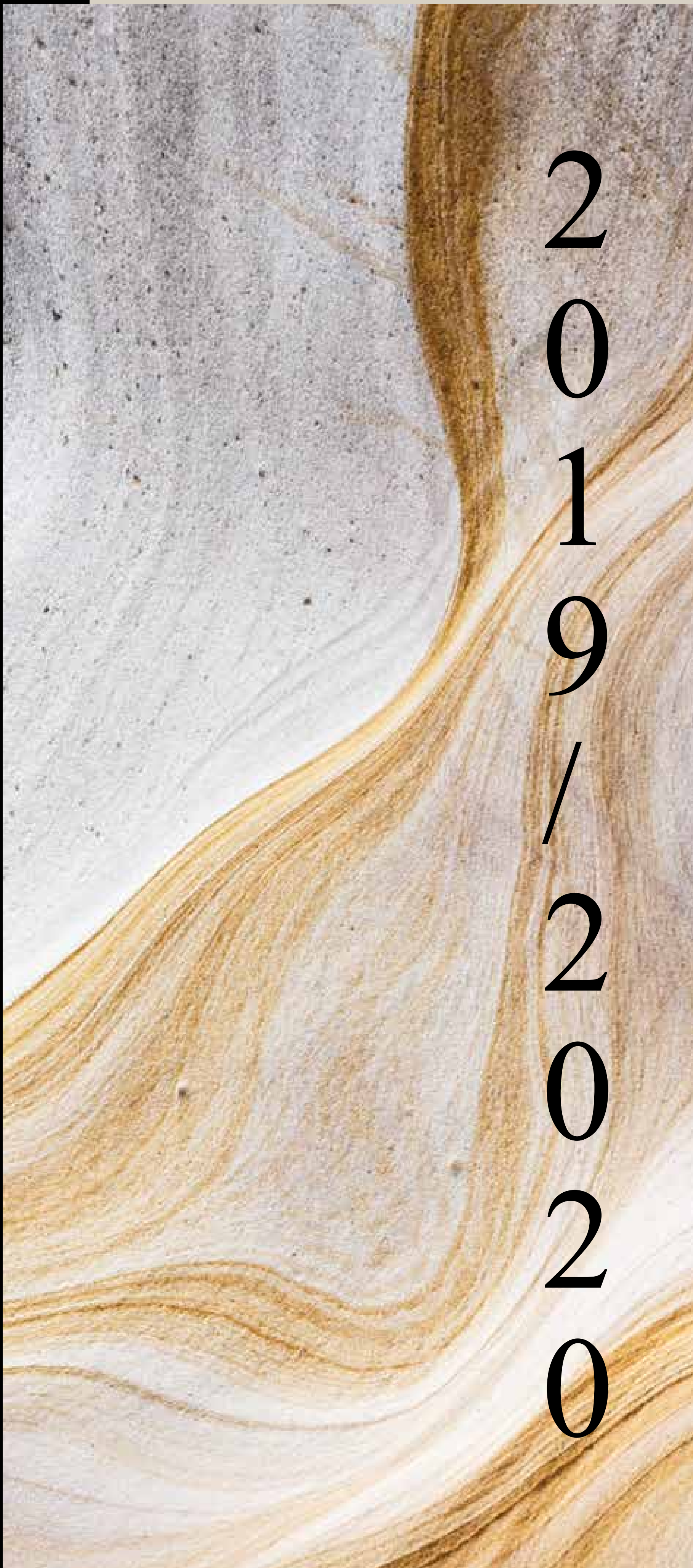
ANNUAL REPORT



2019/2020

NAMDIA

NAMIB DESERT DIAMONDS (PTY) LTD

GLOSSARY

Alrosa

Russian group of diamond mining companies specialising in exploration, mining, manufacture and sale of diamonds. The company leads the world in diamond mining by volume.

Carat

International unit of measurement for diamond weight: One carat equals a fifth of a gram (0.2 g).

Diamond Bourse

A diamond trading floor where diamonds are traded among bourse members.

Diamantaire

Knowledgeable and experienced person, usually a dealer or manufacturer, in the diamond trade.

Diamond pipeline

The path diamonds follow from the mine to the consumer.

Downstream

The stage of the diamond value chain that includes jewellery retailing to end consumers.

Purchase Entitlement

Offer to purchase an asset that cannot be transferred to another party. NAMDIA has a Purchase Entitlement consisting of 15 percent per annum of NAMDEB Holding's total run-of-mine production, from the Namibia Diamond Trading Company, on an average 5.2-week cycle basis, 10 times a year.

Polished diamonds

Diamonds that have undergone processing, without any connection to their size, shape or any other feature.

LIBOR

London Inter-bank Offered Rate, an interest-rate average calculated from estimates submitted by the leading banks in London.

Midstream

The stage of the diamond value chain that includes sales of rough diamonds, cutting and polishing, primary and secondary sales of polished diamonds, and jewellery manufacturing.

Rough diamonds

Diamonds in their natural state, before undergoing processing.

Upstream

The stage of the diamond value chain that includes rough diamond exploration and production.

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CHAIRPERSON'S REPORT

The Annual Report for the financial year 1 March 2019 – 29 February 2020 has been prepared pursuant to the provisions of the Articles of Association. It outlines the governance of Namib Desert Diamonds (Pty) Ltd (hereafter referred to as "NAMDIA"), covers global and domestic developments in the diamond industry, includes the audited annual financial statements, the governance report and the sales and marketing report, and highlights the key achievements of NAMDIA in 2019/2020.

During the reporting period, NAMDIA maintained sound corporate governance practices and remained accountable to its shareholder, the Government of the Republic of Namibia. NAMDIA continued to espouse a culture of openness and strove to continuously pursue its Mission and Vision. The Memorandum of Incorporation, the Corporate Charter and the Strategic Plan lie at the core of NAMDIA's purpose. We remain committed to creating and improving our shareholder and stakeholder value proposition. As the pressure in the diamond industry continued to increase, NAMDIA managed the headwinds through its stakeholder engagement strategy and leveraging the unique selling proposition of Namibian diamonds.

At its inception in 2016, NAMDIA developed a 5-year Strategic Plan outlining its strategic objectives, strategies and outcomes. Through its Executive Management, dedicated staff and the guidance provided by the Board, NAMDIA remains committed to delivering and achieving its strategic objectives. As such, we implemented Year 3 of our 5-year Strategic Plan in 2019/2020.

Operating Environment

In 2019/2020, the diamond market was confronted with several challenges, including an increased demand for and purchase of laboratory-grown or synthetic diamonds, a reduction in rough diamond supplies, reduced diamond prices and a decline in sales of polished diamonds.

Business Performance

NAMDIA performed relatively well during 2019/2020, despite the difficult market conditions, and was able to contribute positively to the Namibian economy through its performance. NAMDIA made a profit of NAD150 million before tax and declared a dividend of NAD80 million to the Namibian Government.

Governance Matters

NAMDIA prides itself on its commitment to good governance and fully subscribes to the principles of the Corporate Governance Code for Namibia (NamCode). This commitment is reflected in the corporate governance report on performance and the description of systems of control and governance.

During the last quarter of the period under review, various governance changes were instituted. NAMDIA was listed as a commercial public enterprise falling under the Ministry of Public Enterprises in terms of the Public Enterprises Governance Act, 2019 (Act No.1 of 2019).

The term of the Board appointed at NAMDIA's inception came to an end during the reporting period. Subsequently, the Minister of Mines, Honourable Tom Alweendo, appointed a new Board on 12 December 2019. The new Board comprises of five independent non-executive directors appointed for a period of 3 years as per the Public Enterprises Governance Act, 2019 (Act No.1 of 2019). The Board members have various areas of expertise, including Finance, Human Resources, Mining, Business Marketing and Legal. As a public enterprise, we endeavour to move beyond the concept of good corporate citizenship. We recognise our role and contribution towards socioeconomic development and embrace government initiatives aimed at improving the economy and the lives of the Namibian people.

During the year under review, NAMDIA rolled out the performance management system to ensure optimal performance of staff and a balanced method for reviewing performance. We were able to fill key strategic positions critical to the performance of the company. NAMDIA ensured the implementation of an adequate training and development programme for its employees.

Corporate Social Responsibility

As part of its tax obligations to the fiscus, NAMDIA paid NAD63 million to the Ministry of Finance. We also contributed NAD15 million to the Namibian Government's Drought Relief Fund, which was established to provide assistance to farmers during the prevailing drought. Through our social economical development vehicle, the NAMDIA Foundation, we sponsored various sports codes, and the MTC Knockout Project aimed at combating domestic violence. In addition, we partnered with Oculus Vision Centre, an organisation working with The School for the Visually Impaired.

Sustainability

NAMDIA harnesses natural resources by using solar energy at its head office, the Eumbo building. This innovative solution helps NAMDIA to reduce energy consumption, and consequently to positively contribute to the preservation of the environment and the reduction of Namibia's carbon footprint.

Our responsibility is, and will always be, accountability and transparency to our shareholder and all our stakeholders.

Board Focus Areas in 2020/2021

The Board will continue to review the Strategic Plan on a yearly basis to ensure that the Key Performance Indicators (KPI) are aligned to strengthen NAMDIA's resilience and to continue meeting the shareholder's expectations. In addition, we will strive to contribute positively to the National Developmental Agenda of Namibia as contained in the National Development Plan 5, thereby meeting the expectations of the shareholder.

Accordingly, the Board will focus on:

- **Economic progression:**
  - » NAMDIA will continuously ensure that it meets its mandate by striving to sell at and above the De Beers prices, namely above 100 percent Standard Selling Value. By delivering on our mandate, NAMDIA can grow and assist the Government in poverty eradication and other nation building initiatives.
  - » NAMDIA will always ensure that taxes and any other statutory returns are paid timeously.
  - » We will continue to focus on supplying our clients with quality product and services.
- **Good governance:**
  - » Our responsibility is, and will always be, accountability and transparency to our shareholder and all our stakeholders.
  - » We will ensure accountability and transparency in our procurement processes by fully implementing the Public Procurement Act, 2015 (Act No.15 of 2015).
  - » Governing through COVID-19, the Board will continue to actively engage with the shareholder and monitor the potential impact of the pandemic on the overall performance of NAMDIA.
  - » We will align our strategic plan and processes and policies to the Public Enterprises Governance Act, 2019 (Act No.1 of 2019).
  - » We will maintain a high standard of corporate governance in complying with NamCode and the Public Enterprises Governance Act, 2019 (Act No.1 of 2019).
  - » The Board strives to drive long-term value creation, whilst holding our directors, management and employees accountable for their actions.
  - » We will continue to develop a sustainable pool of talent within the company that is evaluated through a robust performance management system.
- **Social transformation:**
  - » The Board will ensure that NAMDIA is a sustainable and responsible corporate institution through its corporate social responsibility initiatives under the NAMDIA Foundation.

Concluding Remarks

In conclusion, I would like to convey my appreciation to the previous and current Board for governance oversight, and our Executive Management and staff for their dedication to delivering on the mandate of NAMDIA.

On behalf of the Board, the entire NAMDIA staff and our stakeholders, I would also like to thank our previous portfolio minister, Honourable Tom K. Alweendo, Minister of Mines and Energy, for his steadfast support and guidance. We will continue to engage his office on policy matters. I would like to welcome our new portfolio minister, Honourable Leon Jooste, Minister of Public Enterprises. The Board looks forward to establishing and strengthening a mutually beneficial relationship with the Ministry of Public Enterprises and commits to supporting the efforts undertaken to transform the public enterprise environment.

Without the support of our shareholder, the Ministry of Finance, the Ministry of Safety and Security, our clients and all stakeholders, we cannot achieve our objectives and fulfil our mandate. Your invaluable contribution to our success is highly appreciated.

We enter the next financial year with enthusiasm and confidence despite the global pandemonium caused by the outbreak of the COVID-19 virus.

Bryan Eiseb

Chairperson

CHAPTER | 02

CHIEF EXECUTIVE OFFICER'S REPORT

It gives me great pleasure to report on the operations of NAMDIA for the financial year 1 March 2019 – 29 February 2020. My colleagues and I are proud of NAMDIA's success in 2019/2020. We will continue to focus on delivering on our strategy in the 2020/2021 financial year, maintaining our disciplined approach to our mandate and sales strategy, while working to grow our cash flow and returns. Our strategy to deliver a world-class product is bearing fruit. Despite tough external factors, we have made great strides in operational efficiency in order to remain relevant to our customers and shareholder.

Industry Overview

During the period under review, the global diamond industry battled with a number of challenges. These included lack of bank financing, the depreciation of the Indian rupee, lower profit margins and the competition of synthetic diamonds, amongst others. The weak downstream sentiment related to macroeconomic and geopolitical factors, including US-China trade tensions, the impact of the Hong Kong protests and certain macroeconomic issues affecting consumer confidence in India, weighed heavily on the industry.

In the last quarter of the financial year, in mid-January, the diamond industry was severely impacted by the outbreak of COVID-19. Diamond centres around the world closed their doors and diamond trading declined sharply in February due to the economic uncertainty created by the coronavirus. Manufacturers and dealers are facing a severe liquidity crunch as sales to China and Hong Kong have stopped. Major trade shows in Hong Kong and Basel, Switzerland have been cancelled and buyer traffic in the diamond bourses has declined. With Chinese retail at a standstill, the slump in jewellery sales means stores have more inventory than usual for this time of year. This will result in a build-up of excess goods and a squeeze on liquidity among polished diamond suppliers.

NAMDIA's Performance

NAMDIA performed relatively well during the period under review, despite an extremely challenging year for the diamond industry. The profit before tax amounted to NAD150.1 million. This positive financial performance is attributed to a well-executed strategy that focuses on revenue maximisation for Namibian diamonds, optimisation of the sales strategy and robust internal processes and procedures.

We continue to make good progress in building a world-class diamond company. With the ongoing strengthening of our balance sheet, cash flows and focus on capital efficiency, I am confident that we will do this while continuing to grow our business. Below is a snapshot of our excellent performance during the previous financial year:

- During the period under review, NAMDIA had 10 sales totalling 253,073.37 carats for an average of USD528.64 per carat.
- The full year profit after tax amounted to NAD95.2 million, down 41 percent from the previous year's NAD161.9 million.
- Export levy of NAD19 million was paid for the full year.
- An amount of NAD62.9 million was paid in taxes to the Ministry of Finance.

As part of NAMDIA's strategic planning to get a better perspective on the global diamond value chain, NAMDIA acquired 50% of the midstream diamond cutting and polishing company, Namgem Diamond Manufacturing Company (Pty) Ltd.

Value Creation for Our Shareholders

NAMDIA declared a dividend of NAD80 million to our shareholders, the people of Namibia through the Government. We contributed NAD15 million to the Government Drought Relief Emergency Fund. NAMDIA received a PMR Africa Diamond Arrow Award (Outstanding – 1st Overall) in the category for Companies/Institutions demonstrating exceptional managerial and corporate governance qualities.

The COVID-19 global pandemic has unveiled the harsh reality of poverty in our country and has challenged the business community and Government to come to the aid of those left destitute. I will report more on this in next year's Annual Report.

We will continue to focus on delivering on our strategy in 2020/2021, maintaining our disciplined approach to our mandate and sales strategy, whilst working to grow our cash flow and returns.

Our People

During the period under review, we were active in securing the future of NAMDIA, from the human resources perspective, by leveraging the human capital functionality in all facets. The HR function is guided by the organisational strategy and NAMDIA's long-term vision, working in collaboration with all stakeholders to create an environment in which employees can thrive and are optimally engaged, challenged, empowered and enabled to deliver superior sustained organisational and individual performance. NAMDIA invested an amount of NAD809 435 in staff training, development and welfare.

Security and Safety

One of our key focus areas, during the year under review, was to maintain and enhance the safety and security of our staff and diamond stock on our premises. I am proud to report that there were no injuries and no incidences of theft and/or losses of diamonds. This is mainly due to our excellent and efficient security systems.

Governance

The governance of public enterprises in Namibia has reached new momentum and emphasis with the promulgation of the Public Enterprises Governance Act, 2019 (Act No.1 of 2019). NAMDIA, under the new hybrid governance model, has been declared a commercial public enterprise reporting to the Ministry of Public Enterprises.

I am proud to report that there were no events of non-compliance to legislation during the year under review. NAMDIA continues to adhere to its policies, applicable laws and regulations.

Stakeholder Engagement

We are deliberate in our intentions to maintain close relations with all our key stakeholders. In February 2020, we held a stakeholder engagement event to once again strengthen our relationship with all our stakeholders and to introduce our new Board of Directors. Despite restrictions due to COVID-19, we made a concerted effort to remain in constant communication with our stakeholders via various social media platforms and information systems.

