

DE BEERS UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

DE BEERS UK LIMITED

COMPANY INFORMATION

Directors	C F Arthur (appointed 9 September 2020) N M Byers J C Frankish D S Fricker (resigned 30 November 2020) E Oberbeck F Sallie (resigned 31 July 2021) J D H Savage (resigned 18 December 2020)
Company secretary	Anglo American Corporate Secretary Limited
Registered number	02054170
Registered office	17 Charterhouse Street London EC1N 6RA United Kingdom
Independent auditors	PricewaterhouseCoopers LLP Statutory Auditor London United Kingdom WC2N 6RH

DE BEERS UK LIMITED

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DE BEERS UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Introduction

The Directors present their strategic report for the year ended 31 December 2020.

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 De Beers Group ("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\$2,093 thousand (2019 loss: US\$26,385 thousand). The total net assets of the Company at the end of the year were US\$1,429,442 thousand (2019: 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 decreased 8.6% 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 as well as the underlying price of the diamonds, which are driven by both demand and supply factors. 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 cash and cash equivalents, trade and other receivables and loans to subsidiaries. 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 and loans to subsidiaries, which are predominantly with a small number of other Group companies. The amounts presented in the statement of financial position are net of expected credit losses.

DE BEERS UK LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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"). LIBOR is expected to be replaced by alternative risk-free rates by the end of 2021 as part of inter-bank offer rate (IBOR) reform. The Company is currently assessing the impact of these changes on its arrangements and any future transactions in the financial market.

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 wider Anglo 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.

COVID-19 risk

The Company's operations are directly influenced by the performance of the wider group, specifically the amount of rough diamonds sold and the underlying price of these sales. The impact of COVID-19 in the first half of FY20 saw a decrease in the trading performance of the wider group and therefore the Company itself. However results towards the end of FY20 and the beginning of FY21 saw a recovery in trading performance. The Directors remain vigilant to the performance of the Company and wider group throughout FY20 and beyond.

Our Purpose and Values

The Board recognises the role of the Company's 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 make life brilliant'. 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.

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 neutrality by 2030 and the Board are committed to achieving this goal.

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

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 2020, 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).

Directors' statement of compliance with duty to promote the success of the Company (Section 172 (1) Statement)

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

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



J Frankish
Director

Date: 30 September 2021

DE BEERS UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors present their report and the audited financial statements for the year ended 31 December 2020.

Directors' responsibilities statement

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulation.

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, comprising FRS 101 'Reduced Disclosure Framework', and applicable law). Under company law, 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 United Kingdom Accounting Standards, comprising FRS 101 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 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 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.

Results and dividends

The profit for the year, after taxation, amounted to \$25,073 thousand (2019 - \$38,683 thousand).

The Directors do not recommend the payment of an ordinary dividend (2019: US\$nil).

Directors

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

C F Arthur (appointed 9 September 2020)
N M Byers
J C Frankish
D S Fricker (resigned 30 November 2020)
E Oberbeck
F Sallie (resigned 31 July 2021)
J D H Savage (resigned 18 December 2020)

Financial risk management policy

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

DE BEERS UK LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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.

Political Donations

The Company made no political donations during the year or incurred any political expenditure during the year (2019 - \$Nil).

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.

Engagement with suppliers, customers and others

The Company predominantly transacts with other members of the De Beers group with whom the Directors continue to foster strong relationships.

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.

Streamlined Energy and Carbon Reporting

The Company has elected to apply the exemption of reporting these figures due to the Company's details being included in the Anglo American group annual report. Copies of the Anglo American annual report are available from 17 Charterhouse Street, London, EC1N 6RA, United Kingdom.

Going concern

The Company's ability to operate as a going concern has been assessed by the Directors of the Company. The Directors, at the time of approving the financial statements, have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual financial statements.

DE BEERS UK LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

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.

Post balance sheet events

The Company settled the outstanding Canadian Court Action case, which is classified within trade creditors, on 22 January 2021, with the final payment totalling \$9.4m CAD (\$7.4m USD).

