

**Company Registration No. 08945804**

**Charterhouse CAP Limited**

**Annual Report and Financial Statements**

**for the year ended 31 December 2021**

# Charterhouse CAP Limited

## Annual Report and Financial statements For the year ended 31 December 2021

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# **Charterhouse CAP Limited**

## **Company Information**

### **Directors**

J A R Eagan

S C Lussier (resigned 30 June 2022)

A Pregolato (appointed 30 September 2021)

R G Giles (resigned 30 September 2021)

M Jacheet (appointed 26 July 2022)

### **Company Secretary**

Anglo American Corporate Secretary Limited

### **Registered Office**

17 Charterhouse Street

London

EC1N 6RA

United Kingdom

### **Independent Auditors**

PricewaterhouseCoopers LLP

1 Embankment Place

London

WC2N 6RH

United Kingdom

# Charterhouse CAP Limited

## Strategic report For the year ended 31 December 2021

### Introduction

The Directors present their strategic report for Charterhouse CAP Limited (the "Company") for the year ended 31 December 2021. The purpose of the strategic report is to provide a brief summary of the Company's performance as well as its strategy that will impact future reporting years.

### General review and key performance indicators

The Company was incorporated on 18 March 2014. The Company is a wholly-owned subsidiary of De Beers Holdings Investments Limited, incorporated in Jersey. The financial performance of the Company is dependent on the success of its diamond related initiatives.

The Company's principal activity is to invest in diamond related initiatives.

Revenue for 2021 was US\$151.9m (2020: US\$136.6m) and the operating profit US\$27.7m (2020: US\$14.3m). The Company has increased its investment in inventory by US\$53.8m to a total of US\$142.7m.

The Company's financial key performance indicator relates to the performance of its diamond related initiatives through assessing the return on capital employed ("ROCE"). This is calculated as the earnings before interest and tax, divided by the average monthly capital invested in diamond related initiatives. The ROCE has improved from 13.3% at the end of 2020 to 25.1% at the end of 2021 and considered to be the most appropriate metric used by the Directors to gauge how invested capital is performing for the Company. There are no non-financial key performance indicators.

The United Kingdom's exit from the European Union has not impacted the business.

### Principal risks and uncertainties

#### *Market risk*

The principal risk facing the Company is the recoverability of stock held directly and through the Company's joint operations.

#### *Credit risk*

The Company's principal financial assets are amounts receivable from De Beers Jewellers Limited and companies external to the De Beers Group. The Company's credit risk is primarily attributable to its receivables with De Beers Jewellers Limited and companies external to the De Beers Group. The amounts presented in the Statement of financial position are net of expected credit losses.

#### *Interest risk*

The Company is financed by a loan advanced by Anglo American Capital plc ("AAC") with interest charged/earned at a floating rate linked to the London Inter Bank Offered Rate ("LIBOR").

The Company is still in the process of transitioning USD LIBOR to an alternative risk-free rate. Phase 2 IBOR amendments were adopted using the practical expedient allowing changes in benchmark rate to be reflected in the effective interest rate prospectively and do not give rise to the recognition of an immediate gain or loss as a direct result of the benchmark reform. Comparative amounts have not been restated, and there was no impact on the current period opening reserves amounts on adoption.

Fluctuations in interest rates will therefore impact on the Company's net finance cost.

#### *Foreign exchange rate*

The Company is exposed to foreign exchange rate movements on financial statements denominated in currencies other than US Dollars.

#### *Polished diamond prices*

The Company's recoverability of stocks held directly and through the Company's joint operations are exposed to fluctuations in polished diamond prices.

## Charterhouse CAP Limited

### Strategic report (continued) For the year ended 31 December 2021

#### Our Purpose and Values

The Board recognises the role of the Company's business in society and within the De Beers Group (the "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 stakeholders. 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 Group is committed to achieving carbon neutrality by 2030 and the Board is committed to achieving this goal.

#### 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 engages with 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 Charterhouse CAP 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 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.