Public Relations

The endorsement of NAMDIA's communication strategy has been a great tool for public relations and branding in and around the country. Social and digital media continue to push the NAMDIA brand into all segments of society.

Looking Ahead

I remain firm in my belief that the diamond industry will once again revamp and revitalise itself and our global economies. I am proud of NAMDIA's success in 2019/2020. We will continue to focus on delivering on our strategy in 2020/2021, maintaining our disciplined approach to our mandate and sales strategy, whilst working to grow our cash flow and returns. Our strategy to deliver a world-class product is bearing fruit.

My gratitude goes to the members of our new Board for their mentoring and counsel during this year. In such a short time, our relationship has only strengthened and we appreciate and value your guidance every step of the way. Thank you to the Executive Committee for their endless passion and unwavering commitment. To our staff, you are the oil that fuels this engine. I wholeheartedly appreciate you.

Most importantly, I would like to express my gratitude to our shareholder, the Government of the Republic of Namibia, as well as the Ministry of Mines and Energy, the Ministry of Finance, the Ministry of Public Enterprises and my fellow Namibians.

Lastly, I would like to thank our loyal clients for standing by us and being ambassadors for our product worldwide since NAMDIA's inception. Your confidence in our processes motivates us to keep believing in the vision of building the NAMDIA brand for a better tomorrow for our country. I thank you.

Kennedy Hamutenya

Chief Executive Officer

CHAPTER | 03

STRATEGIC OVERVIEW

3.1 OVERVIEW OF NAMDIA

NAMDIA was established and licensed by the Ministry of Mines and Energy in 2016 as a rough diamond trader with business operations focused on the purchase of rough diamonds and the sale of these diamonds to the international diamond industry. NAMDIA is positioned to create a sustainable route to market for 15 percent of NAMDEB Holdings' total production of rough diamonds, thus further ensuring Namibia's place as a major player in the global diamond value chain. NAMDIA also has the discretion to cut and polish some of its rough diamonds with the view to discover the market value of the polished outcome of its diamonds. The establishment of NAMDIA was a decision taken by Government to assert its sovereign rights over mineral resources in this manner.

NAMDIA leverages on the high quality and corresponding premium pricing of Namibian diamonds to generate economic benefits for Government, thereby supporting national development goals and policy in the diamond sector. NAMDIA intends to create a brand that positions Namibian diamonds as a niche product in the luxury brand segment, and to make Namibian diamonds a highly sought-after commodity among the world's elite diamantaires and consumers. To that end, NAMDIA's business plan has been crafted to explore future upside opportunities further down the value chain in the international diamond pipeline.

3.2 NAMDIA OBJECTIVES

The key strategic objectives of NAMDIA are:

- Price discovery and revenue maximisation mechanism for Namibian diamonds;
- Optimisation of sales strategy and delivery mechanism of allotted rough diamonds;
- Positioning and branding of Namibian diamonds in the global market;
- Corporate and social responsibility to contribute to the development and growth of Namibia.

3.3 CORPORATE CHARTER

3.3.1 NAMDIA Vision

To be the leading supplier of ethically sourced, natural and high quality diamonds exclusively of Namibian origin to premium and niche luxury markets.

3.3.2 NAMDIA Mission

To discover the best market value for Namibian diamonds – price discovery mechanism.

To contribute towards beneficiation of diamonds.

To fulfil our corporate social responsibilities.

3.3.3 NAMDIA Core Values

Integrity – Acting with honesty and honour, underpinning our long-term relationships with our stakeholders.

Client Focus – Offering our clients a world-class experience to make NAMDIA a Namibian diamond supplier and partner of choice.

Accountability – Acknowledging and assuming responsibility for actions, products, decisions, policies and operating with transparency.

Stewardship – Conscious commitment by leaders and employees to lead with NAMDIA values and foster a culture that always serves the interest of the Namibian people and the shareholder.

Innovation – Taking an innovative and proactive approach to positioning the Namibian diamond industry in the global market.

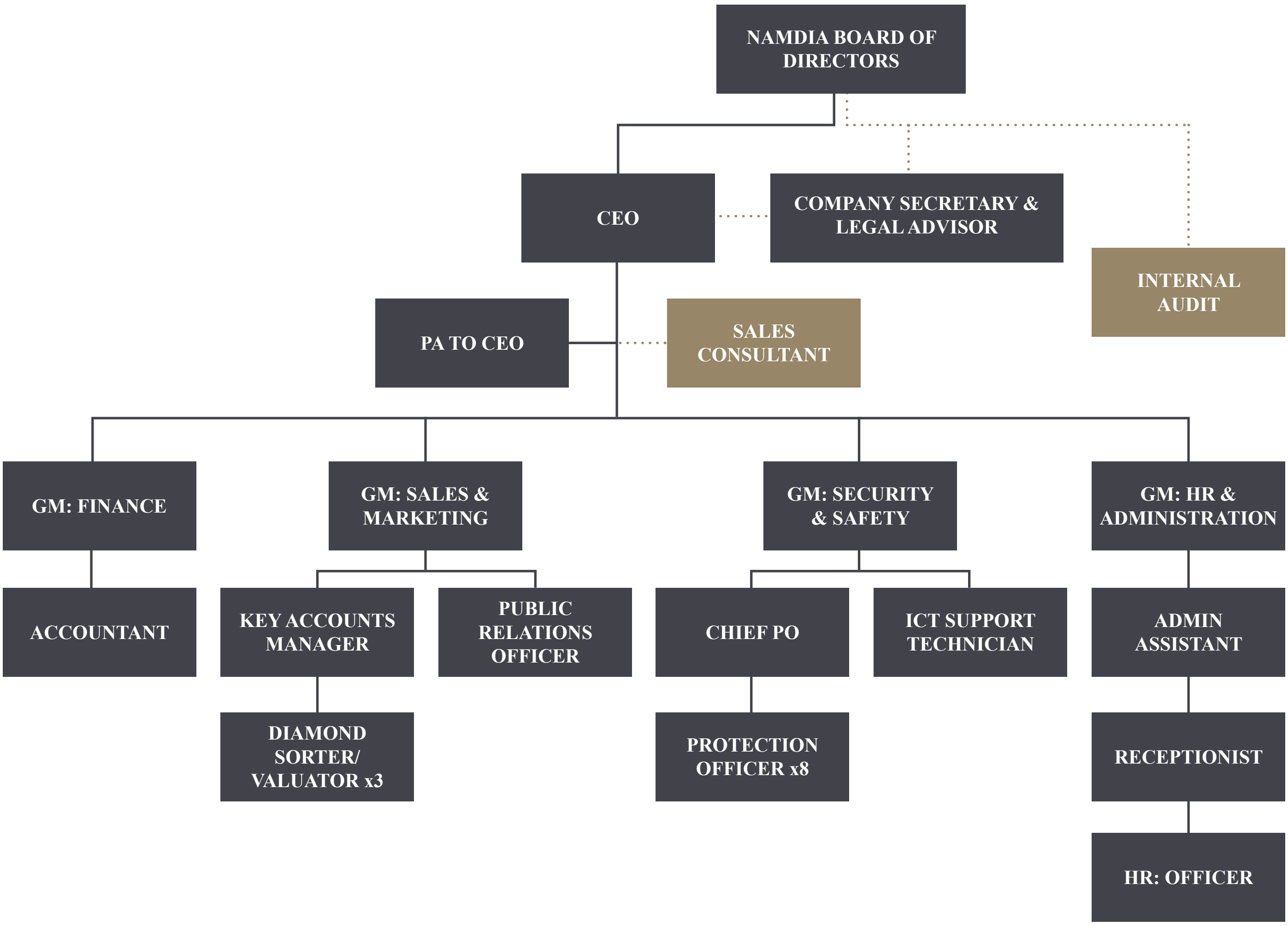
CHAPTER | 04

OPERATIONS

In terms of the Sales and Marketing Agreement, NAMDIA is to purchase, on behalf of Government, a Purchase Entitlement consisting of 15 percent per annum of NAMDEB Holding's total run-of-mine production, from the Namibia Diamond Trading Company (NDTC), on an average 5.2-week cycle basis, 10 times a year. NAMDIA has thus been established as a rough diamond trader with business operations focused on the purchase of rough diamonds and the sale of these diamonds to the international diamond industry.

NAMDIA's commercial strategy is to deliver a market leading value proposition, which will encourage diamantaires from across the world to acquire rough diamonds from NAMDIA at market determined prices. The sales strategy is primarily direct for sales to reputable consumers of rough diamonds. Once NAMDIA purchases its Entitlement from NDTC, payment is confirmed and the diamonds are transported to the NAMDIA premises. At NAMDIA, the shipment is captured in the inventory system. Thereafter the clients' parcels are assorted according to their specification, and value is assigned to each parcel. The pre-approved clients are invited to view the parcels and agree on the price. Invoicing, client payment and confirmation must be in place before shipment to a client's respective destination. The supporting services include Finance, Human Resources, Security and Safety, Information Technology, Legal and Secretariat.

4.1 ORGANISATIONAL STRUCTURE



BOARD OF DIRECTORS

CHAIRPERSON

BRYAN EISEB

DIRECTOR
LIINA MUATUNGA

DIRECTOR
JACQUALINE PACK

DIRECTOR
JUSTUS HAUSIKU

DIRECTOR
NDAPWILAPO SELMA SHIMUTWIKENI

EXECUTIVE MANAGEMENT

Chief Executive Officer

KENNEDY HAMUTENYA

GM: Sales and Marketing
LELLY USIKU

GM:Human Resources and Administration
IRWIN D HAIHAMBO

GM: Finance
SVEN VON BLOTTNITZ

Company Secretary and Legal Advisor
MARVEL TJOMBONDE

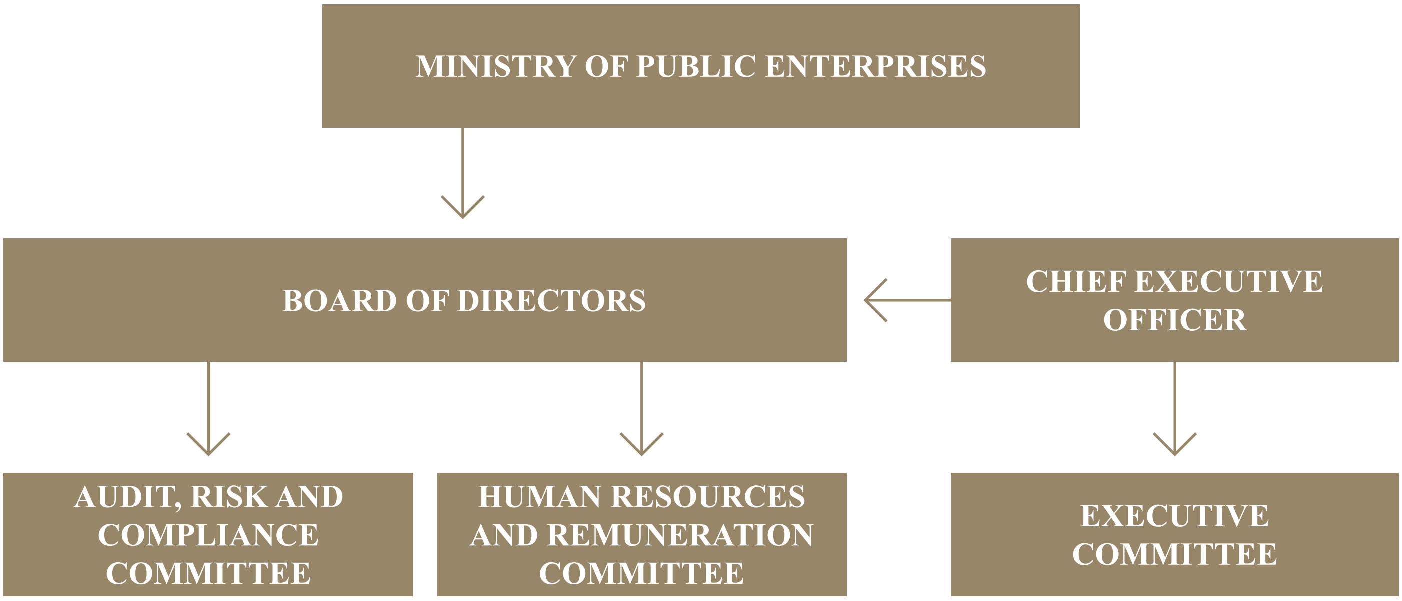
GM: Security and Safety
CLARKY MCKAY

4.2 CORPORATE GOVERNANCE

NAMDIA subscribes in all its activities to principles of best practice in business management and corporate governance for public enterprises, as set out in the Corporate Governance Code for Namibia (NamCode) and the Public Enterprises Governance Act, 2019 (Act No.1 of 2019). The Board takes overall responsibility for NAMDIA's success. Its role is to exercise leadership and sound judgement in directing the company to achieve sustainable growth and act in the best interests of its shareholder.

4.2.1 Board Governance Structure

The Board is committed to strong and robust corporate governance to support the creation of long-term sustainable value. NAMDIA has a strong and effective governance system. Responsibility for good governance lies with the Board.



4.2.2 Board Charter

The roles and responsibilities of the Board, including the matters that are specifically reserved for the Board, are set out in the Board Charter. Key elements of the Board's roles and responsibilities are described below. The charter is aligned to NamCode, the Public Enterprises Governance Act, 2019 (Act No.1 of 2019), and the Companies Act, 2004 (No.28 of 2004).

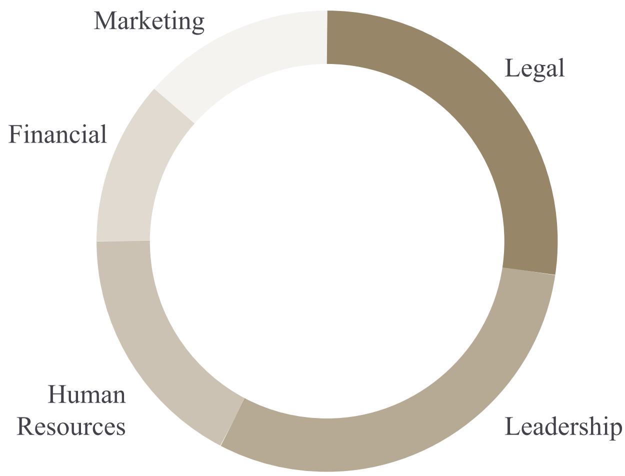
The Board's main responsibilities are, inter alia:

1. The Board directs, controls and is accountable for the performance and affairs of NAMDIA.
2. The Board shall adhere to the principles of applicable governance requirements, and act as guardian for good governance.
3. The Board shall, in directing NAMDIA, exercise leadership, enterprise, integrity and judgement based on transparency, fairness, accountability and responsibility, whilst at all times acting ethically and considering its social responsibilities without compromising the natural environment.
4. The Board shall review and approve the strategic plan, governance policies, appropriate procurement systems, annual budgets, business and financial plans.
5. The Board is responsible for and shall ensure that procedures are in place to monitor and evaluate the implementation of its values, ethics, corporate vision, strategies, policies, senior management performance criteria, risk management, compliance with relevant statutes, business plans and business and operational performance; and business rescue proceedings.
6. The Board is responsible for leading and directing the strategy and operations of the business to build a sustainable enterprise.
7. The Board must ensure that there is compliance with legislation, regulations, supervisory requirements, policies and relevant codes at all times.