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. As the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated a willingness to continue in office and will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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



**Jeanine Frankish
Director**

Date: 30 September 2021

DE BEERS UK LIMITED

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

Report on the audit of the financial statements

Opinion

In our opinion, De Beers UK Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report") which comprise: the Statement of financial position as at 31 December 2020; the Statement of profit and loss, the Statement of other comprehensive income and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from the when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

DE BEERS UK LIMITED

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Directors' responsibility statement, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

DE BEERS UK LIMITED

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

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to pensions, employment, General Data Protection Regulation (GDPR) and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to recording of fictitious business events and/or transactions, changing the timing of recognition of legitimate transactions, establishing or reversing reserves to manipulate results including intentionally biasing assumptions and judgements used to estimate account balances and altering records and terms related to significant or unusual transactions. Audit procedures performed by the engagement team included:

- enquiry of management and Directors, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- assessment of matters reported to the whistleblowing helpline and the results of management's investigation of such matters;
- obtaining external legal confirmations from external legal advisors;
- reading minutes of meetings of the Board of Directors;
- challenging assumptions and judgements made by management in their significant accounting estimates and judgements;
- identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or by unusual users.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

DE BEERS UK LIMITED

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility



Gilly Lord (Senior statutory auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
30 September 2021

DE BEERS UK LIMITED

STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED 31 DECEMBER 2020

		2020	2019 (Restated)
	Note	\$000	\$000
Revenue	3	254,011	277,914
Cost of sales		(264,994)	(290,066)
Gross loss		(10,983)	(12,152)
Administrative expenses		(6,400)	(19,201)
Other operating income/(expenses)	4	15,154	4,286
Operating loss		(2,229)	(27,067)
Investment income	6	30,605	61,035
Finance income	7	19,428	32,436
Finance cost	8	(2,491)	(5,875)
Profit before tax		45,313	60,529
Income tax expense	11	(20,240)	(21,846)
Profit for the financial year		25,073	38,683

The notes on pages 17 to 50 form part of these financial statements.

All of the results are derived from continuing operations.

For details of the restatement on the Statement of profit and loss see Note 31.

DE BEERS UK LIMITED

STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 \$000	2019 (Restated) \$000
Profit for the financial year	25,073	38,683
Other comprehensive income/(expense):		
Items that will not be reclassified to profit or loss:		
Gross remeasurement of retirement benefit obligation	38,227	7,967
Deferred tax movements relating to brought forward tax losses	5,698	6,226
Deferred tax movements relating to retirement benefit obligation	(17,924)	(7,580)
	<u>26,001</u>	<u>6,613</u>
Total comprehensive income for the year	<u><u>51,074</u></u>	<u><u>45,296</u></u>

The notes on pages 17 to 50 form part of these financial statements.

All of the results are derived from continuing operations.

For details of the restatement on the Statement of other comprehensive income see Note 31.

DE BEERS UK LIMITED
REGISTERED NUMBER: 02054170

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 \$000	2019 \$000
Fixed assets			
Intangible assets	12	6,790	7,657
Property, plant and equipment	13	120,666	113,433
Investments in subsidiaries	14	344,130	344,130
Loans to group companies	14	65,619	9,922
Investment in joint ventures	14	87,260	87,260
Defined benefit pension plans in surplus	21	286,365	197,918
		910,830	760,320
Current assets			
Inventories	17	9,326	17,925
Trade and other receivables	18	673,317	679,634
Cash and cash equivalents		420	5,277
		683,063	702,836
Creditors: amounts falling due within one year	19	(57,342)	(84,739)
		625,721	618,097
Net current assets		625,721	618,097
Total assets less current liabilities		1,536,551	1,378,417
Creditors: amounts falling due after more than one year	20	(89,942)	(8,779)
		1,446,609	1,369,638
Provisions for liabilities			
Deferred tax liabilities	15	(13,720)	-
Other provisions	23	(3,447)	-
		(17,167)	-
Net assets		1,429,442	1,369,638

DE BEERS UK LIMITED
REGISTERED NUMBER: 02054170

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2020

	Note	2020 \$000	2019 \$000
Capital and reserves			
Called up share capital	22	88,140	88,140
Share premium account	24	473,272	473,272
Other reserves	24	19,739	19,314
Retained earnings	24	848,291	788,912
		<u>1,429,442</u>	<u>1,369,638</u>

The financial statements were approved and authorised for issue by the board of directors on 30 September 2021 and were signed on its behalf by on 14 September 2021:



Jeanine Frankish
Director

Date: 30 September 2021

The notes on pages 17 to 50 form part of these financial statements.