#### Approval

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



A Pregolato  
Director  
26 July 2022

# Charterhouse CAP Limited

## Directors' report For the year ended 31 December 2021

The Directors present their report and the financial statements of Charterhouse CAP Limited (the "Company"), a private company limited by shares, for the year ended 31 December 2021.

### Statement of Directors' responsibilities in respect of the financial statements

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 prepared 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 accounting 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 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 also responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

### Future developments

The Directors consider the outlook for the Company to be promising due to increased investment in diamond related initiatives and sales opportunities.

### Results and dividends

The profit for the year, after taxation, amounted to US\$27.5m (2020: US\$13.8m).

The Directors do not recommend the payment of an ordinary dividend (2020: US\$ni1).

### Financial risk management policy

The financial risk management policy is discussed in the Strategic Report.

### Directors

The Directors who served throughout the year and up to the date of signing the financial statements were:

J A R Eagan  
 S C Lussier (resigned 30 June 2022)  
 A Pregolato (appointed 30 September 2021)  
 R G Giles (resigned 30 September 2021)  
 M Jacheet (appointed 26 July 2022)

### Qualifying third party and pension scheme indemnity provisions

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

### Research and development

The Company did not undertake any research and development activity in the year (2020: none).

## Charterhouse CAP Limited

### Post balance sheet events

The Russian invasion of Ukraine has been an evolving situation for many years. However, the recent escalation of the tensions resulting in Russia invading Ukraine took place during February 2022. The geopolitical tensions between Russia and Ukraine, alongside the imposition of international sanctions, have a pervasive economic impact, not only on businesses within Russia and Ukraine, but also globally where businesses engage in economic activities. The Company has no existence or direct exposure to Russia, Belarus or Ukraine or any of the neighboring countries who might be affected with the situation. Furthermore, we have no facilities, customers or suppliers in any of these territories, nor any raw materials or energy supply contracts from them. At this stage, it is too early to predict any broader potential impacts on the industry but we continue to monitor the situation closely and will take any necessary actions warranted by unfolding events.

The current De Beers plc ("DB plc") US\$2 billion facility with AAC expired in June 2022. The facility allowed DB Plc Companies, including the Company, to borrow or deposit cash directly with AAC.

The US\$2 billion facility has been renewed. The De Beers Treasury Committee approved a proposal for the facility over a 5 year tenor at an interest rate of LIBOR plus a 175bps margin. The proposal was approved by the Anglo American plc Board on 22<sup>nd</sup> February 2022. The facility has been approved by the Company's board on 10<sup>th</sup> March 2022.

### Employees

The Company does not have any employees (2020: none).

### Engagement with suppliers, customers and others in a business relationship with the Company

The Company operates both internally and externally to the De Beers group. The Directors continue to foster strong relationships with all parties the Company transacts with.

### 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 plc group 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.

### Political donations and political expenditure

The Company made no political donations during the year or incurred any political expenditure during the year (2020: US\$nil).

### Disclosure of information to auditors

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

- as 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 he/she ought to have taken as a Director in order to make him/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

### 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 by:



A Pregolato  
Director  
26 July 2022

## Charterhouse CAP Limited

# Independent auditors' report to the members of Charterhouse CAP Limited

## Report on the audit of the financial statements

### Opinion

In our opinion, Charterhouse CAP Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 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 2021; the Statement of 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 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.

### 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.

## Charterhouse CAP Limited

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 2021 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 Statement of Directors' responsibility in respect to financial statements, 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.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to 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:

## Charterhouse CAP Limited

- enquiry of management and Directors, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- 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 with unusual words; and
- reading minutes of meetings of the Board of Directors.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' 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.

## Other required reporting

### Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you 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.