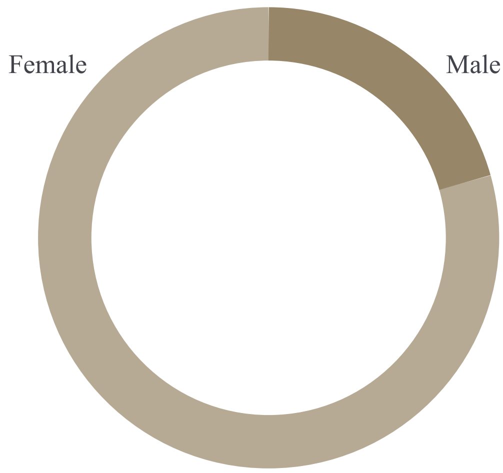
4.2.3 Composition of Board, Independence of Directors

The directors are drawn from diverse backgrounds and bring a wide range of experience, insight and professional skills to the Board, thus ensuring effective leadership. NAMDIA has a unitary board of five (5) independent non-executive directors with skills and experience, gender and age attributed as follows:

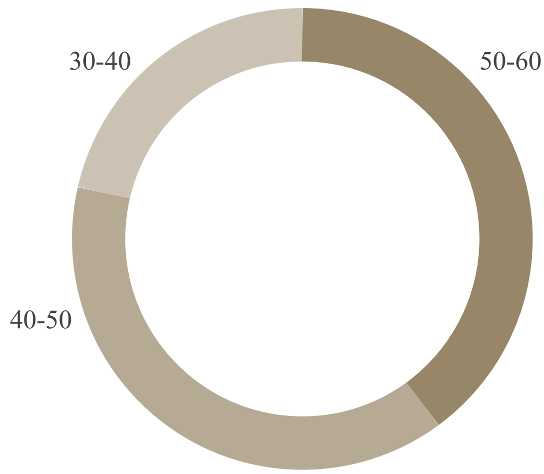
Skills



Gender Diversity



Age Profile



4.2.4 Board Changes

During the year under review, the Minister of Mines and Energy, in consultation with the Minister of Public Enterprises, made the following changes to the NAMDIA Board:

Appointments		Effective Date	End of Directorship
B. Eiseb	Chairperson	12 December 2019	11 December 2022
J. Hausiku	Director	12 December 2019	11 December 2022
L. Muatunga	Director	17 June 2019	16 June 2022
J. Pack	Director	12 December 2019	11 December 2022
N.S. Shimutwikeni	Director	12 December 2019	11 December 2022

Resignations	Reason	Effective Date
S. Masiza	End of board tenure	12 December 2019
T. Hangula	End of board tenure	12 December 2019
L. Harases	End of board tenure	12 December 2019
B. Konjore	End of board tenure	12 December 2019
V. Maharero	End of board tenure	12 December 2019
C. Nghaamwa	End of board tenure	12 December 2019

4.2.5 Board and Committee Meetings

During the financial year under review, the Board held three (3) ordinary meetings and one (1) special meeting. Special meetings are convened as and when necessary. The attendance of directors at Board and committee meetings during the reporting period is reflected below:

	Board	Annual General Meeting	Audit, Risk and Compliance Committee	Human Resources and Remuneration Committee
No. of Meetings	4	1	3	4
Director				
S. Masiza	√√√√	√		√√√√
T. Hangula	√√	√		√√√√
L. Harases	√√√√	√	√√√	
B. Konjore	√√√	√	√√√	
V. Maharero	√√√√	√		√√√√
L. Muatunga	√√√	√	√√	√√√
C. Nghaamwa	√√√√	√	√√	

4.2.6 Committees

The Board is the custodian of corporate governance and is structured to perform this function effectively. A number of Board subcommittees were established to ensure oversight of significant strategic and operational matters. The Board committees have clearly-defined terms of reference. The Board assures the shareholder and stakeholders that all the subcommittees met their respective obligations in all material aspects.

- **The Audit, Risk and Compliance Committee** assists the Board in monitoring the integrity of the company's financial statements, oversees integral reporting and assesses the effectiveness of internal financial controls and the external and internal audit functions. It ensures that NAMDIA implements an effective risk management and compliance process that identifies and monitors the management of key risks and ensures compliance to legislation and directives, inter alia.
- **The Human Resources and Remuneration Committee** assists the Board in ensuring that the adoption of remuneration policies that retain and attract talent are aligned to the company's strategy, are market-related and drive performance. The committee also reviews, monitors and makes recommendations to the Board on human resource strategies and policies that pertain to staffing, remuneration, benefits, succession planning, employment conditions, performance appraisals, training, capacity building and discipline.

Committee Composition

	Audit, Risk and Compliance Committee	Human Resources and Remuneration Committee
S. Masiza		√
T. Hangula		√
L. Harases	√	
B. Konjore	√	
V. Maharero		√
C. Nghaamwa	√	

4.2.7 Board Training

There is a formal orientation and induction programme in place to familiarise incoming directors with NAMDIA's operations, Executive Management, the operating environment and directors' fiduciary duties and responsibilities. The new Board completed the induction programme on 19 February 2020.

Ongoing training is essential to ensure that Board members are kept abreast of any industry changes and developments, changes in applicable codes and regulations, and changes in the broader operating environment. During the period under review, Board members received training and updates on legal and regulatory changes and governance.

4.3 SALES REPORT

4.3.1 Developments in the Diamond Market

Global economic development

China's growth in 2019 was affected considerably by the trade war with the United States of America, which brought down exports. China's economic growth has been slowing amid weak domestic and export demand, with pressure compounded by an escalating trade war with the United States. The COVID-19 pandemic is inflicting high and rising human costs worldwide, and the necessary protection measures are severely impacting economic activity. As a result of the pandemic, the global economy is projected to contract sharply in 2020, much worse than during the 2008–09 financial crisis.

Rough diamonds

During 2019, the diamond market battled with a number of challenges. These challenges included, but were not limited to, lower profit margins, lack of bank financing, the depreciation of the Indian rupee and the competition from man-made synthetic gems, especially against non-certified smaller sized natural diamonds. The weak downstream sentiment related to macroeconomic and geopolitical factors, including the US-China trade tensions, the impact of the Hong Kong protests, and certain macroeconomic issues affecting consumer confidence in India, weighed down on the industry.

Mining companies were left with a large amount of unsold rough diamonds. With the outbreak of the coronavirus and the resulting economic slowdown in China, diamond inventory levels are expected to rise again. This will impact the rough diamond demand, which in turn will induce mining companies to reconsider their production plans for 2020.

Amid weak demand, De Beers cut back on production in 2019. It produced 30.8 million carats, compared to the 35.3 million carats produced in 2018. Production in Namibia decreased by 15 percent to 1.7 million carats, compared to the 2 million carats produced in 2018, mostly owing to planned routine maintenance at the company's marine operation and the closure of the Elizabeth Bay mine.

Rough diamond sales at Alrosa fell 26 percent in 2019 as an oversupply in the midstream led to weaker demand. Revenue for the year dropped to USD3.27 billion, while the average selling price slid by 16 percent to USD98 per carat. Sales volumes decreased by 12 percent to 33.4 million carats, with manufacturers purchasing fewer diamonds in an effort to offload excess inventory. Production for the year increased by 5 percent to 38.5 million carats.

Alrosa ended 2019 with 22.6 million carats of unsold rough diamonds in its coffers, representing roughly nine months' worth of production, of which about two-thirds are gem-quality stones. The stockpile has raised concerns that the company might push excess rough diamonds to the market and protract the oversupply environment the midstream had to deal with throughout 2019.

Polished diamonds

Inflated inventory was the cloud of doubt hovering over the diamond industry in 2019. The midstream held large volumes of polished diamonds that were difficult to move, at least in part because the trade war between the United States and China made Chinese demand cautious. As expected, the oversupply ultimately led to a softening of prices. The pressures eased towards the end of the year as the two countries reached a deal on tariffs, spurring confidence for the Christmas season and the subsequent Chinese New Year.

India's polished diamond exports dropped 16 percent to USD20.62 billion in 2019, recording their steepest annual decline since 2012. The decrease reflected a slump in import volumes and a more moderate decline in the average price. Rough imports fell 17 percent, as weakness in the manufacturing sector led to a slowdown in rough buying. Consequently, US imports of polished diamonds slid 16 percent to USD19.46 billion last year, reaching their lowest level since 2010. Shipments fell by value and volume, while the average price also declined.

In general, the polished market is slow, especially for high-end goods in larger sizes. Smaller sizes, which are facing competition from lab-grown diamonds, are starting to see some difficulties too. Compounding the situation, rumours abound about companies going into liquidation to repay banks. All of these factors are affecting polished prices and creating panic and uncertainty in the market. There are simply not enough margins to absorb this price volatility and every price drop represents a loss to manufacturers.

4.3.2 NAMDIA Sales Performance[1]

The year 2019 was a difficult period in the history of NAMDIA's existence. The diamond industry witnessed an exceptionally challenging year due to myriad factors, as a result of which our Entitlement declined by 20 percent compared to the previous year. In addition, we witnessed a steady decline in the quality of our assortments, resulting in declined sales revenue and margins.

During the period under review, NAMDIA conducted ten sales amounting to USD140.2 million in sales revenue and 262,633 carats of rough diamonds. The buying average carat price was USD521.58 compared to the selling average carat price of USD533.72, which translates to an average margin of 2.3 percent above the 100 percent Standard Selling Value (SSV) (Table 1).

Table 1: NAMDIA Sale Transactions (in USD)

Period	2016	2017	2018	2019
Buying Average Carat Price	527.20	510.80	531.00	521.58
Selling Average Carat Price	550.90	533.00	551.50	533.72
% Margin (from 100% SSV)	4.5	4.3	3.9	2.3

[1]Figures are based on the 2019 calendar year

NAMDIA's Purchase Entitlement declined by 12.9 percent to 262,633 carats during 2019. Consequently, sales revenue decreased by 16 percent to USD140.2 million. Similarly, the margins achieved were lower at 2.3 percent on average during 2019 compared to 3.9 percent recorded in 2018. Despite these tough times, when most rough diamonds were sold at cost (list price) or at a loss in the secondary market, NAMDIA continued to turn a profit, albeit at lower margins. The profile of the NAMDIA Entitlement is mostly made up of small stones. On average, 76.5 percent comprised of stones weighing below 2 carats and 23.5 percent above 2 carats. Furthermore, only 1.2 percent on average are special and fancy stones. The average stone size recorded was 0.67 carats on the entire shipment of the NAMDEB production, with the highest of 0.76 carats observed in July 2019.

NAMDIA expected its sales volumes to be higher than last year, as increased production was projected at NAMDEB Holdings. With the outbreak of the COVID-19 pandemic, the prospects have somewhat reduced due to the decline in rough diamond demand and prices. The downside risk to the outlook is the effect of the coronavirus on the global economy and the diamond industry. The impact of the outbreak is not yet fully known and the downside risks are that it will impact demand and consequently prices, resulting in the reduction of the rough diamond supply.

4.3.3 NAMDIA Clients

This year marked our inaugural sale to new clients. NAMDIA finalised the client selection process during the 2019/2020 financial year and came up with the final client list of sixteen (16) for the next two (2) years (2019/20 – 2020/21). The chosen clients fit the NAMDIA Entitlement profile and are a full representation of all the major diamond centres. Given the size of the NAMDIA Entitlement, not all of the sixteen (16) clients will buy at every sale cycle. However, in order to make it meaningful, NAMDIA will rotate the buyers.

4.4 HUMAN RESOURCES

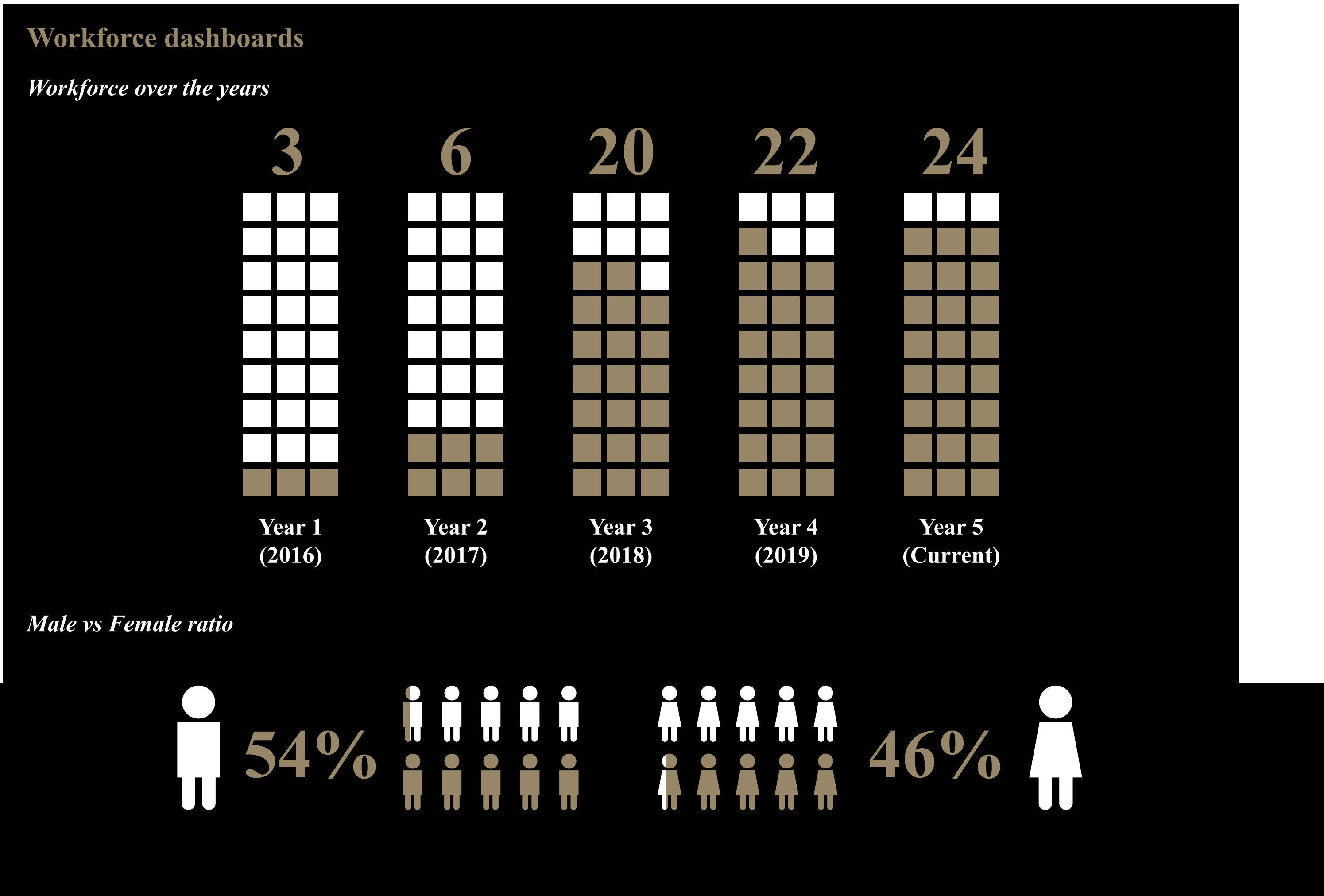
Human Resources at NAMDIA provide the platform for employment services and the strategic partnership shaping our value creation. Our employees are key to the achievement of our vision and strategic objectives as they are the last competitive advantage to be leveraged in the marketplace. NAMDIA's people strategy is built on high levels of trust, high skills, lean structures, diversity and adaptability. The primary objective is to ensure the availability of a competent and willing workforce to the organisation, as well as to meet the needs, aspirations, values and dignity of individual employees, with due concern for the socio-economic problems of the community and the country at large.

4.4.1 Workforce Profile

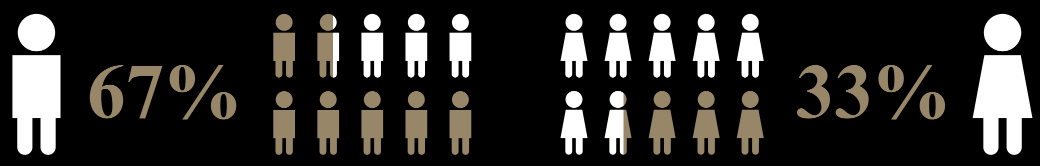
NAMDIA consists of six (6) departments:

- CEO's Office
- Company Secretariat and Legal Services
- Security and Safety
- Finance
- Sales and Marketing
- Human Resources and Administration

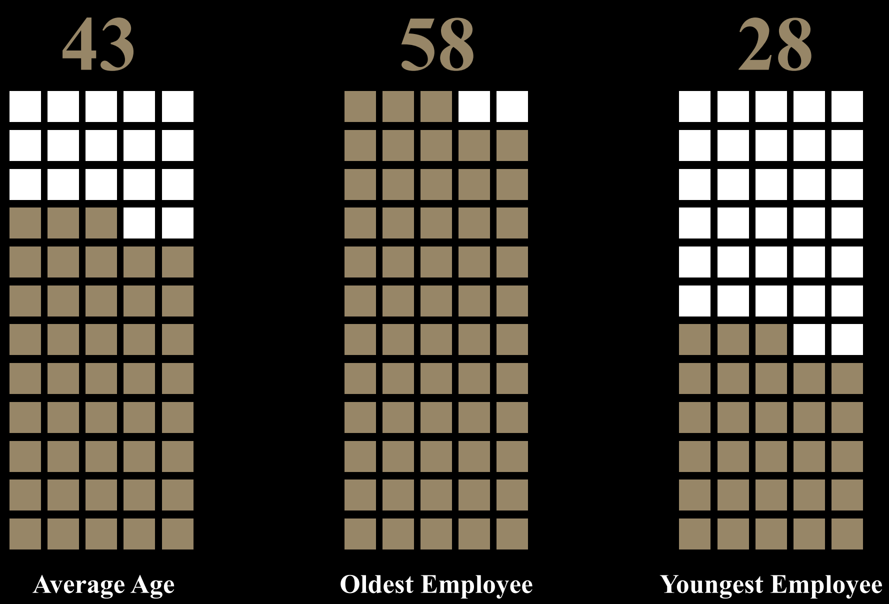
The entire staff complement consists of twenty-six (26) employees. Currently, twenty-four (24) employees are in the employment of NAMDIA with two (2) vacancies.