DE BEERS UK LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Called up share capital	Share premium account	Other reserves	Retained earnings	Total equity
	\$000	\$000	\$000	\$000	\$000
Balance at 1 January 2020	88,140	473,272	19,314	788,912	1,369,638
Profit for the year	-	-	-	25,073	25,073
Remeasurement of retirement benefit obligation	-	-	-	38,227	38,227
Deferred tax movements	-	-	-	(12,226)	(12,226)
Share-based payment charge	-	-	8,730	-	8,730
Reclassification of equity settled share schemes	-	-	(8,305)	8,305	-
Total comprehensive income for the year	-	-	425	34,306	34,731
Balance at 31 December 2020	88,140	473,272	19,739	848,291	1,429,442

The notes on pages 17 to 50 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 \$000	Share premium account \$000	Other reserves \$000	Retained earnings \$000	Total equity \$000
Balance at 1 January 2019	62,927	282,985	20,277	733,773	1,099,962
Profit 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 comprehensive income/(expense) for the year	25,213	190,287	(963)	16,456	230,993
Balance at 31 December 2019	88,140	473,272	19,314	788,912	1,369,638

The notes on pages 17 to 50 form part of these financial statements.

DE BEERS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. General information

De Beers UK Limited is a private company limited by shares, incorporated and domiciled 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

The financial statements of De Beers UK Limited 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

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. The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements in accordance with FRS 101:

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

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2020 that have a material impact on the Company's financial statements.

2.3 Going concern

The Company's ability to operate as a going concern has been assessed by the Directors of the Company. The Directors, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

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 historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost is the fair value of consideration required to acquire and develop the asset and includes the purchase price and costs directly attributable to bring the assets to its location and condition necessary for it to be capable of operating in the manner intended by management.

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

It is noted that Diamond stock consists of guide samples that are not held for sale and used in the sorting and valuation process. The diamond stock is assessed for impairment on an annual basis.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2.6 Intangible assets

Intangible assets, consist of patents and trademarks, which are internally generated, and computer software related costs which are acquired externally. Intangible assets are stated at cost net of amortisation and any provision for impairment. Amortisation for the software 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. Patents and trademarks are all fully amortised, any new additions would be assessed as having an indefinite useful life and annually assessed for impairment.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.7 Inventories

Inventory and work in progress are measured at the lower of cost and net realisable value. The net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. The production cost of inventory includes direct costs and an appropriate proportion of production overheads.

Diamond stock

Diamond stocks are measured at the lower of weighted average cost and net realisable value, based on the factors described above.

Work in progress

Work-in-progress is measured at the lower of cost, consisting of raw material cost, labour cost and a proportion of production overhead expenses 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 2020**

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 31 December 2020 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.

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 asset 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 2020

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 2020

2. Accounting policies (continued)

2.12 Financial instruments

The Company classifies its financial instruments under the amortised cost category. The classification is as a result of the purpose for which the instruments being acquired being to collect/pay contractual cash flows that are solely of principal and interest.

Regular way purchases and sales of financial instruments are recognised on trade date, being the date on which the Company commits to purchase or sell the instrument. Assets are derecognised when the right to receive the cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. For financial liabilities these are derecognised once the Company has satisfied the payments of principal and interest to the counterparty.

Financial Asset

At initial recognition, the Company measures a financial asset at its fair value plus, transaction costs that are directly attributable to the acquisition of the financial asset. The Company classifies its financial assets as at amortised cost only if both of the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows, and,
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest.

It is noted that all of the Company's financial assets fall under this category other than the cash balances

Subsequent to initial recognition these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other operating income/(expenses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the profit or loss. It is noted that the financial assets consist of loans and receivables as per note 16 as well as Cash which is addressed in 2.22.

Financial liabilities

At initial recognition, the Company measures a financial liability at its fair value less, transaction costs that are directly attributable to the recognition of the financial liability. Subsequent to initial recognition these are measured at amortised cost using the effective interest method. Interest costs from these financial liabilities are included in finance costs using the effective interest rate method.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

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.

1) *Royalty income*

The Company holds the majority of the intellectual Property within the group. The intellectual property held by the Company is also of benefit for the wider group. As such, a royalty is charged on the Rough Diamond Sightholders Sales. This equates to 2% of the sales made. Revenue is recognised upon the completion of each sight held by the Group.

2) *Marketing recharge*

The Company incurs marketing costs on behalf of the Group. These marketing costs are recharged to other Group companies, where ultimately the revenue earned as a result of the marketing activities is recognised. Revenue is recognised on a monthly basis as the marketing costs are incurred and recharged.

3) *Intercompany service revenue*

The Company provides intercompany services to other Group companies. These are then recharged in accordance with Anglo American's transfer pricing policy. These are recognised on a quarterly basis as the services are performed and recharged.

