as a non-adjusting post balance sheet event, as they consider this did not reflect circumstances at 31 December 2019 results.

However, given the current uncertainty and socio-economic effects of coronavirus, this could materially affect the prospects of the Company in the future, and of the wider De Beers Group. However, it is not practical at this time to determine the financial impact of the coronavirus on future trading or the carrying value of the assets held.

28. Related party transactions

The following balances with related parties were outstanding at the end of the reporting period:

| | Amounts owed by related parties | | Amounts owed to related parties | |
|---|---------------------------------------|--------------------|--|--------------------|
| | 2019 | 2018 (Restated) | 2019 | 2018 (Restated) |
| | \$000 | \$000 | \$000 | \$000 |
| Amounts owed by/to joint ventures | 1,373 | 80 | - | - |
| Amounts owed by/to other group companies | 6,073 | 4,002 | (19,820) | (128,101) |

Sales and purchases of goods are at an arm's length price and services are on a cost-plus basis. The amounts outstanding are unsecured and will be settled in cash. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties. Directors and key management remuneration is shown within note 9. Information relating to share schemes involving the shares of Anglo American plc is shown in note 25.

DE BEERS UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

29. Parent undertaking and controlling party

The Company's immediate parent undertaking, controlling party and smallest group for which group financial statements are prepared is De Beers plc, incorporated in Jersey. Anglo American plc, incorporated in the United Kingdom, is the ultimate parent undertaking of the group and the largest for which group financial statements are prepared, and of which the Company is a member. The registered office and copies of the ultimate and immediate parent Company's financial statements can be obtained from:

20 Carlton House Terrace
London
SW1Y 5AN
England

The registered office address of the immediate parent undertaking, De Beers plc is:

3rd Floor
44 Esplanade
St Helier
JE4 9WG
Jersey