Male vs Female in Executive Management



Age profile of workforce



4.4.2 Training and Development

Staff development and capacity building remains a core activity. During the reporting period, NAMDIA invested in a range of employee training and development initiatives. This ensured that we continue to attract and retain talent and build an adequate succession pipeline to meet the company's human resource requirements in a highly competitive skills market. The Executive Management (EXCO) team underwent an extensive coaching intervention by **Better-Me Consultants** and was exposed to *Insights Profiling, personal effectiveness vs team effectiveness, design thinking, becoming a high performing team, trust and building overall leadership competencies.*

The entire workforce was also exposed to Insights Profiling and to the same Trust-module the EXCO team completed. Staff members attended various conferences and workshops, hosted locally and regionally during 2019/2020, in the areas of cyber security, corporate governance, leadership, procurement, diamond grading, human resource management and computer literacy. The main purpose of training was to ensure that all employees have the technical skills needed to perform the job efficiently, effectively and smoothly, to increase motivation and engagement, to reduce employee turnover and to upskill employees for future job requirements.

4.4.3 Culture, Climate and Wellness

The overall organisational culture and climate remains collaborative and healthy. Employees were engaged as we experienced zero (0) days of unauthorised absenteeism, zero (0) formal complains, no grievances and no general unrest in the workforce in 2019/2020. We were also fortunate to not experience any resignations, deaths, injury-on-duty or prolonged absenteeism due to ill health.

NAMDIA considers its employees holistically, as individuals who have multiple roles and responsibilities, of which being an employee of NAMDIA is but one. NAMDIA aims to assist its employees to achieve wellbeing in terms of physical and mental health, spirituality, intellect, social life, career, finances and family. By ensuring their holistic wellbeing, employees are enabled to be more productive. The intention is to equip employees with knowledge and understanding of the value of a healthy lifestyle, as well as common diseases that require early diagnosis and treatment for optimal outcomes.

The Employee Wellness Programme for 2019/2020 included:

- Wellness Days: Wellness assessments, referrals and information dissemination on various conditions and service offerings of its medical funds
- Spa Days: Massages, refreshments and gifts
- Motivational Talks: Finances, fitness and balanced eating habits
- The Top Score 7-a-Side Football Tournament
- Yoga and meditation

The reporting period concluded with the outbreak of COVID-19. The World Health Organization declared COVID-19 a global pandemic. The health of NAMDIA employees is a top priority. Therefore, appropriate precautionary measures were implemented to ensure a safe working environment. All staff, with the exception of the Protection Officers and the diamond handling employees during the production period, worked from home. All measures were taken to ensure the workplace is as safe as it can be and employees were provided the required technology capability to work from home.

4.5 FINANCIAL MANAGEMENT

4.5.1 Properties

NAMDIA manages its properties through the subsidiary company Eumbo Property Investment (Pty) Ltd. Subsequent to the acquisition of the adjacent erf in Dr. Kwame Nkrumah Avenue in January 2019, plans for the development thereof were prepared for the next financial year, in terms of the objectives of the strategic plan. The commencement of the development was put on hold in the uncertain times caused by the COVID-19 pandemic.

4.5.2 Banking Facility

NAMDIA purchases its 15 percent Entitlement from NDTC using a revolving overdraft facility that settles upon the sale of the goods. The USD banking facility with RMB Namibia was renewed in December 2019 at USD25 million and is secured by collateral of a 12-month Fixed Deposit placed with RMB for NAD145 million. The facility incurs interest at a credit margin above LIBOR.

4.5.3 VAT Refunds

A key strategic finance aspect for NAMDIA's cash flows remains obtaining VAT refunds in a timely manner to finance the operating expenses. Diamonds are purchased from NDTC inclusive of VAT and sold as export, which is zero-rated of VAT. It is of vital importance that VAT returns are submitted early and promptly audited by the officials of the Large Taxpayers Office of the Receiver of Revenue. In the 2019/2020 financial year, VAT refunds were paid out with sufficient promptness, which allowed NAMDIA to pay taxes and dividends.

4.6 PUBLIC RELATIONS

During 2019/2020, NAMDIA launched the "I AM NAMDIA, I AM NAMIBIAN" campaign. The campaign objective is to enable the Namibian people to relate to the company and to create greater brand awareness on numerous media platforms. As a company, we would like to invoke a feeling of connection to NAMDIA in the Namibian people, for the people to know that through our activities, we are making a difference to people's lives and to create greater brand awareness. NAMDIA continued its robust communication with a view to ensuring that the Namibian people, our stakeholders and shareholder have a much-illuminated insight into our business operations.

During the reporting period, we intensified our corporate social responsibility efforts. We established the NAMDIA Foundation, through which all our CSI programmes will be channeled. Several focus areas were identified, namely Education, Health and Sports as nation building initiatives. Over the year, we invested mostly in sports, including soccer, rugby, women's hockey and chess, and contributed towards the hosting of the Economic Summit.

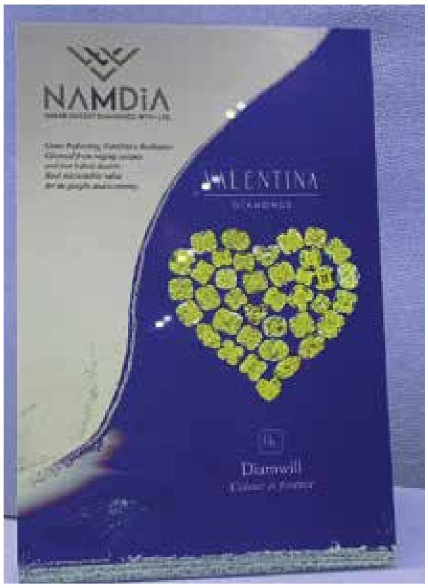
As part of our CSR initiatives, NAMDIA committed to sponsoring winning bonuses for the Brave Warriors players and technical team for each game in the Group Stages of the 2019 Africa Cup of Nations (AFCON). In addition, NAMDIA sponsored NAD600,000 towards the NBC broadcasting rights of AFCON 2019. Lastly, NAMDIA responded to a call from our line Minister and donated NAD15 million to the Government Drought Relief Fund. NAMDIA also sponsored, amongst others, the national hockey team, the MTC Knockout Project against Gender Based Violence, and the Namibia Sports Awards.

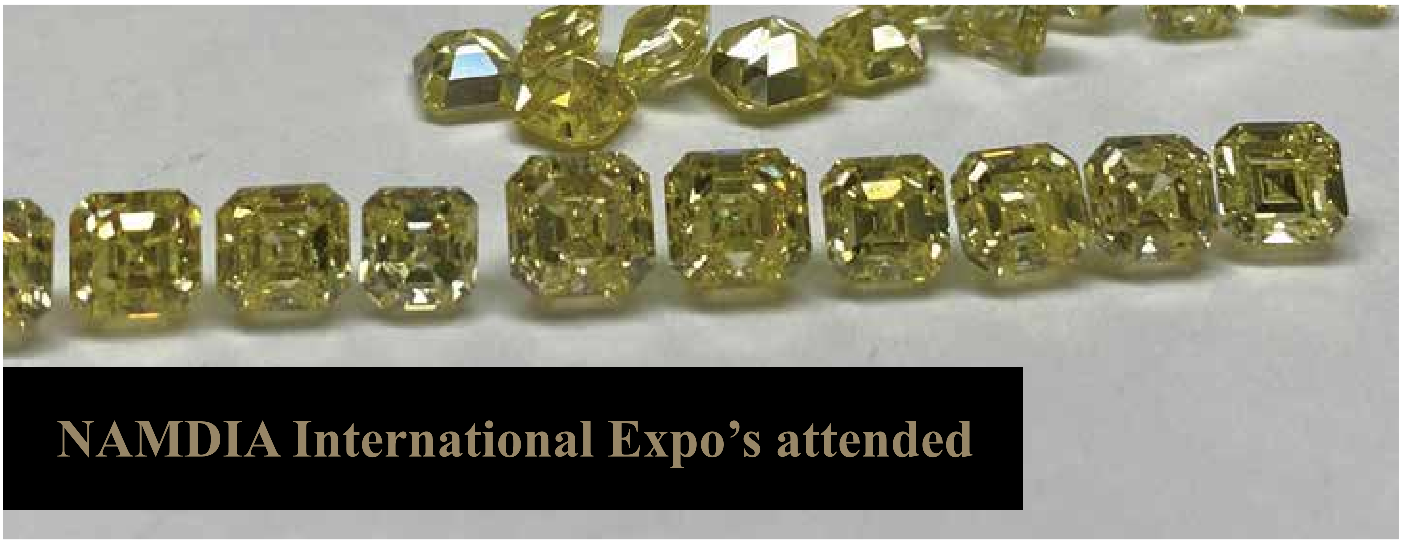
NAMDIA partnered with Oculus Vision Centre, an organisation working with The School for the Visually Impaired. The organisation's aim is to provide cutting-edge tools, including the latest technology and training, to help visually impaired students gain independence. NAMDIA sponsored NAD300,000 towards this initiative, which funded 17 pairs of glasses, 14 mounted telescopes and 8 other appropriately customised devices, with prices ranging between NAD600 and NAD25,000 per device. These devices changed the students' ability to learn and improved their vision by up to 60%.

NAMDIA received a PMR Africa Diamond Arrow Award (Outstanding – 1st Overall), two years in a row. In 2019, the award was given in the category for Companies/ Institutions demonstrating exceptional managerial and corporate governance qualities. Award finalists are identified through a survey conducted by the PMR Intelligence unit comprising prominent Namibian business and government leaders, financial analysts, trade unionists and other senior decision-makers. The purpose of the survey is to profile Namibia as a growth point and potential investment area for foreign and local developers and investors, to measure companies, institutions, government entities and individuals on their contribution to the economic growth and development of the country, levels of management expertise, implementation of corporate governance and levels of innovation, to measure companies, institutions and government entities' competencies, and to measure brand awareness. The ratings are based on the perceptions of the respondents.

National Women’s Hockey Team

NAMDIA received a PMR Africa Diamond Arrow Award





NAMDIA International Expo's attended

Oculus Vision Centre Project in aid of The School for the Visually Impaired

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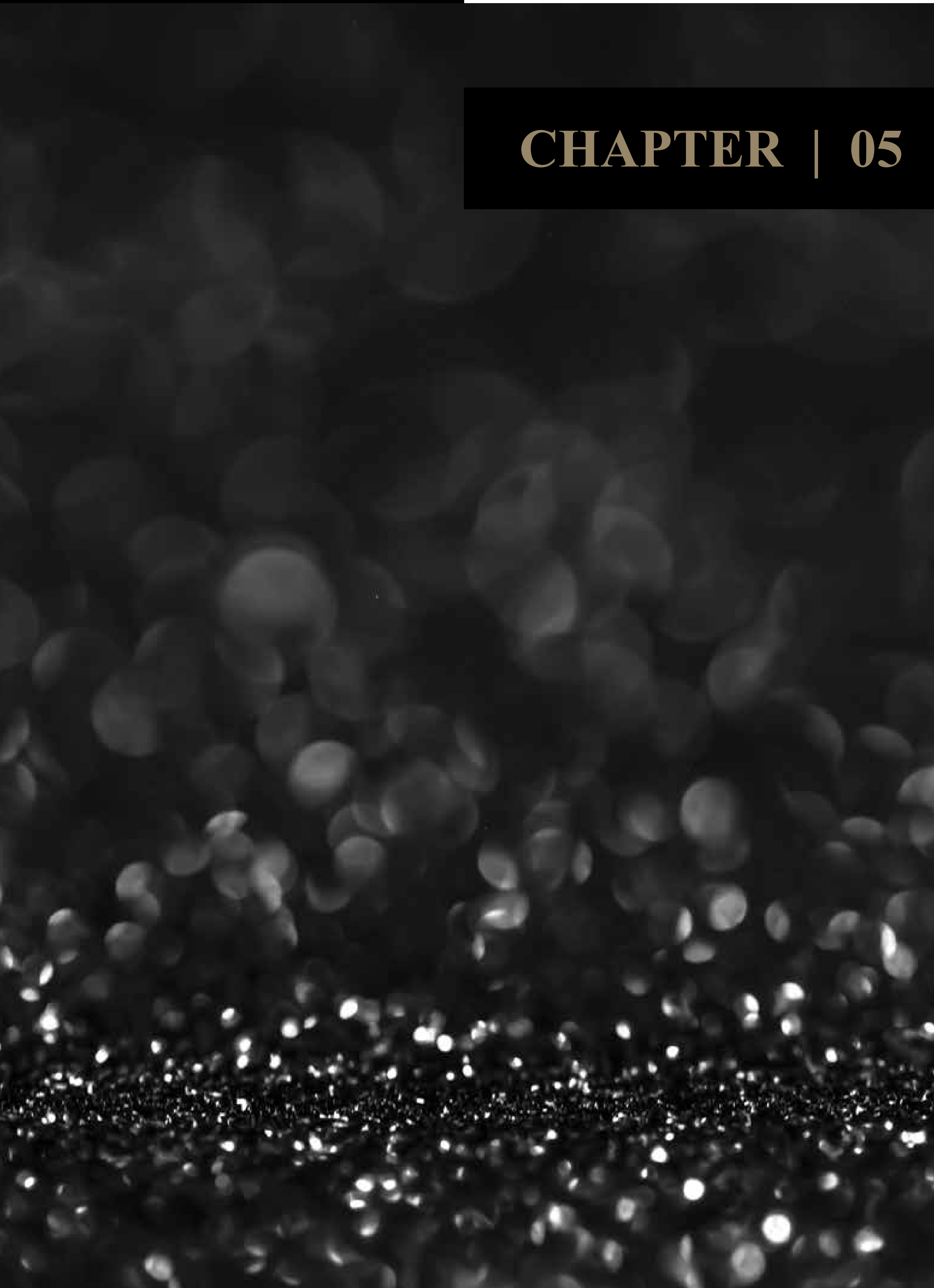

ANNUAL FINANCIAL STATEMENTS

NAMIB DESERT DIAMONDS (PROPRIETARY) LIMITED
(REGISTRATION NUMBER 2016/0338)

TRADING AS NAMDIA

CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 29 FEBRUARY 2020

These consolidated and separate annual financial statements were prepared by:
J.C. Hamilton
Hamilton Chartered Accountants

These consolidated and separate annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 28 of 2004, as amended 2007.

GENERAL INFORMATION

COUNTRY OF INCORPORATION AND DOMICILE	Namibia
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	To market and sell diamonds on behalf of the Government of the Republic of Namibia
DIRECTORS	B.K.G. Eiseb (Chairperson) J.H. Hausiku J.V. Pack N.S. Shimutwikeni L.M. Muatunga
REGISTERED OFFICE	Erf 366 Cnr of Dr Kwame Nkrumah Avenue & Dr Sam Nujoma Drive Klein Windhoek Windhoek Namibia
POSTAL ADDRESS	Private Bag 91600 Klein Windhoek Windhoek Namibia
ULTIMATE HOLDING COMPANY	Government of the Republic of Namibia
BANKERS	First National Bank of Namibia Limited Standard Bank Namibia Limited
AUDITORS	EY Namibia Chartered Accountants (Namibia) Registered Accountants and Auditors
SECRETARY	M.N.K Tjombonde
COMPANY REGISTRATION NUMBER	2016/0338
TAX REFERENCE NUMBER	7253608-01-1
PREPARER	The consolidated and separate annual financial statements were independently compiled by: J.C. Hamilton Hamilton Chartered Accountants

CONTENTS

REPORT OF THE COMPILER

To the shareholder of Namib Desert Diamonds (Proprietary) Limited

We have compiled the consolidated and separate annual financial statements of Namib Desert Diamonds (Proprietary) Limited, as set out on pages 40-72, based on the information you have provided. These consolidated and separate annual financial statements comprise the statement of financial position of Namib Desert Diamonds (Proprietary) Limited as at 29 February 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

We performed this compilation engagement in accordance with International Standard on Related Services 4410 (Revised), Compilation Engagements.

We have applied our expertise in accounting and financial reporting to assist you in the preparation and presentation of these consolidated and separate annual financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia, No.28 of 2004. We have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

These consolidated and separate annual financial statements and the accuracy and completeness of the information used to compile them are your responsibility.