4) *Diamond Sales*

During 2020 the Company held diamond inventory, which was sold to another Group company. As per the commercial terms the Company is responsible for the delivery of the inventory to the customer and as such the revenue was recognised on the delivery of the inventory to the customer's premises. The revenue recognised is equal to the amount invoiced to the counterparty.

5) *Machine Sales*

The Company is involved in the manufacture of sorting and grading machinery. As per the commercial terms the customer is responsible for the shipping of the goods and insurance thereon. Revenue is therefore recognised on dispatch of the machinery. The level of revenue recognised is driven by the quote supplied to the customer.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.15 Leasing

The Company leases various buildings. The lease contracts for these buildings range between 3 and 5 years. .

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 as required to maintain the current level of earnings from the existing R&D and therefore not generating any further economic benefit. 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 2020**

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 Finance income/(costs)

Interest income is recognised in profit or loss using the effective interest method.

Finance costs are also recognised in profit or loss using the effective interest method.

2.20 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.21 Trade and other receivables

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

2.22 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.23 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.24 Dividends

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

DE BEERS UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

3. Revenue

The principal revenue stream for the Company is the provision of marketing services to other Group companies. Other revenue streams are outlined in the accounting policy note.

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

	2020	2019
	\$000	\$000
Non-diamond sales/services	244,689	269,988
Diamond sales	9,322	7,926
	254,011	277,914
	254,011	277,914

Analysis of turnover by country of destination:

	2020	2019
	\$000	\$000
United Kingdom	6,468	8,088
Rest of Europe	10	8
Rest of the world	247,533	269,818
	254,011	277,914
	254,011	277,914

4. Other operating income/(expense)

	2020	2019
	\$000	\$000
Foreign exchange gains/(losses)	15,154	4,286
	15,154	4,286
	15,154	4,286

DE BEERS UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

5. Operating profit

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

	2020	2019
	\$000	\$000
Net foreign exchange gain/(loss) (see note 4)	15,154	4,268
Depreciation of property, plant and equipment	(2,553)	(2,147)
Amortisation of intangible assets	(4,485)	(6,689)
Research and development costs	(14,099)	(17,346)
Employee benefits expense (see note 10)	(58,991)	(65,694)
Canadian class action release	17,500	-
Cost of inventories recognised as an expense	(13,761)	(21,071)
Operating lease expense	(781)	(1,001)
Total fees payable to the Company's auditor for	-	-
- the audit of the Company's annual financial statements	(125)	(148)
- audit related assurance engagements	-	(14)
	-	-
	=====	=====

The Company paid fees to the auditor, PricewaterhouseCoopers LLP, \$125 thousand for services rendered in 2020 (2019: \$162 thousand).

6. Investment income

	2020	2019
	\$000	\$000
Income from investments in group companies	23,847	33,089
Income from other participating interests	6,758	27,946
Total investment income	30,605	61,035
	=====	=====

7. Finance income

	2020	2019
	\$000	\$000
Interest receivable from group companies	15,181	27,595
Interest income on post-retirement plans	4,247	4,841
	19,428	32,436
	=====	=====

DE BEERS UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

8. Finance cost

	2020	<i>2019</i>
	\$000	<i>\$000</i>
Loans from group undertakings	2,491	5,875
	2,491	5,875
	2,491	5,875

9. Information regarding directors' remuneration and transactions

	2020	<i>2019</i>
	\$000	<i>\$000</i>
Directors' remuneration		
Emoluments (excluding pension contributions)	1,385	1,669
	1,385	1,669
Company contributions to directors' pensions		
Defined contribution scheme	127	77
	127	77
Benefits received or receivable under long-term incentive schemes	661	698
Restructuring	371	
	371	
Number of directors to whom retirement benefits are accruing under defined contribution schemes	6	6
Number of directors who exercised share options	-	-
Number of directors who received benefits under Long Term Incentive Scheme	6	6

	2020	<i>2019</i>
	\$000	<i>\$000</i>
Remuneration of the highest paid director		
Emoluments (excluding pension contributions)	315	383
Benefits received or receivable under long-term incentive schemes	229	181

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 2020**

10. Employee costs

Staff costs during the year were as follows:

	2020	<i>2019</i>
	\$000	<i>\$000</i>
Wages and salaries	41,450	<i>52,349</i>
National Insurance	5,353	<i>9,350</i>
Restructuring	7,416	<i>-</i>
Defined contribution pension cost	2,526	<i>2,355</i>
Defined benefit pension cost	2,246	<i>1,640</i>
	<hr/>	<hr/>
Employee costs	58,991	<i>65,694</i>
	<hr/>	<hr/>