Laura Burkhardt (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
26 July 2022

## Charterhouse CAP Limited

### Statement of comprehensive income for the year ended 31 December 2021

	Note	2021 US\$'000	2020 US\$'000
Revenue	4	151,855	136,608
Cost of sales		(123,471)	(122,333)
<b>Gross profit</b>		<u>28,384</u>	<u>14,275</u>
Administrative expenses		(495)	(35)
Other operating (expense)/income		(213)	30
<b>Operating profit</b>	5	<u>27,676</u>	<u>14,270</u>
Finance cost	7	(225)	(451)
<b>Profit before tax</b>		<u>27,451</u>	<u>13,819</u>
Income tax expense	8	-	-
<b>Profit and total comprehensive income for the financial year</b>		<u><u>27,451</u></u>	<u><u>13,819</u></u>

All of the results are derived from continuing operations.

The notes on pages 12 to 21 form part of these financial statements.

## Charterhouse CAP Limited

### Statement of financial position as at 31 December 2021

	Note	2021 US\$'000	2020 US\$'000
<b>Current assets</b>			
Inventories	9	142,721	88,937
Trade and other receivables	10	10,713	36,722
Cash and cash equivalents		146	145
		<u>153,580</u>	<u>125,804</u>
Creditors: Amounts falling due within one year	11	(2,368)	(10,590)
<b>Net current assets</b>		<u>151,212</u>	<u>115,214</u>
<b>Total assets less current liabilities</b>		151,212	115,214
Creditors – amounts falling due after more than one year	12	(8,547)	-
<b>Net assets</b>		<u>142,665</u>	<u>115,214</u>
<b>Equity</b>			
Called up share capital	13	1	1
Share premium account		122,499	122,499
Retained earnings/(Accumulated losses)		20,165	(7,286)
<b>Total Equity</b>		<u>142,665</u>	<u>115,214</u>

The notes on pages 12 to 21 form part of these financial statements.

The financial statements on pages 9 to 21 of the Company (registered number 08945804) were approved and authorised for issue by the Board of Directors on 26 July 2022 and were signed on its behalf by:

  
A Pregolato  
Director

## Charterhouse CAP Limited

### Statement of changes in equity for the year ended at 31 December 2021

	Called up share capital US\$'000	Share premium account US\$'000	Retained earnings/ (Accumulated losses) US\$'000	Total Equity US\$'000
<b>Balance as at 1 January 2020</b>	1	122,499	(21,105)	101,395
Profit for the year and total comprehensive income	-	-	13,819	13,819
<b>Balance as at 31 December 2020</b>	1	122,499	(7,286)	115,214
Profit for the year and total comprehensive income	-	-	27,451	27,451
<b>Balance as at 31 December 2021</b>	1	122,499	20,165	142,665

The notes on pages 12 to 21 form part of these financial statements.

# Charterhouse CAP Limited

## Notes to the financial statements For the year ended 31 December 2021

### 1. General information

The Company is a private company, limited by shares, incorporated and registered in the United Kingdom and its principal place of business is London. The address of its registered office is disclosed with the Company information page and the principal activities of the Company are disclosed in the Strategic report.

### 2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 2.1 Basis of preparation of financial statements

The financial statements of the Company 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 3.

#### 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 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.

#### New standards, amendments, IFRIC interpretations and new relevant disclosure requirements

The Company follows Anglo American Group guidance with regards to adoption of accounting standards. The Group has not early adopted any other amendment, standard or interpretation that has been issued but is not yet effective. It is expected that where applicable, these standards and amendments will be adopted on each respective effective date. The following new or amended accounting standards, amendments and interpretations not yet adopted are not expected to have a significant impact on the Company:

- Covid-19-Related Rent Concessions beyond 30 June 2021 – amendments to IFRS 16;
- Interest Rate Benchmark Reform – Phase 2 – amendments to IFRS 9, IAS 39, IFRS 4 and IFRS 16;

## Charterhouse CAP Limited

### Notes to the financial statements (continued) For the year ended 31 December 2021

#### 2. Summary of significant accounting policies (continued)

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to IAS 12; and
- Annual Improvements to IFRS Standards 2018-2020 Cycle

#### 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, have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, the continue to adopt the going concern basis in preparing the annual financial statements.