Since a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the information you provided to us to compile these consolidated and separate annual financial statements. Accordingly, we do not express an audit opinion or a review conclusion on whether these consolidated and separate annual financial statements are prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia, No.28 of 2004.

Our compilation report is intended solely for your use in your capacity as management of Namib Desert Diamonds (Proprietary) Limited and should not be distributed to other parties.

Hamilton Chartered Accountants
J.C. Hamilton
Partner
Registered Accountants and Auditors

18 June 2020
Windhoek

DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are required in terms of the Companies Act 28 of 2004, as amended 2007 to maintain adequate accounting records and are responsible for the content and integrity of the consolidated and separate annual financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated and separate annual financial statements fairly present the state of affairs of the group and company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the consolidated and separate annual financial statements.

The consolidated and separate annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and company and all employees are required to maintain the highest ethical standards in ensuring the group's and company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group and company is on identifying, assessing, managing and monitoring all known forms of risk across the group and company. While operating risk cannot be fully eliminated, the group and company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated and separate annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the group's and company's cash flow forecast for the year to 28 February 2021 and, in light of this review and the current financial position, they are satisfied that the group and company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the group's and company's consolidated and separate annual financial statements. The consolidated and separate annual financial statements have been examined by the group's and company's external auditors and their report is presented on pages 38 to 39.

The consolidated and separate annual financial statements were compiled independently by Hamilton Chartered Accountants for the year ended 29 February 2020.

The consolidated and separate annual financial statements set out on pages 40-72, which have been prepared on the going concern basis, were approved by the board of directors on 18 June 2020 and were signed on their behalf by:

Approval of financial statements

B.K.G. Eiseb (Chairperson)

J.H. Hausiku
18 June 2020

INDEPENDENT AUDITOR’S REPORT

TO THE SHAREHOLDER OF NAMIB DESERT DIAMONDS (PROPRIETARY) LIMITED

Opinion

We have audited the consolidated and separate financial statements of Namib Desert Diamonds (Proprietary) Limited (the Group) set out on pages 40 to 70, which comprise the directors’ report, the consolidated and separate statement of financial position as at 29 February 2020, and the consolidated and separate statement of profit or loss and other comprehensive income, the consolidated and separate statement of changes in equity and the consolidated and separate statement of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group as at 29 February 2020, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the consolidated and separate annual financial statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (including International Independence Standards) and other independence requirements applicable to performing audits of annual financial statements in Namibia. We have fulfilled our other ethical responsibilities in accordance with the ethical requirements applicable to performing audits in Namibia. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information comprises the general information on page 34, Report of the Compiler page 36, Directors’ Responsibilities and Approval on page 37, the Detailed Income Statement on pages 71 to 72 that was received before the date of this report and the Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor’s report thereon. Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia, and for such internal control as the directors determine is necessary to enable the preparation of consolidate and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separated financial statements, the directors are responsible for assessing the group’s and 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 group and/or the company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 the consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group’s and company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group’s and company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in these consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the group and or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Ernst & Young

Ernst & Young
Partner – Danica van Wyk
Registered Accountants and Auditors
Chartered Accountant (Namibia)

Windhoek

Date: 25 June 2020

Building a better working world

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Registered Chartered Accountants and Auditors (Practice No: 9410)

DIRECTORS' REPORT

The directors have pleasure in submitting their report on the consolidated and separate annual financial statements of Namib Desert Diamonds (Proprietary) Limited and the group and company for the year ended 29 February 2020.

1. INCORPORATION

The company was incorporated on 18 April 2016 and obtained its certificate to commence business on the same day.

The company is domiciled in Namibia where it is incorporated as a private company limited by shares under the Companies Act 28 of 2004, as amended 2007. The address of the registered office is set out on page 34.

2. NATURE OF BUSINESS

Namib Desert Diamonds (Proprietary) Limited was incorporated in Namibia with interests in the diamond sales sector. The company operates in Namibia.

The principal activity of the group and company is to market and sell diamonds on behalf of the Government of the Republic of Namibia and there were no major changes herein during the year.

There have been no material changes to the nature of the group's business from the prior year.

3. REVIEW OF FINANCIAL RESULTS AND ACTIVITIES

The consolidated and separate annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act 28 of 2004, as amended 2007. The accounting policies have been applied consistently compared to the prior year, except for the adoption of the new accounting policies.

Full details of the financial position, results of operations and cash flows of the group are set out in these consolidated and separate annual financial statements.

5. DIVIDENDS

The group's and company's dividend policy is to consider an interim and a final dividend in respect of each financial year. At its discretion, the board of directors may consider a special dividend, where appropriate. Depending on the perceived need to retain funds for expansion or operating purposes, the board of directors may pass on the payment of dividends.

The board of directors recommend the approval of a final dividend of N$80 000 000 (2019: N$50 000 000).

6. DIRECTORATE

The directors in office at the date of this report are as follows:

Directors	Date of appointment	Date of resignation
S.V. Masiza (Chairperson)	02/08/2016	12/12/2019
T. Hangula (Deputy-Chairperson)	02/08/2016	12/12/2019
V.K. Maharero	02/08/2016	12/12/2019
C.W.H. Nghaamwa	02/08/2016	12/12/2019
L. Harases	02/08/2016	12/12/2019
B. Konjore	02/08/2016	12/12/2019
L.M. Muatunga	17/06/2019	
B.K.G. Eiseb (Chairperson)	12/12/2019	
J.H. Hausiku	12/12/2019	
J.V. Pack	12/12/2019	
N.S. Shimutwikeni	12/12/2019	

There have been changes to the directors for the year under review.

4. SHARE CAPITAL

	2020	2019
	Number of shares	
Authorised		
Ordinary shares	4 000	4 000

	2020 N$	2019 N$	2020	2019
			Number of shares	
Issued				
Ordinary shares	1 000	1 000	1 000	1 000
Share premium	49 999 000	49 999 000	49 999 000	49 999 000
	50 000 000	**50 000 000**	**50 000 000**	**50 000 000**

There have been no changes to the authorised or issued share capital during the year under review.

7. DIRECTORS' INTERESTS IN CONTRACTS
During the financial year, no contracts were entered into which directors or officers of the group and company had an interest and which significantly affected the business of the group and company.

8. SHAREHOLDER
There has been no change in ownership and the shareholder remains the Government of the Republic of Namibia.

9. ULTIMATE HOLDING COMPANY
The directors consider the group's and company's immediate and ultimate holding company to be the Government of the Republic of Namibia.

10. EVENTS AFTER THE REPORTING PERIOD
A 50% share of Namgem Diamond Manufacturing Company (Pty) Ltd was acquired, but at year end, half of the amount was still payable, since a condition precedent had not been fulfilled as yet. The second part of the 50% shareholding was payable once NAMDIA appointed a technical partner to run the factory. This event took place on 16 March 2020 and the second part of the payment (USD 925,000) was paid on 27 March 2020.

The group and company evaluated its consolidated and separate annual financial statements for any subsequent events which might have an impact on the group and company. The global outbreak of the Coronavirus pandemic (COVID-19) is an event subsequent to year end which has a potential economic effect worldwide as well as on the group and company. Management has assessed the potential impact of COVID-19 on the group and company. The main trading activity of the group and company is to sell rough diamonds to foreign companies. Currently the Namibian borders are closed for any international flights and 93% of borders worldwide are closed. For as long as the borders remain closed in Namibia and in foreign countries, the group and company will not be able to sell any rough diamonds. At year end all rough diamonds were sold and the group and company did not have any inventory on hand. At this stage it is impossible to make an assessment of what impact the COVID-19 virus will have on the worldwide economy and it is therefore not possible to assess if the demand for rough diamonds will decrease significantly. The group and company acquires rough diamonds locally and can currently still acquire rough diamonds, this has not been impacted by the COVID-19 virus yet. The group and company assessed all of its assets and did not identify any impairment on any assets due to the COVID-19 virus.

11. GOING CONCERN
The consolidated and separate annual financial statements were prepared on a going concern basis. The directors and management have assessed the potential impact of COVID-19 on the group's and company's ability to continue as a going concern. Although the group and company are not able to sell any diamonds due to travel restrictions and 93% of international borders being closed for international travel, the group and company have adequate cash resources to continue to pay its liabilities as they become due for at least 12 months after the reporting period and believes that it will be able to pay its liabilities for a longer period up until 24 months after the reporting period. In addition to this the group and company has a very strong balance sheet with minimal debt compared to the group's and company's total and current assets. The group's and company's expenses are also expected to decrease during the lockdown period and also during the time the borders remain closed as they will not be required to travel overseas to potential buyers. The directors are also not aware of any other material change that may adversely impact the group or company or the going concern assumption. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the group and company.

12. SECRETARY
The company secretary is Ms. M.N.K Tjombonde.

Postal address:
Private Bag 91600
Klein Windhoek
Windhoek
Namibia

Business address:
Erf 366 Cnr of Dr Kwame Nkrumah Avenue & Dr Sam Nujoma Drive
Klein Windhoek
Windhoek
Namibia

13. STATEMENT OF DISCLOSURE TO THE COMPANY'S AUDITORS
With respect to each person who is a director on the day that this report is approved:

- there is, so far as the person is aware, no relevant audit information of which the group's and company's auditors are unaware; and
- the person has taken all the steps that he/she ought to have taken as a director to be aware of any relevant audit information and to establish that the group's and company's auditors are aware of that information.

14. COMPILER
Hamilton Chartered Accountants, represented by J.C. Hamilton CA (Namibia) was the compiler for the year under review.

Postal Address
P.O. Box 20198
Windhoek
Namibia

Business Address
136 Jan Jonker Avenue
Windhoek
Namibia

15. AUDITORS
EY Namibia will continue as auditors in accordance with Section 278(2) of the Namibian Companies Act, No. 28 of 2004.

STATEMENT OF FINANCIAL POSITION AS AT 29 FEBRUARY 2020

	Note(s)	Group 2020 N$	Group 2019 N$	Company 2020 N$	Company 2019 N$
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	3	71 393 609	77 275 250	38 502 303	41 775 250
Investment in subsidiary	4	-	-	13 806 851	13 806 851
Loan to subsidiary	5	-	-	21 100 807	21 662 524
Other financial assets	6	5 587 880	-	5 587 880	-
Deferred tax	7	899 804	976 954	1 785 558	976 954
Other investment	8	-	13 769 040	-	13 769 040
		77 881 293	**92 021 244**	**80 783 399**	**91 990 619**
CURRENT ASSETS					
Trade and other receivables	9	40 767 356	49 482 553	40 765 456	49 460 163
Current tax receivable	25	41 212	-	-	-
Other investment	8	19 219 796	-	19 219 796	-
Cash and cash equivalents	10	272 699 492	267 722 229	267 481 643	267 722 229
		332 727 856	**317 204 782**	**327 466 895**	**317 182 392**
Total Assets		**410 609 149**	**409 226 026**	**408 250 294**	**409 173 011**
EQUITY AND LIABILITIES					
EQUITY					
Share capital	11	50 000 000	50 000 000	50 000 000	50 000 000
Retained income		328 582 956	313 333 860	323 395 299	313 907 491
		378 582 956	**363 333 860**	**373 395 299**	**363 907 491**
LIABILITIES					
NON-CURRENT LIABILITIES					
Financial liabilities	12	7 954 741	13 196 308	7 954 741	13 196 308
Right of use liability	13	-	-	2 549 690	-
Deferred tax	7	3 928 778	8 768 307	4 032 740	8 141 890
		11 883 519	**21 964 615**	**14 537 171**	**21 338 198**
CURRENT LIABILITIES					
Trade and other payables	14	650 737	1 164 108	607 596	1 163 879
Financial liabilities	12	5 160 000	5 160 000	5 160 000	5 160 000
Right of use liability	13	-	-	218 291	-
Current tax payable	25	11 457 804	14 569 983	11 457 804	14 569 983
Provisions	15	2 831 809	3 033 061	2 831 809	3 033 061
Bank overdraft	10	42 324	399	42 324	399
		20 142 674	**23 927 551**	**20 317 824**	**23 927 322**
Total Liabilities		**32 026 193**	**45 892 166**	**34 854 995**	**45 265 520**
Total Equity and Liabilities		**410 609 149**	**409 226 026**	**408 250 294**	**409 173 011**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Group		Company	
	Note(s)	2020 N$	2019 N$	2020 N$	2019 N$
Revenue	16	1 959 148 635	2 274 883 943	1 959 148 635	2 274 872 762
Cost of sales	17	(1 749 999 908)	(2 001 087 263)	(1 749 999 908)	(2 001 087 263)
Gross profit		**209 148 727**	**273 796 680**	**209 148 727**	**273 785 499**
Other operating income		2 300	8 419 544	2 300	8 419 544
Other operating (losses) gains	18	(3 297 320)	3 120 313	(3 297 320)	3 120 313
Other operating expenses		(65 748 777)	(52 050 732)	(71 159 442)	(51 674 182)
Operating profit	**19**	**140 104 930**	**233 285 805**	**134 694 265**	**233 651 174**
Investment income	22	15 667 440	10 628 130	15 584 188	10 628 130
Finance costs	23	(5 578 057)	(5 276 975)	(6 000 803)	(5 276 975)
Profit before taxation		**150 194 313**	**238 636 960**	**144 277 650**	**239 002 329**
Taxation	24	(54 945 217)	(76 683 324)	(54 789 842)	(76 578 921)
Profit for the year		**95 249 096**	**161 953 636**	**89 487 808**	**162 423 408**
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		**95 249 096**	**161 953 636**	**89 487 808**	**162 423 408**

STATEMENT OF CHANGES IN EQUITY

	Share capital N$	Share premium N$	Total share capital N$	Retained income N$	Total equity N$
Group					
Balance at 01 March 2018	**1 000**	**49 999 000**	**50 000 000**	**201 380 224**	**251 380 224**
Profit for the year	-	-	-	161 953 636	161 953 636
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**161 953 636**	**161 953 636**
Dividends	-	-	-	(50 000 000)	(50 000 000)
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**-**	**-**	**(50 000 000)**	**(50 000 000)**
Balance at 01 March 2019	**1 000**	**49 999 000**	**50 000 000**	**313 333 860**	**363 333 860**
Profit for the year	-	-	-	95 249 096	95 249 096
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**95 249 096**	**95 249 096**
Dividends	-	-	-	(80 000 000)	(80 000 000)
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**-**	**-**	**(80 000 000)**	**(80 000 000)**
Balance at 29 February 2020	**1 000**	**49 999 000**	**50 000 000**	**328 582 956**	**378 582 956**
Note(s)	11	11	11		
Company					
Balance at 01 March 2018	**1 000**	**49 999 000**	**50 000 000**	**201 484 083**	**251 484 083**
Profit for the year	-	-	-	162 423 408	162 423 408
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**162 423 408**	**162 423 408**
Dividends	-	-	-	(50 000 000)	(50 000 000)
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**-**	**-**	**(50 000 000)**	**(50 000 000)**
Balance at 01 March 2019	**1 000**	**49 999 000**	**50 000 000**	**313 907 491**	**363 907 491**
Profit for the year	-	-	-	89 487 808	89 487 808
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**89 487 808**	**89 487 808**
Dividends	-	-	-	(80 000 000)	(80 000 000)
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**-**	**-**	**(80 000 000)**	**(80 000 000)**
Balance at 29 February 2020	**1 000**	**49 999 000**	**50 000 000**	**323 395 299**	**373 395 299**
Note(s)	11	11	11		

STATEMENT OF CASH FLOWS

		Group		Company	
	Note(s)	2020 N$	2019 N$	2020 N$	2019 N$
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation		150 194 313	238 636 960	144 277 650	239 002 329
ADJUSTMENTS FOR:					
Depreciation and amortisation	3	6 647 604	6 761 448	6 995 430	6 761 448
Losses (gains) on foreign exchange	18	11 197 050	(16 864 434)	11 197 050	(16 864 434)
Interest received	22	(15 667 440)	(10 628 130)	(15 584 188)	(10 628 130)
Finance costs	23	5 578 057	5 276 975	6 000 803	5 276 975
Movements in provisions	15	(201 252)	2 035 283	(201 252)	2 035 283
CHANGES IN WORKING CAPITAL:					
Trade and other receivables	8	8 715 197	(25 399 984)	8 694 707	(25 443 850)
Trade and other payables	14	(513 371)	(1 628 083)	(556 283)	(1 628 311)
Cash generated from operations		**165 950 158**	**198 190 035**	**160 823 917**	**198 511 310**
Interest income	22	15 667 440	10 628 130	15 584 188	10 628 130
Finance costs	23	(5 578 057)	(5 276 975)	(6 000 803)	(5 276 975)
Tax paid	25	(62 860 987)	(69 917 684)	(62 819 775)	(69 917 684)
Net cash from operating activities		**113 178 554**	**133 623 506**	**107 587 527**	**133 944 781**
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	3	(765 963)	(13 261 916)	(765 963)	(7 761 916)
Loan advanced to subsidiary	5	-	-	561 717	(5 821 275)
Loan extended	6	(5 587 880)	-	(5 587 880)	-
Purchase of other investment	8	(5 450 756)	(13 769 040)	(5 450 756)	(13 769 040)
Net cash from investing activities		**(11 804 599)**	**(27 030 956)**	**(11 242 882)**	**(27 352 231)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of financial liabilities through profit (loss)	26	(5 241 567)	(5 051 095)	(5 241 567)	(5 051 095)
Right of use liability	26	-	-	(188 539)	-
Dividends paid	27	(80 000 000)	(50 000 000)	(80 000 000)	(50 000 000)
Net cash from financing activities		**(85 241 567)**	**(55 051 095)**	**(85 430 106)**	**(55 051 095)**
Total cash movement for the year		**16 132 388**	**51 541 455**	**10 914 539**	**51 541 455**
Cash at the beginning of the year		267 721 830	199 315 941	267 721 830	199 315 941
Foreign exchange (loss)/gain	18	(11 197 050)	16 864 434	(11 197 050)	16 864 434
Total cash at end of the year	**10**	**272 657 168**	**267 721 830**	**267 439 319**	**267 721 830**

ACCOUNTING POLICIES

1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated and separate annual financial statements are set out below.