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

	2020	<i>2019</i>
	No	<i>No</i>
Global Sightholder Sales	31	<i>31</i>
Group Services	206	<i>178</i>
Shared Services	62	<i>68</i>
MD/CEO's Office	3	<i>3</i>
De Beers Auction Sales	1	<i>1</i>
	<hr/>	<hr/>
	303	<i>281</i>
	<hr/>	<hr/>

DE BEERS UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

11. Taxation

	2020	<i>2019</i>
	\$000	<i>\$000</i>
Current tax		
Overseas tax	18,747	<i>24,183</i>
	<u>18,747</u>	<u><i>24,183</i></u>
Total current tax	<u>18,747</u>	<u><i>24,183</i></u>
Deferred tax expense		
Origination and reversal of timing differences	1,493	<i>(1,354)</i>
Adjustments in respect of prior years	-	<i>(983)</i>
	<u>1,493</u>	<u><i>(2,337)</i></u>
Total deferred tax	<u>1,493</u>	<u><i>(2,337)</i></u>
Taxation on profit	<u>20,240</u>	<u><i>21,846</i></u>

DE BEERS UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2019 - *higher than*) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020	2019
	\$000	\$000
Profit before tax	45,313	60,529
Profit multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	8,609	11,500
Effects of:		
Expenses not deductible for tax purposes	1,785	1,699
Disposal of fixed assets	26	(40)
Non-taxable dividend income	(5,815)	(11,597)
Effect of a change in tax rate	(4,551)	260
Foreign tax suffered	18,747	24,183
Impairment of investment	-	86
Benefit of foreign tax expensed	(3,272)	(4,638)
Prior year adjustment in respect of deferred tax	-	(983)
Write-off of losses previously recognised	3,499	1,376
Deferred Tax adjustment in relation to unremitted earnings	1,212	-
Total tax charge for the year	20,240	21,846

Factors that may affect future tax charges

In the Spring Budget 2020, the UK Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

DE BEERS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

12. Intangible assets

	Patents \$000	Computer software \$000	Total \$000
Cost			
At 1 January 2020	18,221	35,103	53,324
Additions	-	3,618	3,618
Disposals	-	(8,921)	(8,921)
At 31 December 2020	<u>18,221</u>	<u>29,800</u>	<u>48,021</u>
Accumulated amortisation			
At 1 January 2020	18,221	27,446	45,667
Charge for the year	-	4,485	4,485
On disposals	-	(8,921)	(8,921)
At 31 December 2020	<u>18,221</u>	<u>23,010</u>	<u>41,231</u>
Net book value			
At 31 December 2020	<u>-</u>	<u>6,790</u>	<u>6,790</u>
At 31 December 2019	<u>-</u>	<u>7,657</u>	<u>7,657</u>

DE BEERS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

13. Property, plant and equipment

	Land \$000	Buildings \$000	Motor vehicles \$000	Office equipment \$000	Computer equipment \$000	Diamond Stock \$000	Total \$000
Cost or valuation							
At 1 January 2020	6,721	9,268	103	14,888	16,405	91,441	138,826
Additions	-	6,822	-	32	1,999	1,523	10,376
Disposals	-	(41)	-	(8,481)	(7,384)	-	(15,906)
Transfers to inventory	-	-	-	-	-	(456)	(456)
At 31 December 2020	<u>6,721</u>	<u>16,049</u>	<u>103</u>	<u>6,439</u>	<u>11,020</u>	<u>92,508</u>	<u>132,840</u>
Depreciation							
At 1 January 2020	-	2,939	21	12,110	10,323	-	25,393
Charge for the year on owned assets	-	138	26	440	1,949	-	2,553
Disposals	-	(7)	-	(8,381)	(7,384)	-	(15,772)
At 31 December 2020	<u>-</u>	<u>3,070</u>	<u>47</u>	<u>4,169</u>	<u>4,888</u>	<u>-</u>	<u>12,174</u>
Net book value							
At 31 December 2020	<u>6,721</u>	<u>12,979</u>	<u>56</u>	<u>2,270</u>	<u>6,132</u>	<u>92,508</u>	<u>120,666</u>
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>

The Company had total capital commitments of \$5,030 thousand as at 31 December 2020.