#### 2.4 Foreign currency translation

- a) **Functional and presentation currency**  
Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the 'functional currency'). The financial statements are presented in 'United States Dollar' (US\$), which is also the Company's functional currency.
- b) **Transactions and balances**  
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement. All other foreign exchange gains and losses are presented in the income statement within 'Other income/(expenses)'.

#### 2.5 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. The Company's financial assets consist of trade and other receivables and cash and cash equivalents.

## Charterhouse CAP Limited

### Notes to the financial statements (continued) For the year ended 31 December 2021

#### 2. Summary of significant accounting policies (continued)

##### *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. The Company's financial liabilities consist of trade and other payables and non-current borrowings.

#### 2.6 Inventories

Inventory and work in progress are measured at the lower of cost and net realisable value. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

#### 2.7 Trade and other receivables

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business, as well as amounts due from AAC relating to cash balances on deposit in the prior year.

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

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

To measure the expected credit losses, trade receivables and contract assets are grouped based on shared credit risk characteristics and the days past due.

#### 2.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

#### 2.9 Share capital

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### 2.10 Creditors

##### *Amounts falling due within one year*

These creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers within 12 months. Short term creditors are recognised at fair value and subsequently measured at amortised cost using the effective interest method.

##### *Amounts falling due later than one year*

This creditor is an obligation to repay an intercompany loan to AAC. This creditor is recognised at fair value and subsequently measured at amortised cost.

# Charterhouse CAP Limited

## Notes to the financial statements (continued) For the year ended 31 December 2021

### 2. Summary of significant accounting policies (continued)

#### 2.11 Tax

Income tax expense represents the sum of the current 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.

#### 2.12 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. Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Company recognises revenue when performance obligations have been satisfied and for the Company this is when the goods have transferred to the customer and the customer has control of these. The Company bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

#### 2.13 Rounding of amounts

All amounts in the financial statements and notes have been rounded off to the nearest thousand United States Dollar, unless otherwise stated.

## Charterhouse CAP Limited

### Notes to the financial statements (continued) For the year ended 31 December 2021

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

In the application of the Company's accounting policies, which are described within note 3, 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.

##### a. Critical accounting judgements

###### *Joint arrangements*

The only critical judgement made by the Directors in applying the Company's accounting policies is in respect to the classification and accounting for the joint arrangements in place as noted below.

Joint arrangements are arrangements in which the Company shares joint control with one or more parties. Joint control is the contractually agreed sharing of control of an arrangement, and exists only when decisions about the activities that significantly affect the arrangement's returns require the unanimous consent of the parties sharing control.

Joint arrangements are classified as either joint operations or joint ventures based on the rights and obligations of the parties to the arrangement. In joint operations, the parties have rights to the assets and obligations for the liabilities relating to the arrangement, whereas in joint ventures, the parties have rights to the net assets of the arrangement.

Joint arrangements that are not structured through a separate vehicle are always joint operations. Joint arrangements that are structured through a separate vehicle may be either joint operations or joint ventures depending on the substance of the arrangement. In these cases, consideration is given to the legal form of the separate vehicle, the terms of the contractual arrangement and, when relevant, other facts and circumstances. When the activities of an arrangement are primarily designed for the provision of output to the parties and the parties are substantially the only source of cash flows contributing to the continuity of the operations of the arrangement, this indicates the parties to the arrangements have rights to the assets and obligations for the liabilities.

##### b. Key sources of estimation uncertainty

###### *Inventory*

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year relate to the carrying value of inventory.

The Directors are required to estimate the net realisable value of inventory held (2021: US\$143m; 2020: US\$89m) to assess whether it is being appropriately held at the lower of cost and net realisable value. The assessment of net realisable value is performed by reference the De Beers UK Limited polished price index, recent auction sales prices and third party valuations.