1.1 BASIS OF PREPARATION

The consolidated and separate annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and the Companies Act 28 of 2004.

The consolidated and separate annual financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Namibian Dollars, which is the group and company's functional currency.

These accounting policies are consistent with the previous period, except for the adoption of new accounting policies. Refer to note 2.1.

1.2 CONSOLIDATION

Basis of consolidation

The consolidated and separate annual financial statements incorporate the consolidated and separate annual financial statements of the company and all subsidiaries. Subsidiaries are entities (including structured entities) which are controlled by the group.

The group has control of an entity when it is exposed to or has rights to variable returns from involvement with the entity and it has the ability to affect those returns through use of its power over the entity.

The results of subsidiaries are included in the consolidated and separate annual financial statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary to the consolidated and separate annual financial statements of subsidiaries to bring their accounting policies in line with those of the group.

All inter-company transactions, balances, and unrealised gains on transactions between group companies are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Business combinations

The group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

Any contingent consideration is included in the cost of the business combination at fair value as at the date of acquisition. Subsequent changes to the assets, liability or equity which arise as a result of the contingent consideration are not affected against goodwill, unless they are valid measurement period adjustments. Otherwise, all subsequent changes to the fair value of contingent consideration that is deemed to be an asset or liability is recognised in either profit or loss or in other comprehensive income, in accordance with relevant IFRS's. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3 Business Combinations are recognised at their fair values at acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which are recognised at fair value less costs to sell.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

On acquisition, the acquiree's assets and liabilities are reassessed in terms of classification and are reclassified where the classification is inappropriate for group purposes. This excludes lease agreements and insurance contracts, whose classification remains as per their inception date.

Non-controlling interests in the acquiree are measured on an acquisition-by-acquisition basis either at fair value or at the non-controlling interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This treatment applies to non-controlling interests which are present ownership interests, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other components of non-controlling interests are measured at their acquisition date fair values, unless another measurement basis is required by IFRS's.

In cases where the group held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value as at acquisition date. The measurement to fair value is included in profit or loss for the year. Where the existing shareholding was classified as an available-for-sale financial asset, the cumulative fair value adjustments recognised previously to other comprehensive income and accumulated in equity are recognised in profit or loss as a reclassification adjustment.

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree. If, in the case of a bargain purchase, the result of this formula is negative, then the difference is recognised directly in profit or loss.

ACCOUNTING POLICIES

1.2 CONSOLIDATION (continued)

Goodwill is not amortised but is tested on an annual basis for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

Goodwill arising on acquisition of foreign entities is considered an asset of the foreign entity. In such cases the goodwill is translated to the functional currency of the group at the end of each reporting period with the adjustment recognised in equity through to other comprehensive income.

1.3 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tangible assets which the group holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the group, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the group and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the group. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The useful lives of items of property, plant and equipment have been assessed as follows (see table below):

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

Item	Depreciation method	Average useful life
Land		Indefinite
Buildings	Straight line	5% per annum
Building components	Straight line	5% per annum
Security equipment	Straight line	5% per annum
Plant and equipment	Straight line	10% per annum
Furniture and fixtures	Straight line	20% per annum
Motor vehicles	Straight line	20% per annum
Office equipment	Straight line	33.33% per annum
IT equipment	Straight line	20% to 50% per annum
Other equipment	Straight line	20% to 50% per annum
Leasehold improvements	Straight line	10% per annum

ACCOUNTING POLICIES

1.4 OTHER INVESTMENT

Other investment is carried at cost less any accumulated impairment losses. This excludes investments which are held for sale and are consequently accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

1.5 INVESTMENT IN SUBSIDIARY

Investment in subsidiary is carried at cost less any accumulated impairment losses. This excludes investments which are held for sale and are consequently accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

1.6 FINANCIAL INSTRUMENTS

Financial instruments held by the group are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the group, as applicable, are as follows:

Financial assets which are equity instruments:

- Mandatorily at fair value through profit or loss; or
- Designated as at fair value through other comprehensive income. (This designation is not available to equity instruments which are held for trading or which are contingent consideration in a business combination).

Financial assets which are debt instruments:

- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or
- Fair value through other comprehensive income. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments); or
- Mandatorily at fair value through profit or loss. (This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income); or
- Designated at fair value through profit or loss. (This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch).

Financial liabilities:

- Amortised cost; or
- Mandatorily at fair value through profit or loss. (This applies to contingent consideration in a business combination or to liabilities which are held for trading); or
- Designated at fair value through profit or loss. (This classification option can be applied when it eliminates or significantly reduces an accounting mismatch; the liability forms part of a group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss).

Note 30 Financial Instruments and Risk Management presents the financial instruments held by the group based on their specific classifications.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the group are presented below:

Trade and other receivables

Classification

Trade and other receivables, excluding VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 9).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the group's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Trade and other receivables are recognised when the group becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Loan to subsidiary

Classification

Loan to subsidiary (note 5) are classified as financial assets subsequently measured at amortised cost.

Recognition and measurement

Financial assets from subsidiary are recognised when the group becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of

ACCOUNTING POLICIES

1.6 FINANCIAL INSTRUMENTS (continued)

the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the amortised cost of a financial asset.

Interest expense, calculated on the effective interest method, is included in profit or loss in finance costs (note 23).

Financial liabilities expose the group to liquidity risk and interest rate risk. Refer to note 30 for details of risk exposure and management thereof.

Trade and other payables

Classification

Trade and other payables (note 14), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the group becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note 23).

Trade and other payables expose the group to liquidity risk and possibly to interest rate risk. Refer to note 30 for details of risk exposure and management thereof.

Interest bearing borrowings

Classification

Interest bearing borrowings are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

Long term borrowings are recognised when the group becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any. They are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability. Interest expense, calculated on the effective interest method, is included in profit or loss in finance costs (note 23). Borrowings expose the company to liquidity risk and interest rate risk. Refer to note 30 for details of risk exposure and management thereof.

Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, refer to the individual notes addressing financial assets.

Impairment testing

The recoverable amounts of individual assets have been determined based on the higher of value-in-use calculations and fair values. These calculations require the use of estimates and assumptions.

The group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

Bank overdrafts

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

ACCOUNTING POLICIES

1.7 INCOME TAXATION

Income taxation for the year includes current taxation and deferred taxation. Current taxation and deferred taxation are recognised in profit or loss, except to the extent that the taxation arises from a transaction or event which is recognised directly in equity. If the taxation relates to items that are recognised directly to equity, current taxation and deferred taxation are also recognised directly to equity.

Current taxation liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the taxation rates and taxation laws that have been enacted or substantively enacted by the statement of financial position date. Current taxation is the amount of income taxes payable or recoverable in respect of the taxable profit or loss for a period.

Deferred taxation assets and liabilities arise from deductible and taxable temporary differences respectively. Temporary differences are the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their taxation bases. Deferred taxation assets also arise from unused taxation losses and unused taxation credits.

A deferred taxation liability is recognised for all taxable temporary differences, except to the extent that the deferred taxation liability arises from the initial recognition of an asset or liability in a transaction which is not a business combination; and at the time of the transaction, affects neither accounting profit nor taxable profit (taxation loss).

A deferred taxation as set is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred taxation as set arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (taxation loss).

At each statement of financial position date, the group reviews and assesses the recognised and unrecognised deferred taxation assets and the future taxable profit to determine whether any recognised deferred taxation assets should be derecognised and any unrecognised deferred taxation assets should be recognised.

Deferred taxation assets and liabilities are measured at the taxation rates that are expected to apply to the period when the asset is realised or the liability is settled, based on taxation rates and taxation laws that have been enacted or substantively enacted by the statement of financial position date. Deferred taxation assets and liabilities are not discounted.

1.8 LEASES

Accounting policy applicable in the comparative period:

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. Determining whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases of assets are classified as finance leases when the leases transfer substantially all risks and rewards incidental to ownership of the assets to the group. All other leases are classified as operating leases.

Payments made under operating leases are charged to the profit or loss on a straight-line basis over the period of the lease after taking into account any fixed escalation clauses. Contingent rents are charged as an expense in the periods in which they are incurred.

Leases of land and building

When a lease includes both land and buildings elements, an entity assesses the classification of each element as a finance or an operating lease separately in the same way as leases of other assets. Whenever necessary in order to classify and account for a lease of land and buildings, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the buildings elements in proportion to the relative fair values of the leasehold interests in the land element and buildings element of the lease at the inception of the lease.

If the lease payments on a lease of land and building cannot be allocated reliably between the land and building elements at the inception of the lease, the entire lease is classified as a finance lease, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

Operating leases as lessee

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. The payments made on acquiring land held under an operating lease are recognised in the statement of financial position as lease premium for land.

Contingent rents are charged as an expense in the periods in which they are incurred.

Accounting policy applicable on and after 1 March 2019:

At inception of a contract, the group assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The group has elected to apply the practical expedient to account for each lease component and any non-lease components as a single lease component.

The group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement

ACCOUNTING POLICIES

1.8 LEASES (continued)
date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The assets are depreciated to the earlier of the end of the useful life of the right-of use asset of the lease term using the straight-line method as this most clearly reflects the expected pattern of consumption of the future economic benefits.

The lease term includes periods covered by an option to extend if the group is reasonably certain to exercise that option. Lease term of the office building is 5 years. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjustment for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payment that is not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate. Generally, the group uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee, or if the group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The group has elected to apply the practical expedient not to recognise right-of use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

1.9 IMPAIRMENT OF NON-FINANCIAL ASSETS
The group assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.10 SHARE CAPITAL AND EQUITY
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

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

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity. Dividends are recognised as a liability in the company in which they are declared.

1.11 EMPLOYEE BENEFITS
Short-term employee benefits
The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care) are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

1.12 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

- the group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - » the business or part of the business concerned;
  - » the principal locations affected;
  - » the location, function, and approximate number of employees who will be compensated for terminating their services;
  - » the expenditures that will be undertaken; and
  - » when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 31.

1.13 REVENUE FROM CONTRACTS WITH CUSTOMERS

The group is in the business of selling diamonds.

Revenue from contracts with customers is recognised when control of the goods transfers to the customer at an amount that reflects the consideration to which the group expects to be entitled in exchange for those goods. The group has concluded that it is the principal in its revenue arrangements because it typically controls the goods before transferring them to the customer. There are no services provided.

The group did not need to apply any significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers.

Sale of goods

Revenue from sale of diamonds is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the diamonds. All revenue transactions are cash based.

The group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of the diamonds, the group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

None of these are applicable as all transactions are cash based. The group does not allocate transaction prices to different performance obligations as the performance obligations are distinct and have stand-alone selling prices.

Significant financing component

Using the practical expedient in IFRS 15, the group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised goods to the customer and when the customer pays for the goods will be one year or less. This is because the group does not sell the products on credit terms.

Contract balances

There are no contract assets and contract liabilities.

Trade receivables

A receivable represents the group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets.

There are no returns expected due to the nature of the diamonds. Therefore, there are no right of return assets and refund liabilities.

1.13 REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

Incremental costs to obtain a contract

The group did not incur any costs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

1.14 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred, under finance costs.

1.15 INVESTMENT INCOME

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

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

2. NEW STANDARDS AND INTERPRETATIONS

2.1 STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

In the current year, the group and company have adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

IFRS 16 Leases

IFRS 16 Leases is a new standard which replaces IAS 17 Leases, and introduces a single lessee accounting model. The main changes arising from the issue of IFRS 16 which are likely to impact the company are as follows:

Company as lessee:

- Lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short term leases or leases where the underlying asset has a low value, which are expensed on a straight line or other systematic basis.
- The cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received; initial direct costs of the lessee; and an estimate for any provision for dismantling, restoration and removal related to the underlying asset.
- The lease liability takes into consideration, where appropriate, fixed and variable lease payments; residual value guarantees to be made by the lessee; exercise price of purchase options; and payments of penalties for terminating the lease.
- The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model.
- The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications.
- Re-measurements of lease liabilities are affected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognised in profit or loss.
- The lease liability is re-measured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset.
- The lease liability is re-measured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments.
- Certain lease modifications are accounted for as separate leases. When lease modifications which decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee re-measures the lease liability by decreasing the carrying amount of the right of lease asset to reflect the full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease is recognised in profit or loss. For all other lease modifications which are not required to be accounted for as separate leases, the lessee re-measures the lease liability by making a corresponding adjustment to the right-of-use asset.
- Right-of-use assets and lease liabilities should be presented separately from other assets and liabilities. If not, then the line item in which they are included must be disclosed. This does not apply to right-of-use assets meeting the definition of investment property which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 leases.

The effective date of the standard is for years beginning on or after 01 January 2019.

The company has adopted the standard for the first time in the 2020 consolidated and separate annual financial statements.

Namib Desert Diamonds (Pty) Ltd leases a property from Eumbo Property Investment (Pty) Ltd over a 10 year lease (classified as an operating lease), the lease contract is ending in August 2027, with the option to renew.

IFRS 16 did not have any impact on the group, as the group does not have any operating leases. IFRS 16 is applicable to the company as the Eumbo property is rented out to NAMDIA and capitalised as a right-of-use asset. On consolidation level, the property is classified as PPE (owner-occupied).

Adoption of revised standards and interpretations did not have any effect on the financial performance or position of the group or company nor did it give rise to any additional disclosure:

Effective for periods commencing on or after 1 January 2019
IFRIC Interpretation 23 Uncertainty over Income Tax Treatments

Effective for periods commencing on or after 1 January 2019
IFRIC Interpretation 23 Uncertainty over Income Tax Treatments
AIP IFRS 3 Business Combinations - Previously Held Interests in a Joint Operation
AIP IAS 12 Income Taxes - Income Tax Consequences of Payments on Financial Instruments Classified as Equity

2.2 STANDARDS NOT YET EFFECTIVE AND NOT EARLY ADOPTED

The following standards were amended or issued, but not yet effective. The other new and revised standards did not have an impact on the financial statements of the group.