DE BEERS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020	344,130	9,922	87,260	441,312
Additions	-	54,920	-	54,920
Interest capitalised	-	777	-	777
At 31 December 2020	<u>344,130</u>	<u>65,619</u>	<u>87,260</u>	<u>497,009</u>

The Company is a guarantor for a \$1 million overdraft facility for Gemfair Limited. The deferred tax balances related to subsidiaries relates to unremitted earnings, this amount can be seen in note 15. Additions during the year relate to further advances to Lightbox Jewelry of \$54,920 thousand.

The loans to subsidiaries are repayable on 31 December 2022 and interest is charged on the balance at the quarterly LIBOR rate plus a mark up of 1.25%.

	Investment 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
Impairment charge	(471)	-	-	(471)
At 31 December 2019	<u>344,130</u>	<u>9,922</u>	<u>87,260</u>	<u>441,312</u>

DE BEERS UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

14. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Lightbox Jewelry Ltd.	17 Charterhouse Street, London, EC1N 6RA, 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	17 Charterhouse Street, London, EC1N 6RA, United Kingdom	Ordinary	100%
Gemfair Limited	17 Charterhouse Street, London, EC1N 6RA, 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 2020**

15. Deferred tax liabilities

	2020 \$000
At beginning of year	-
Net deferred tax movement in the period	(13,720)
At end of year	(13,720)

The deferred tax liabilities balance is made up as follows:

	2020 \$000	2019 \$000
Accelerated tax depreciation	3,980	3,804
Retirement benefit obligation	(48,567)	(24,168)
Unremitted earnings	(1,212)	-
Tax losses	32,041	16,005
Short-term timing differences	38	4,359
	(13,720)	-

At 31 December 2020, the Company recognised deferred tax assets to the extent of the expected future utilisation of the losses.

The Company had tax losses of \$289,944 thousand at 31 December 2020 (2019: \$274,186 thousand) 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 2020

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	Unremitted earnings \$000	Tax losses \$000	Short-term timing differences \$000	Total \$000
At 1 January 2019	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	-
Credit/(charge) to the profit or loss account for the year	1,256	(8,320)	(1,212)	11,103	(4,321)	(1,494)
Credit/(charge) to other comprehensive income for the year	-	(17,924)	-	5,698	-	(12,226)
Prior year adjustment	(1,080)	1,845	-	(765)	-	-
At 31 December 2020	3,980	(48,567)	(1,212)	32,041	38	(13,720)

16. Financial instruments

	2020 \$000	2019 \$000
Financial assets		
Loans and receivables (including cash and cash equivalents)	735,670	690,706
Financial liabilities		
Amortised cost	46,525	58,031

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 2020

17. Inventories

	2020 \$000	2019 \$000
Work in progress	9,326	8,649
Diamond stock	-	9,276
	<u>9,326</u>	<u>17,925</u>

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

During the year \$456 thousand of diamond sample stock has been reallocated from property, plant and equipment to inventories, which has been discussed in the accounting policies. The reclassified inventory along with the existing diamond stock was then sold in December 2020.

18. Trade and other receivables

	2020 \$000	2019 \$000
Trade receivables	327	777
Amounts owed by group companies	669,741	674,243
Other receivables	1,964	1,853
Prepayments and accrued income	1,285	1,628
Capital commitments	-	1,133
	<u>673,317</u>	<u>679,634</u>

Amounts owed by 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 125 basis points. All other amounts owing are interest-free and unsecured.

DE BEERS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

19. Creditors: Amounts falling due within one year

	2020 \$000	2019 \$000
Bank overdrafts	9	-
Trade creditors	13,038	34,539
Amounts owed to group companies	33,008	33,934
Other taxation and social security	1,874	1,348
Accruals and deferred income	9,413	14,918
	<u>57,342</u>	<u>84,739</u>

Amounts owed to group companies are interest-free and repayable on demand, it includes \$492 thousand (2019: \$348 thousand) payable to the parent entity. These amounts are unsecured.

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

	2020 \$000	2019 \$000
Anglo American facility	89,942	8,779
	<u>89,942</u>	<u>8,779</u>

The final liability for the Anglo American 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 2020

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\$2,526 thousand (2019: US\$2,355 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 2020.