# Charterhouse CAP Limited

## Notes to the financial statements (continued) For the year ended 31 December 2021

### 4. Revenue

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

	2021 US\$'000	2020 US\$'000
Sale of goods	151,855	136,608
	<u>151,855</u>	<u>136,608</u>
	2021 US\$'000	2020 US\$'000
Luxembourg	47,541	-
United Arab Emirates	41,937	52,598
United Kingdom	30,219	51,557
Belgium	22,200	2,798
Switzerland	7,630	29,696
Mauritius	2,177	(2)
United States of America	151	18
India	-	(57)
	<u>151,855</u>	<u>136,608</u>

All turnover is derived from continuing operations.

### 5. Operating profit

Operating profit is stated after charging/(crediting):

	2021 US\$'000	2020 US\$'000
Cost of inventory recognised as an expense	(123,471)	(122,333)
Legal and professional fees	(412)	-
Other operating costs	(41)	-
Other (expense)/income	(213)	30
Audit fees payable to the Company's auditors	(42)	(35)
	<u>(124,169)</u>	<u>(122,333)</u>

### 6. Information regarding directors and employees

The Company had no employees during wither the financial year or prior year. De Beers UK Limited remunerates the directors for their services to the wider De Beers group and the directors received no specific emoluments for their services to the Company in either the financial year or prior year.

### 7. Finance cost

	2021 US\$'000	2020 US\$'000
Loans from group undertakings	225	451
	<u>225</u>	<u>451</u>

## Charterhouse CAP Limited

### Notes to the financial statements (continued) For the year ended 31 December 2021

#### 8. Income tax expense

	2021 US\$'000	2020 US\$'000
Current tax on profit for the year	-	-
Total current tax	-	-

Tax for the year is lower (2020: lower) than the standard rate of corporation tax in the United Kingdom for the year ended 31 December 2021 of 19% (2020: 19%). The differences are explained below:

	2021 US\$'000	2020 US\$'000
Profit for the period	27,451	13,819
Tax on profit at standard UK tax rate of 19% (2020: 19%)	5,216	2,626
Effects of:		
Expenses not deductible	73	-
Group relief claimed	(5,289)	(2,604)
Amounts not recognised	-	(22)
Total tax for the financial year	-	-

#### Factors that may affect future tax charges

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. This new law was substantively enacted on 24 May 2021 and is included in these financial statements.

A deferred tax asset has not been recognised in respect of tax losses on the basis that it is not probable that there will be sufficient and suitable taxable profits in future periods against which to utilise them. The amount of the deferred tax asset not recognised as at 31 December 2021 is US\$128k (2020: US\$76k).

#### 9. Inventories

	2021 US\$'000	2020 US\$'000
Diamond stocks	142,721	88,937

The diamond stocks include both finished goods and work in progress. An impairment reversal of US\$1,220k was recorded in 2021 (2020: impairment reversal of US\$1,458k). The increase in inventory was due to the purchase of a 39ct rough blue diamond from Petra Diamonds in July 2021 for US\$40.2m.

## Charterhouse CAP Limited

### Notes to the financial statements (continued) For the year ended 31 December 2021

#### 10. Trade and other receivables

	2021 US\$'000	2020 US\$'000
Trade receivables	8,888	9,461
Amounts owed by group companies	966	23,860
Prepayments	856	3,401
VAT debtor	3	-
	<u>10,713</u>	<u>36,722</u>

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value. The amounts owed by group companies in 2020 comprised a US\$22.7m deposit position on the AAC loan facility. In 2021, the AAC loan facility transitioned into a payable position of US\$8.5m (see note 12).

#### 11. Creditors: amount falling due within one year

	2021 US\$'000	2020 US\$'000
Trade creditor	272	-
VAT creditor	-	9,888
Amounts owed to group undertakings	45	344
Accruals	2,051	358
	<u>2,368</u>	<u>10,590</u>

The Directors consider that the carrying amount of trade and other payables is approximately equal to their fair value. The decrease in the VAT creditor is due to a sale that took place prior to the 2020 year end that was not repeated in 2021. The movement in the accruals balance was due to an increase in third party service accruals of US\$1.3m and legal and professional fees of US\$0.4m.