Effective for periods on or after 1 January 2020
Definition of a Business - Amendments to IFRS 3
Definition of Material - Amendments to IAS 1 and IAS 8
The Conceptual Framework for Financial Reporting
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT

Group	Cost	2020 Accumulated depreciation	Carrying value	Cost	2019 Accumulated depreciation	Carrying value
Land and buildings	66 911 176	(6 766 836)	60 144 340	66 730 610	(3 630 019)	63 100 591
Furniture and fixtures	2 717 265	(1 178 373)	1 538 892	2 650 301	(631 956)	2 018 345
Motor vehicles	2 618 662	(995 399)	1 623 263	2 618 662	(479 205)	2 139 457
Office equipment	524 368	(399 252)	125 116	101 396	(72 849)	28 547
IT equipment	2 988 075	(1 509 156)	1 478 919	2 854 794	(1 020 202)	1 834 592
Other equipment	2 730 706	(604 360)	2 126 346	2 761 526	(531 602)	2 229 924
Security equipment	7 879 411	(3 522 678)	4 356 733	7 886 411	(1 962 617)	5 923 794
Total	**86 369 663**	**(14 976 054)**	**71 393 609**	**85 603 700**	**(8 328 450)**	**77 275 250**

Company	Cost	2020 Accumulated depreciation	Carrying value	Cost	2019 Accumulated depreciation	Carrying value
Leasehold property	31 411 176	(6 766 836)	24 644 340	31 230 610	(3 630 019)	27 600 591
Furniture and fixtures	2 717 265	(1 178 373)	1 538 892	2 650 301	(631 956)	2 018 345
Motor vehicles	2 618 662	(995 399)	1 623 263	2 618 662	(479 205)	2 139 457
Office equipment	524 368	(399 252)	125 116	101 396	(72 849)	28 547
IT equipment	2 988 075	(1 509 156)	1 478 919	2 854 794	(1 020 202)	1 834 592
Other equipment	2 730 706	(604 360)	2 126 346	2 761 526	(531 602)	2 229 924
Security equipment	7 879 411	(3 522 678)	4 356 733	7 886 411	(1 962 617)	5 923 794
Right of use asset	2 956 520	(347 826)	2 608 694	- - -		
Total	**53 826 183**	**(15 323 880)**	**38 502 303**	**50 103 700**	**(8 328 450)**	**41 775 250**

Reconciliation of property, plant and equipment - Group - 2020

	Opening balance	Additions	Transfers	Depreciation	Total
Land and buildings	63 100 591	83 912	96 654	(3 136 817)	60 144 340
Furniture and fixtures	2 018 345	-	66 964	(546 417)	1 538 892
Motor vehicles	2 139 457	-	-	(516 194)	1 623 263
Office equipment	28 547	8 504	414 468	(326 403)	125 116
IT equipment	1 834 592	616 043	(482 762)	(488 954)	1 478 919
Other equipment	2 229 924	39 744	(70 564)	(72 758)	2 126 346
Security equipment	5 923 794	17 760	(24 760)	(1 560 061)	4 356 733
	77 275 250	**765 963**	**-**	**(6 647 604)**	**71 393 609**

Reconciliation of property, plant and equipment - Group - 2019

	Opening balance	Additions	Depreciation	Total
Land and buildings	55 882 054	10 184 914	(2 966 377)	63 100 591
Furniture and fixtures	2 262 101	279 691	(523 447)	2 018 345
Motor vehicles	538 116	2 052 224	(450 883)	2 139 457
Office equipment	62 397	5 412	(39 262)	28 547
IT equipment	2 409 756	169 169	(744 333)	1 834 592
Other equipment	2 374 952	310 839	(455 867)	2 229 924
Security equipment	7 245 406	259 667	(1 581 279)	5 923 794
	70 774 782	**13 261 916**	**(6 761 448)**	**77 275 250**

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - Company - 2020

	Opening balance	Additions	Transfers	Depreciation	Total
Land and buildings	27 600 591	83 912	96 654	(3 136 817)	24 644 340
Furniture and fixtures	2 018 345	-	66 964	(546 417)	1 538 892
Motor vehicles	2 139 457	-	-	(516 194)	1 623 263
Office equipment	28 547	8 504	414 468	(326 403)	125 116
IT equipment	1 834 592	616 043	(482 762)	(488 954)	1 478 919
Other equipment	2 229 924	39 744	(70 564)	(72 758)	2 126 346
Security equipment	5 923 794	17 760 (	24 760)	(1 560 061)	4 356 733
Right of use asset	-	2 956 520	-	(347 826)	2 608 694
	41 775 250	**3 722 483**	**-**	**(6 995 430)**	**38 502 303**

Reconciliation of property, plant and equipment - Company - 2019

	Opening balance	Additions	Depreciation	Total
Leasehold property	25 882 054	4 684 914	(2 966 377)	27 600 591
Furniture and fixtures	2 262 101	279 691	(523 447)	2 018 345
Motor vehicles	538 116	2 052 224	(450 883)	2 139 457
Office equipment	62 397	5 412	(39 262)	28 547
IT equipment	2 409 756	169 169	(744 333)	1 834 592
Other equipment	2 374 952	310 839	(455 867)	2 229 924
Security equipment	7 245 406	259 667	(1 581 279)	5 923 794
	40 774 782	**7 761 916**	**(6 761 448)**	**41 775 250**

	Group 2020 N$	Group 2019 N$	Company 2020 N$	Company 2019 N$

T5255/2017: Remainder of Erf No. 336, Klein Windhoek, Division “K”, Khomas Region, measuring 1,093 square metres. The property is held by Eumbo Property Investment (Pty) Ltd.

	Group 2020 N$	Group 2019 N$	Company 2020 N$	Company 2019 N$
Land and buildings	6 635 547	6 635 547	-	-
Acquisitions and additions	60 275 629	60 095 063	-	-
Accumulated depreciation	(6 766 836)	(3 630 019)	-	-
	60 144 340	**63 100 591**	**-**	**-**

The group has pledged investment property to the value of N$25,800,000 to secure bank facilities from Standard Bank Namibia Ltd granted to Namib Desert Diamonds (Pty) Ltd with a carrying value of N$13,114,741 (2019: N$18,356,308).

The company acquired 100% stake in the company Eumbo Property Investment (Pty) Ltd that owns the land and building situated at Erf 366 Cnr of Dr Kwame Nkrumah Avenue & Dr Sam Nujoma Drive, Klein Windhoek, Windhoek, Namibia. All costs previously capitalised to land and buildings have been transferred to leased premises as the company did not purchase the property but rather the ownership of the company that owns the title deed, thus the improvements made to Erf 366 Cnr of Dr Kwame Nkrumah Avenue & Dr Sam Nujoma Drive, Klein Windhoek, Windhoek, Namibia will be treated as leasehold improvements.

Registers are available for inspection by the shareholder or their duly authorised representatives at the registered office of the company and its respective subsidiaries.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

	Group 2020 N$	Group 2019 N$	Company 2020 N$	Company 2019 N$

4. INVESTMENT IN SUBSIDIARY

The following table lists the entities which are controlled directly by the company, and the carrying amounts of the investments in the company's separate financial statements.

Company **Name of company**	**% voting power 2020**	**% voting power 2019**	**% holding 2020**	**% holding 2019**	**Carrying amount 2020**	**Carrying amount 2019**
Eumbo Property Investment (Pty) Ltd	100,00 %	100,00 %	100,00 %	100,00 %	13 806 851	13 806 851

5. LOAN TO SUBSIDIARY

	Group 2020 N$	Group 2019 N$	Company 2020 N$	Company 2019 N$
Subsidiary				
Eumbo Property Investment (Pty) Ltd	-	-	21 100 807	21 662 524

The loan is interest-free, unsecured and unconditional. This arrangement is reviewed from time to time by the directors

	Group 2020 N$	Group 2019 N$	Company 2020 N$	Company 2019 N$
Split between non-current and current portions				
Non-current assets	-	-	21 100 807	21 662 524

6. OTHER FINANCIAL ASSET

	Group 2020 N$	Group 2019 N$	Company 2020 N$	Company 2019 N$
Loans and receivables				
Namgem Diamond Manufacturing Company (Pty) Ltd	5 587 880	-	5 587 880	-

The loan is interest-free and has no specific repayment terms.

	Group 2020 N$	Group 2019 N$	Company 2020 N$	Company 2019 N$
Non-current assets				
Loans and receivables	5 587 880	-	5 587 880	-

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

	Group 2020 N$	Group 2019 N$	Company 2020 N$	Company 2019 N$

7. DEFERRED TAX

	Group 2020 N$	Group 2019 N$	Company 2020 N$	Company 2019 N$
Deferred tax liability				
Property plant and equipment	(3 860 657)	(3 303 567)	(3 129 837)	(2 677 150)
Prepaid expenses	(68 121)	(68 121)	(68 121)	(68 121)
Unrealised foreign exchange	-	(5 396 619)	-	(5 396 619)
Right-of-use assets	-	-	(834 782)	-
Total deferred tax liability	**(3 928 778)**	**(8 768 307)**	**(4 032 740)**	**(8 141 890)**
Deferred tax asset				
Provisions	899 804	976 954	899 804	976 954
Right-of-use liabilities	-	-	885 754	-
Deferred tax balance from temporary differences other than unused tax losses	899 804	976 954	1 785 558	976 954
Total deferred tax asset	**899 804**	**976 954**	**1 785 558**	**976 954**
Deferred tax liability	(3 928 778)	(8 768 307)	(4 032 740)	(8 141 890)
Deferred tax asset	899 804	976 954	1 785 558	976 954
Total net deferred tax liability	**(3 028 974)**	**(7 791 353)**	**(2 247 182)**	**(7 164 936)**
Reconciliation of deferred tax asset / (liability)				
At beginning of year	(7 791 353)	(1 468 434)	(7 164 936)	(946 420)
Originating temporary differences in property, plant and equipment	(557 090)	(1 598 078)	(452 687)	(1 493 675)
(Reversing)/ originating temporary differences in provisions	(77 150)	657 665	(77 150)	657 665
Reversing temporary differences in prepaid expenses	-	14 113	-	14 113
Taxable / (deductible) temporary differences on unrealised foreign exchange	5 396 619	(5 396 619)	5 396 619	(5 396 619)
Originating temporary differences in right-of-use assets	-	-	(834 782)	-
Originating temporary differences in right-of-use liabilities	-	-	885 754	-
	(3 028 974)	**(7 791 353)**	**(2 247 182)**	**(7 164 936)**

8. OTHER INVESTMENT

Deposit paid for the purchase of NamGem Diamond Manufacturing (Pty) Ltd. A deposit of USD925,000 was paid, an amount of N$510,349 was paid for due diligence and an amount of USD250,000 was paid for retrenchment costs.

	Group 2020 N$	Group 2019 N$	Company 2020 N$	Company 2019 N$
Namgem Diamond Manufacturing Company (Pty) Ltd	19 219 796	13 769 040	19 219 796	13 769 040

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

9. TRADE AND OTHER RECEIVABLES

	Group 2020 N$	Group 2019 N$	Company 2020 N$	Company 2019 N$
Financial instruments:				
Trade receivables	-	12 162	-	(695)
Medical aid control account	9 432	-	9 432	-
Non-financial instruments:				
VAT	38 290 645	46 976 694	38 290 645	46 969 061
Rental deposit	4 399	4 399	2 499	2 499
Accrued interest receivable	2 250 003	2 276 421	2 250 003	2 276 421
Prepaid expenses	212 877	212 877	212 877	212 877
Total trade and other receivables	**40 767 356**	**49 482 553**	**40 765 456**	**49 460 163**
Split between non-current and current portions				
Current assets	40 767 356	49 482 553	40 765 456	49 460 163

Categorisation of trade and other receivables

Trade and other receivables are categorised as follows in accordance with IFRS 9: Financial Instruments:

	Group 2020 N$	Group 2019 N$	Company 2020 N$	Company 2019 N$
At amortised cost	9 432	12 162	9 432	(695)
Non-financial instruments	40 757 924	49 470 391	40 756 024	49 460 858
	40 767 356	**49 482 553**	**40 765 456**	**49 460 163**

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	Group 2020 N$	Group 2019 N$	Company 2020 N$	Company 2019 N$
Cash on hand	325	822	325	822
Bank balances	272 699 167	267 721 407	267 481 318	267 721 407
FNB credit cards	(42 324)	(399)	(42 324)	(399)
	272 657 168	**267 721 830**	**267 439 319**	**267 721 830**
Current assets	272 699 492	267 722 229	267 481 643	267 722 229
Current liabilities	(42 324)	(399)	(42 324)	(399)
	272 657 168	**267 721 830**	**267 439 319**	**267 721 830**

The balances indicated above are being secured; details of collateral are as follows:
1. Cession and pledges of credit balances N$145,000,000
2. Cession of insurance policies
3. Cession of sales proceeds
4. Cession of VAT refund proceeds
5. Ministry of Finance customs and excise bank guarantee N$5,000,000
6. Guarantee by Eumbo Property Investment (Pty) Ltd in favour of Standard Bank Namibia for N$25,800,000

Facilities:
1. Direct short-term N$50,000
2. Revolving working capital USD25,000,000
3. VAT financing facility N$50,000,000

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

		Group		Company
	2020 N$	2019 N$	2020 N$	2019 N$

11. SHARE CAPITAL

Authorised				
4000 Ordinary shares of N$1 each	4 000	4 000	4 000	4 000
Issued				
1000 Ordinary shares of N$1 each	1 000	1 000	1 000	1 000
Share premium	49 999 000	49 999 000	49 999 000	49 999 000
	50 000 000	**50 000 000**	**50 000 000**	**50 000 000**

12. FINANCIAL LIABILITIES

At amortised cost				
Commercial property loan – Standard Bank Namibia Ltd	13 114 741	18 356 308	13 114 741	18 356 308

The loan term is 60 months. Interest is charged at JIBAR (6.80 + Margin of 3%) and is repayable quarterly.

Secured by Erf 366 Cnr of Dr Kwame Nkrumah Avenue & Dr Sam Nujoma Drive, Klein Windhoek, Windhoek, Namibia of which the title deed is owned by Eumbo Property Investment (Pty) Ltd, to the value of N$25,800,000.

Split between non-current and current portions				
Non-current liabilities	7 954 741	13 196 308	7 954 741	13 196 308
Current liabilities	5 160 000	5 160 000	5 160 000	5 160 000
	13 114 741	**18 356 308**	**13 114 741**	**18 356 308**

13. RIGHT OF USE LIABILITY

Minimum lease payments due				
- within one year	-	-	218 291	-
- in second to fifth year inclusive	-	-	2 549 690	-
Present value of minimum lease payments	**-**	**-**	**2 767 981**	**-**
Non-current liabilities	-	-	2 549 690	-
Current liabilities	-	-	218 291	-
	-	**-**	**2 767 981**	**-**

14. TRADE AND OTHER PAYABLES

Financial instruments:				
Trade payables	450 620	133 113	446 654	132 884
Accrued expenses	134 958	970 801	134 958	970 801
Medical aid control account	-	3 028	-	3 028
Non-financial instruments:				
VET levy control account	195	195	195	195
VAT	39 175	-	-	-
Withholding tax control account	22 155	-	22 155	-
SSC control account	3 590	3 682	3 590	3 682
Export levy control account	12	11	12	11
PAYE control account	-	53 278	-	53 278
Import VAT control account	32	-	32	-
	650 737	**1 164 108**	**607 596**	**1 163 879**

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

	Group 2020 N$	Group 2019 N$	Company 2020 N$	Company 2019 N$

15. PROVISIONS

Reconciliation of provisions - Group - 2020

	Opening balance	Additions	Reversed during the year	Total
Leave pay provision	2 606 812	-	(553 623)	2 053 189
Severance pay provision	426 249	352 371	-	778 620
	3 033 061	**352 371**	**(553 623)**	**2 831 809**

Reconciliation of provisions - Group - 2019

	Opening balance	Additions	Total
Leave pay provision	922 405	1 684 407	2 606 812
Severance pay provision	75 373	350 876	426 249
	997 778	**2 035 283**	**3 033 061**

Reconciliation of provisions - Company - 2020

	Opening balance	Additions	Reversed during the year	Total
Leave pay provision	2 606 812	-	(553 623)	2 053 189
Severance pay provision	426 249	352 371	-	778 620
	3 033 061	**352 371**	**(553 623)**	**2 831 809**

Reconciliation of provisions - Company - 2019

	Opening balance	Additions	Total
Leave pay provision	922 405	1 684 407	2 606 812
Severance pay provision	75 373	350 876	426 249
	997 778	**2 035 283**	**3 033 061**

Employees’ entitlement to annual leave is recognised when it accrues to employees. An accrual is made for the estimated liability for annual leave due as a result of services rendered by employees up to statement of financial position date with a maximum of 30 days per employee.

Employees’ entitlement to severance pay is recognised when it accrues to employees. An accrual is made for all employees who have been employed by the company for at least 12 months at the end of the financial year.