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 8 January 2021. The principal assumptions used were:

	2020	2019
Inflation	3.00%	2.95%
Expected return on plan assets	1.40%	2.00%
Rate of general long-term increase in salaries	3.00%	2.95%
Rate of increase to pensions in payment (LPI)	3.00%	2.85%
Discount rate for scheme liabilities	1.40%	2.00%

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 2020

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:

	2020 \$000	2019 \$000
Present value of funded obligations	(2,028,674)	(1,789,296)
Fair value of plan assets	2,315,039	1,987,214
Net assets arising from defined benefit obligation	286,365	197,918

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

	2020 \$000	2019 \$000
Current service cost	1,573	1,646
Interest on obligation	34,379	44,908
Expected return on plan assets	(38,626)	(49,749)
Past service costs	673	-
Total (credit)/charge to statement of profit or loss	(2,001)	(3,195)

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 \$38,227 thousand (2019: gain of \$7,967 thousand).

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

	2020 \$000	2019 \$000
Opening defined benefit liabilities	(1,789,296)	(1,574,712)
Service cost	(1,573)	(1,646)
Interest cost	(34,379)	(44,908)
Past service costs	(673)	-
Remeasurement (losses)/gains	(227,100)	(206,607)
Benefits paid	95,605	77,090
Foreign exchange movements	(71,258)	(38,513)
Closing defined benefit liabilities	(2,028,674)	(1,789,296)

DE BEERS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

	2020 \$000	2019 \$000
Opening fair value of plan assets	1,987,214	1,722,164
Return on plan assets	38,626	49,749
Remeasurement gains/(losses)	265,327	214,574
Contributions by employer	33,516	36,598
Benefits paid	(95,605)	(77,090)
Foreign exchange movements	85,962	41,219
Closing fair value of plan assets	2,315,039	1,987,214

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

Fair value of assets

	2020 \$000	2019 \$000
Equity instruments	12	66
Debt instruments	2,255,517	1,976,667
Other assets	59,510	10,481
	2,315,039	1,987,214

The sub-categories of assets above consist of directly-held assets and pooled vehicles that invest predominantly in assets with quoted prices in active markets.

The fair value of directly-held securities (equity and debt instruments) is taken as the closing price on an actively-traded market. Fair value of holdings in pooled funds is provided by the investment manager, who calculates the price based on the aggregate value of the underlying assets held by the fund (based on closing prices of the securities on an actively-traded market) and the number of units issued.

Included within Debt instruments are offsetting amounts of \$835 million (2019: \$882 million) which relates to amounts payable under repurchasing agreements.

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 2020

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

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

	2020 \$000	2019 \$000	2018 \$000	2017 \$000
Present value of defined benefit liabilities	2,028,674	1,789,296	1,574,712	1,735,389
Fair value of plan assets	(2,315,039)	(1,987,214)	(1,722,164)	(1,754,450)
(Surplus)/deficit	(286,365)	(197,918)	(147,452)	(19,061)
Experience adjustments on plan liabilities	(9,184)	23,866	68,986	(1,343)

The most recent triennial valuation of the scheme for funding purposes was carried out as at 30 September 2020. As per the updated schedule of contributions agreed with the scheme trustees and signed on the 10th March 2021, DBUK are no longer required to make deficit reduction contributions to the scheme.

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 schemes was US\$36,303 thousand (2019: US\$39,188 thousand), comprising of defined benefit contributions of \$33,516 thousand and defined contribution contributions of \$2,787 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 31/12/2020 assumption used	Increase in Actuarial value of liabilities on 31/12/2020 (\$000)
Decrease in discount rate	0.50%	197,459
Increase in life expectancy	1 year	113,729
Increase in inflation (including salary increase)	0.50%	26,625

DE BEERS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

22. Share capital

	2020 £000	2019 £000
Authorised:		
2020: 500,010,000 (2019: 500,010,000) ordinary shares of par value £1 each	500,010	500,010
	2020 \$000	2019 \$000
Allotted and fully paid:		
2020: 52,447,731 (2019: 52,447,731) of £1 each	88,140	88,140

The Company has one class of ordinary shares, which carry no right to fixed income.

23. Provisions for liabilities

	Restructuring provision \$000
At 1 January 2020	-
Charged to profit or loss	8,735
Utilised in year	(5,288)
At 31 December 2020	3,447

The wider Group announced a restructuring to employees on the 7th August 2020. As part of the exercise, a number of redundancies were made across the group. Given the announcement De Beers UK Limited, have provided for the costs relating to the restructuring that are expected to be incurred within 2021. It is noted that the provision is expected to be fully utilised by November 2021.

24. 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.

Retained earnings

Retained earnings represents accumulated retained earnings or losses.

25. 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.