## Charterhouse CAP Limited

### Notes to the financial statements (continued) For the year ended 31 December 2021

#### 12. Creditors: amounts falling due after more than one year

	2021 US\$'000	2020 US\$'000
Anglo American Capital plc facility	8,547	-

The Company has access to a loan facility with Anglo American Capital plc for working capital requirements. The facility was renewed in March 2022.

At 31 December 2021 the facility was in a net payable position. At 31 December 2020 the facility was in a net receivable position, as disclosed in note 10. This facility is unsecured and held at a floating rate of LIBOR plus 1.25%.

	1 January 2020 US\$'000	Cash flow US\$'000	Fair value gains and losses US\$'000	Interest charges US\$'000	31 December 2020 US\$'000
Anglo American Capital plc facility	(2,939)	3,075	-	(136)	-

	1 January 2021 US\$'000	Cash flow US\$'000	Fair value gains and losses US\$'000	Interest charges US\$'000	31 December 2021 US\$'000
Anglo American Capital plc facility	-	8,443	-	104	8,547

#### 13. Called up share capital

	2021 US\$'000	2020 US\$'000
Issued and fully paid: 2021: 1,237 (2020: 1,237) ordinary shares at par value US\$1 each	1	1

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

## Charterhouse CAP Limited

### Notes to the financial statements (continued) For the year ended 31 December 2021

#### 14. Contingent liabilities

The Company had no contingent liabilities at as 31 December 2021 (2020: none).

#### 15. Commitments

The Company had no commitments as at 31 December 2021 (2020: none).

#### 16. Post balance sheet events

The Russian invasion of Ukraine has been an evolving situation for many years. However, the recent escalation of the tensions resulting in Russia invading Ukraine took place during February 2022. The geopolitical tensions between Russia and Ukraine, alongside the imposition of international sanctions, have a pervasive economic impact, not only on businesses within Russia and Ukraine, but also globally where businesses engage in economic activities. The Company has no existence or direct exposure to Russia, Belarus or Ukraine or any of the neighbouring countries who might be affected with the situation. Furthermore, we have no facilities, customers or suppliers in any of these territories, nor any raw materials or energy supply contracts from them. At this stage, it is too early to predict any broader potential impacts on the industry but we continue to monitor the situation closely and will take any necessary actions warranted by unfolding events.

The current De Beers plc ("DB plc") US\$2 billion facility with AAC expired in June 2022. The facility allowed DB Plc Companies, including the Company, to borrow or deposit cash directly with AAC.

The US\$2 billion facility has been renewed. The De Beers Treasury Committee approved a proposal for the facility over a 5 year tenor at an interest rate of LIBOR plus a 175bps margin. The proposal was approved by the Anglo American plc board on 22nd February 2022. The facility has been approved by the Company's board on 10th March 2022

#### 17. Parent undertaking and controlling party

The immediate parent company is De Beers Holdings Investments Limited which is registered at 3<sup>rd</sup> Floor, 44 Esplanade, St Helier, JE4 9WG, Jersey. The smallest group that the Company forms part of is the De Beers Plc which is registered at 3<sup>rd</sup> Floor, 44 Esplanade, St Helier, JE4 9WG, Jersey. Accounts for De Beers Plc and De Beers Holdings Investments Ltd can be obtained from The Company Secretary, Anglo American Plc, 17 Charterhouse Street, London, EC1N 6RA, United Kingdom.

The largest group to consolidate these financial statements is Anglo American Plc. The Company's ultimate parent and controlling party is Anglo American Plc, a public limited company registered in England and Wales (registered number 3564138). The consolidated financial statements of Anglo American Plc may be obtained from the Company Secretary of Anglo American Plc, 17 Charterhouse Street, London, EC1N 6RA, United Kingdom, its registered office.