DE BEERS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

26. Share-based payments

During the year ended 31 December 2020, 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 2020 was £5.92. For shares outstanding at 31 December 2020, the exercise price ranges from £4.72 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:

	2020			
Arrangement (1)	BSP	LTIP	LTIP-ROCE	LTIP-TSR
Date of grant	09/03/2020	06/05/2020	06/05/2020	06/05/2020
Number of instruments	212,696	202,410	52,488	52,488
Share price at date of grant (£)	20	17	17	17
Contractual life (years)	3	3	3	3
Vesting conditions	(2)	(2)	(3)	(4)
Expected volatility	35%	35%	35%	35%
Risk free interest rate	0.1%	0.1%	0.1%	0.1%
Expected departures	5% pa	5% pa	5% pa	5% pa
Dividend yield	3.5%	3.5%	3.5%	3.5%
Fair value at date of grant (weighted average) (£)	20	17	17	5
				2019
Arrangement (1)	BSP	LTIP	LTIP-ROCE	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	20	20	20
Contractual life (years)	3	3	3	3
Vesting conditions	(2)	(2)	(2)	(2)
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	20	20	15

DE BEERS UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

(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.

The movements in the number of share awards for the share-based payment arrangements are as follows:

Bonus Share Plan

	2020	2019
Number of awards		
Outstanding at 1 January	511,219	867,163
Conditionally awarded in year	212,696	165,681
Vested in year	(40,708)	(21,335)
Forfeited in year	<u>(203,762)</u>	<u>(500,290)</u>
Outstanding at 31 December	<u><u>479,445</u></u>	<u><u>511,219</u></u>

Long Term Incentive Plans

	2020	2019
Number of awards		
Outstanding at 1 January	762,136	1,207,916
Conditionally awarded in year	307,386	296,167
Vested in year	(82,098)	(26,600)
Forfeited in year	<u>(265,935)</u>	<u>(715,347)</u>
Outstanding at 31 December	<u><u>721,489</u></u>	<u><u>762,136</u></u>

27. Post balance sheet events

The Company settled the outstanding Canadian Court Action case, which is classified within trade creditors, on 22 January 2021, with the final payment totalling \$9.4m CAD (\$7.4m USD).

In the Spring Budget 2021, the UK Government announce that from 1 April 2023 the corporation tax rate will increase to 25%. As the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

DE BEERS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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
	2020 \$000	2020 \$000
Amounts owed by/to joint ventures	374	-
Amounts owed by/to other group companies	3,476	(11,820)
	<u>Income</u>	<u>Income</u>
	<u>Received 2020</u>	<u>Received 2019</u>
	<u>\$000</u>	<u>\$000</u>
Income received from joint ventures	26,020	35,732
Income received from other group companies	58,389	45,625
	<u>Expenditure</u>	<u>Expenditure</u>
	<u>2020 \$000</u>	<u>2019 \$000</u>
Expenditure with joint ventures	-	-
Expenditure with other group companies	(28,729)	(31,194)

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 26.

29. 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:

17 Charterhouse Street
London
EC1N 6RA
United Kingdom

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

3rd Floor
44 Esplanade
St Helier
JE4 9WG
Jersey

DE BEERS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

30. Commitments under operating leases

Company as a lessee

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 'Administrative expenses' in profit or loss.

This note has been retained for comparative purposes.

Contractual undiscounted cash flows are due as follows:

	2020 \$000	2019 \$000
Not later than one year	434	175
Between one year and five years	132	147
	<u>566</u>	<u>322</u>

31. Prior period restatements

It is noted that both on the Statement of profit and loss (page 11) and the Statement of other comprehensive income (page 12) that there have been restatements for the 2019 figures when compared to the 2019 financial statements. These can be seen to be as follows:

Statement of profit and loss

Expense from fixed assets and amounts written off investments have been reclassified to Administrative expenses, increasing the administrative expenses by \$682k in 2019.

Statement of other comprehensive income

Shares issued during the year being a share capital injection in 2019 was included as part of other comprehensive income in the statement of other comprehensive income in error but included in the statement of changes in equity correctly. In the current year this has been corrected and the effect is a reduction in the total comprehensive income of \$215,500k in 2019.

Share based payment charge being the recognition of the share based payment costs in the share based payment reserve was included in other comprehensive income in the statement of other comprehensive income in error but included in the statement of changes of equity correctly. In the current year this has been corrected and the effect is a reduction in the total comprehensive income of \$8,880k in 2019.