16. REVENUE FROM CONTRACTS WITH CUSTOMERS OR TURNOVER

	Group 2020 N$	Group 2019 N$	Company 2020 N$	Company 2019 N$
Revenue from contracts with customers				
Goods transferred at a point in time	1 959 148 635	2 274 872 762	1 959 148 635	2 274 872 762
Revenue other than from contracts with customers				
Rental income	-	11 181	-	-
	1 959 148 635	**2 274 883 943**	**1 959 148 635**	**2 274 872 762**

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

	Note(s)	Group 2020 N$	Group 2019 N$	Company 2020 N$	Company 2019 N$

17. COST OF SALES

Diamond selling costs		4 609 827	4 283 697	4 609 827	4 283 697
Discount received		(17 760)	-	(17 760)	-
Export levies		19 429 522	22 627 525	19 429 522	22 627 525
Import permit		250	1 500	250	1 500
Transport & shipping charges		386 829	488 534	386 829	488 534
Purchases - rough diamonds		1 725 591 240	1 973 686 007	1 725 591 240	1 973 686 007
		1 749 999 908	**2 001 087 263**	**1 749 999 908**	**2 001 087 263**

18. OTHER OPERATING (LOSSES) GAINS

Foreign exchange (losses) gains					
Arising on other financial assets	6	-	(1 007)	-	(1 007)
Cash and cash equivalents	10	(11 197 050)	16 864 434	(11 197 050)	16 864 434
Realised on sales and purchases		7 899 730	(13 743 114)	7 899 730	(13 743 114)
		(3 297 320)	**3 120 313**	**(3 297 320)**	**3 120 313**

19. OPERATING PROFIT (LOSS)

Operating profit for the year is stated after charging (crediting) the following, amongst others:

Auditor’s remuneration - external					
Audit fees		376 866	278 750	321 366	181 600
Remuneration, other than to employees					
Consulting and professional services		1 743 000	4 467 115	1 728 420	3 711 915
Secretarial services		1 500	1 500	-	1 500
		1 744 500	**4 468 615**	**1 728 420**	**3 713 415**
Employee costs					
Salaries, wages, bonuses and other benefits		24 510 986	24 686 812	24 510 986	24 686 812
Leases					
Operating lease charges					
Premises		-	-	612 000	771 714
Storage		73 811	151 900	73 811	151 900
		73 811	**151 900**	**685 811**	**923 614**
Depreciation and amortisation					
Depreciation of property, plant and equipment		6 647 604	6 761 448	6 995 430	6 761 448

Expenses by nature

The total cost of sales, selling and distribution expenses, marketing expenses, general and administrative expenses, research and development expenses, maintenance expenses and other operating expenses are analysed by nature as follows:

Changes in inventories of finished goods and work in progress		1 749 999 908	2 001 087 263	1 749 999 908	2 001 087 263
Directors’ emoluments		1 230 371	2 544 571	1 230 371	2 544 571
Employee costs		24 510 986	24 686 812	24 510 986	24 686 812
Operating lease charges		685 811	151 900	685 811	923 614
Depreciation, amortisation and impairment		6 647 604	6 761 448	6 995 430	6 761 448
Other expenses		32 674 005	17 906 001	37 736 843	16 757 737
		1 815 748 685	**2 053 137 995**	**1 821 159 349**	**2 052 761 445**

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

	Group 2020 N$	Group 2019 N$	Company 2020 N$	Company 2019 N$
20. EMPLOYEE COSTS				
Employee costs				
Salaries, wages, bonuses and other benefits	24 510 986	24 686 812	24 510 986	24 686 812
21. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES				
Depreciation				
Property, plant and equipment	6 647 604	6 761 448	6 995 430	6 761 448
22. INVESTMENT INCOME				
Interest income				
Investments in financial assets:				
Bank and other cash	15 667 440	10 628 130	15 584 188	10 628 130
23. FINANCE COSTS				
Borrowings	5 578 057	5 276 975	5 577 342	5 276 975
Right-of-use liability	-	-	423 461	-
Total finance costs	**5 578 057**	**5 276 975**	**6 000 803**	**5 276 975**
24. TAXATION				
Major components of the tax expense				
Current				
Local income tax - current period	57 963 491	70 360 405	57 963 491	70 360 405
Local income tax - recognised in current tax for prior periods	1 744 105	-	1 744 105	-
	59 707 596	**70 360 405**	**59 707 596**	**70 360 405**
Deferred				
Originating and reversing temporary differences	(4 762 379)	6 322 919	(4 917 754)	6 218 516
	54 945 217	**76 683 324**	**54 789 842**	**76 578 921**
Reconciliation of the tax expense				
Reconciliation between accounting profit and tax expense				
Accounting profit	150 194 313	238 636 960	144 277 650	239 002 329
Tax at the applicable tax rate of 32% (2019: 32%)	48 062 180	76 363 827	46 168 848	76 480 745
Tax effect of adjustments on taxable income				
Disallowable expenditure	6 883 037	319 497	8 620 994	98 176
	54 945 217	**76 683 324**	**54 789 842**	**76 578 921**
25. TAX PAID				
Balance at beginning of the year	(14 569 983)	(14 127 262)	(14 569 983)	(14 127 262)
Current tax for the year recognised in profit or loss	(59 707 596)	(70 360 405)	(59 707 596)	(70 360 405)
Balance at end of the year	11 416 592	14 569 983	11 457 804	14 569 983
	(62 860 987)	**(69 917 684)**	**(62 819 775)**	**(69 917 684)**
Split between current asset and liability				
Current asset	41 212	-	-	-
Current liability	11 457 804	14 569 983	11 457 804	14 569 983
	11 416 592	**14 569 983**	**11 457 804**	**14 569 983**

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

	Note(s)	Group 2020 N$	Group 2019 N$	Company 2020 N$	Company 2019 N$

26. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Reconciliation of liabilities arising from financing activities - Group - 2020

	Opening balance	Interest bearing borrowings - Commercial Property	Total movements	Closing balance
Other financial liabilities measured at fair value	18 356 308	(5 241 567)	(5 241 567)	13 114 741
	18 356 308	**(5 241 567)**	**(5 241 567)**	**13 114 741**
Total liabilities from financing activities	**18 356 308**	**(5 241 567)**	**(5 241 567)**	**13 114 741**

Reconciliation of liabilities arising from financing activities - Group - 2019

	Opening balance	Interest bearing borrowings - Commercial Property	Total movements	Closing balance
Other financial liabilities measured at fair value	23 407 403	(5 051 095)	(5 051 095)	18 356 308
	23 407 403	**(5 051 095)**	**(5 051 095)**	**18 356 308**
Total liabilities from financing activities	**23 407 403**	**(5 051 095)**	**(5 051 095)**	**18 356 308**

Reconciliation of liabilities arising from financing activities - Company - 2020

	Opening balance	Interest bearing borrowings – Commercial property loan	Interest bearing borrowings	New leases (Non-cashflow)	Total movements	Closing balance
Other financial liabilities measured at fair value	18 356 308	(5 241 567)	-	-	(5 241 567)	13 114 741
Right-of-use liability	-	-	(188 539)	2 956 520	2 767 981	2 767 981
	18 356 308	**(5 241 567)**	**(188 539)**	**2 956 520**	**(2 473 586)**	**15 882 722**
Total liabilities from financing activities	**18 356 308**	**(5 241 567)**	**(188 539)**	**2 956 520**	**(2 473 586)**	**15 882 722**

Reconciliation of liabilities arising from financing activities - Company - 2019

	Opening balance	Interest bearing borrowings – Commercial property loan	Total movements	Closing balance
Other financial liabilities measured at fair value	23 407 403	(5 051 095)	(5 051 095)	18 356 308
	23 407 403	**(5 051 095)**	**(5 051 095)**	**18 356 308**
Total liabilities from financing activities	**23 407 403**	**(5 051 095)**	**(5 051 095)**	**18 356 308**

27. DIVIDENDS PAID

	Group 2020 N$	Group 2019 N$	Company 2020 N$	Company 2019 N$
Dividends	(80 000 000)	(50 000 000)	(80 000 000)	(50 000 000)

Dividends are paid from capital profits.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

28. RELATED PARTIES

Relationships

Eumbo Property Investment (Pty) Ltd	Refer to note 4
The NAMDIA Foundation	Founded by the Company
The Government of the Republic of Namibia	Ultimate holding company

	Group 2020 N$	Group 2019 N$	Company 2020 N$	Company 2019 N$
Related party balances				
Loan accounts - Owing (to) by related parties				
Eumbo Property Investment (Pty) Ltd	-	-	21 100 807	21 662 524
Investment in subsidiary				
Eumbo Property Investment (Pty) Ltd	-	-	13 806 851	13 806 851
Related party transactions				
Rent paid to (received from) related parties				
Eumbo Property Investment (Pty) Ltd	-	-	612 000	771 714
Municipal sub-charges paid to (received from) related parties				
Eumbo Property Investment (Pty) Ltd	-	-	360 478	-
Sponsorships paid to (received from) related parties				
The NAMDIA Foundation	-	-	5 635 951	-
Dividends paid to (received from) related parties				
The Government of the Republic of Namibia	-	-	80 000 000	50 000 000
Compensation to directors and other key management				
Directors' emoluments	1 230 371	2 544 571	1 230 371	2 544 571

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

	Note(s)	Group 2020 N$	Group 2019 N$	Company 2020 N$	Company 2019 N$

29. DIRECTORS' EMOLUMENTS

2020	Retainer	Sitting fees	Expense allowance	Total
S.V. Masiza (Chairperson)	121 913	62 229	75 063	259 205
T. Hangula (Deputy-Chairperson)	113 482	25 444	-	138 926
V.K. Maharero	103 179	32 760	36 793	172 732
C.W.H. Nghaamwa	99 096	23 080	-	122 176
L. Harases	114 823	32 230	-	147 053
B. Konjore	91 361	27 449	-	118 810
B.K.G. Eiseb (Chairperson)	25 950	-	-	25 950
J.H. Hausiku	33 831	-	-	33 831
J.V. Pack	37 499	-	-	37 499
N.S. Shimutwikeni	37 499	-	-	37 499
L.M. Muatunga	82 234	14 900	39 556	136 690
	860 867	**218 092**	**151 412**	**1 230 371**

2019	Retainer	Sitting fees	Expense allowances	Total
S.V. Masiza (Chairperson)	278 379	119 135	179 762	577 276
T. Hangula (Deputy-Chairperson)	277 823	105 106	8 939	391 868
V.K. Maharero	264 845	102 890	58 926	426 661
C.W.H. Nghaamwa	264 845	102 890	8 789	376 524
L. Harases	277 823	105 106	8 789	391 718
B. Konjore	268 845	102 890	8 789	380 524
	1 632 560	**638 017**	**273 994**	**2 544 571**

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Categories of financial instruments
Categories of financial assets

Group - 2020	Note(s)	Amortised cost	Total	Fair value
Trade and other receivables	9	9 432	9 432	-
Cash and cash equivalents	10	272 699 492	272 699 492	-
		272 708 924	**272 708 924**	**-**

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

	Group 2020 N$	Group 2019 N$	Company 2020 N$	Company 2019 N$

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Categories of financial liabilities

Group - 2020	**Note(s)**	**Amortised cost**	**Total**	**Fair value**
Trade and other payables	14	585 578	585 578	-
Other financial liabilities	12	13 114 741	13 114 741	-
FNB credit card	10	42 324	42 324	-
		13 742 643	**13 742 643**	**-**

Group - 2019	**Note(s)**	**Amortised cost**	**Total**	**Fair value**
Trade and other payables	14	1 106 942	1 106 942	-
Other financial liabilities	12	18 356 308	18 356 308	-
FNB credit card		399	399	-
		19 463 649	**19 463 649**	**-**

Company - 2020	**Note(s)**	**Amortised cost**	**Leases**	**Total**	**Fair value**
Trade and other payables	14	581 612	-	581 612	-
Right-of-use liability	13	-	2 767 981	2 767 981	-
Other financial liabilities	12	13 114 741	-	13 114 741	-
FNB credit card	10	42 324	-	42 324	-
		13 738 677	**2 767 981**	**16 506 658**	**-**

Company - 2019	**Note(s)**	**Amortised cost**	**Total**	**Fair value**
Trade and other payables	14	1 106 713	1 106 713	-
Other financial liabilities	12	18 356 308	18 356 308	-
FNB credit card	10	399	399	-
		19 463 420	**19 463 420**	**-**

Capital risk management

The group’s and company’s objective when managing capital (which includes share capital, borrowings, working capital and cash and cash equivalents) is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the group’s and company’s ability to continue as a going concern while taking advantage of strategic opportunities in order to maximise stakeholder returns sustainably.

The group and company manages capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain the capital structure, the group and company may adjust the amount of dividends paid to the shareholder, return capital to the shareholder, repurchase shares currently issued, issue new shares, issue new debt, issue new debt to replace existing debt with different characteristics and/or sell assets to reduce debt.

The capital structure and gearing ratio of the group and company at the reporting date was as follows:

	Note(s)	Group 2020	Group 2019	Company 2020	Company 2019
Financial liabilities	12	13 114 741	18 356 308	13 114 741	18 356 308
Right-of-use liability	13	-	-	2 767 981	-
Trade and other payables	14	650 737	1 164 108	607 596	1 163 879
Total borrowings		**13 765 478**	**19 520 416**	**16 490 318**	**19 520 187**
Cash and cash equivalents	10	(272 657 168)	(267 721 830)	(267 439 319)	(267 721 830)
Net borrowings		**(258 891 690)**	**(248 201 414)**	**(250 949 001)**	**(248 201 643)**
Equity		378 582 956	363 333 860	373 395 299	363 907 491
Gearing ratio		(68)%	(68)%	(67)%	(68)%

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

		Group		Company	
	Note(s)	2020 N$	2019 N$	2020 N$	2019 N$

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Financial risk management
Overview
The group and company is exposed to the following risks from its use of financial instruments:
- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

The board of directors has overall responsibility for the establishment and oversight of the group's and company's risk management framework. The board has established the risk committee, which is responsible for developing and monitoring the group's and company's risk management policies. The committee reports quarterly to the board of directors on its activities.

The group's and company's risk management policies are established to identify and analyse the risks faced by the group and company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's and company's activities.

Credit risk
Credit risk is the risk of financial loss to the group and company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The group and company is exposed to credit risk on loans receivable, trade and other receivables, contract receivables, lease receivables, cash and cash equivalents, loan commitments and financial guarantees.

Credit risk exposure arising on cash and cash equivalents is managed by the group and company through dealing with well-established financial institutions with high credit ratings.

Liquidity risk
The group and company is exposed to liquidity risk, which is the risk that the group and company will encounter difficulties in meeting its obligations as they become due.

The group and company manages its liquidity risk by effectively managing its working capital, capital expenditure and cash flows. The financing requirements are met through a mixture of cash generated from operations and long and short term borrowings. Committed borrowing facilities are available for meeting liquidity requirements and deposits are held at central banking institutions.

Foreign currency risk
Exposure in US Dollars

The group and company trades in US Dollars by acquiring diamonds in US Dollars from its suppliers and by selling diamonds in US Dollars to its customers. The company has three US Dollar bank accounts which it uses for trading in diamonds. At year end all US Dollars suppliers were paid in full and no amounts were outstanding from US Dollars customers. Due to the fact that the company trades in US Dollars it is not subject to foreign currency risk in US Dollars. At year end the US Dollars bank accounts were translated to Namibian Dollars as the entity presents its annual financial statements in Namibian Dollars. Refer to note 30.

Exposure in Namibian Dollars

The group and company settles all its operating expenses and tax expenses in Namibian Dollars. Due to the fact that the company earns the majority of its income in US Dollars but settles its operating expenses and tax expenses in Namibian Dollars, it is exposed to foreign currency risk when it transfers money from its US Dollars bank accounts to Namibian Dollars. The company's foreign currency exposure risk in Namibian Dollars was not significant during the current or prior year. Refer to note 18 for realised foreign currency gains (losses).

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Exposure in Namibia Dollar

The net carrying amounts, in Namibia Dollar, of the various exposures, are denominated in the following currencies. The amounts have been presented in Namibia Dollar by converting the foreign currency amounts at the closing rate at the reporting date:

		Group		Company	
		2020 N$	2019 N$	2020 N$	2019 N$
US Dollar exposure:					
Current assets:	**Note(s)**				
FNB CFC Account, USD 1,419 (2019: USD 160,550)	10	21 858	2 232 296	21 858	2 232 296
RMB CFC Account, USD 79,563 (2019: 81,363)	10	1 225 444	1 131 425	1 225 444	1 131 425
RMB USD Term Deposit, USD 2,400,000 (2019: USD 5,100,000)	10	36 096 000	71 758 081	36 096 000	71 758 081
Net exposure		**37 343 302**	**75 121 802**	**37 343 302**	**75 121 802**

Exchange rates

	Group 2020 N$	Group 2019 N$	Company 2020 N$	Company 2019 N$
Namibia Dollar per unit of foreign currency:				
US Dollar	15.400	13.900	15.400	13.900

Interest rate risk

Fluctuations in interest rates impact on the value of investments and financing activities, giving rise to interest rate risk.

The debt of the group and company is comprised of different instruments, which bear interest at either fixed or floating interest rates. The ratio of fixed and floating rate instruments in the loan portfolio is monitored and managed, by incurring either variable rate bank loans or fixed rate bonds as necessary. Interest rate swaps are also used where appropriate, in order to convert borrowings into either variable or fixed, in order to manage the composition of the ratio. Interest rates on all borrowings compare favourably with those rates available in the market.

The group and company policy with regards to financial assets, is to invest cash at floating rates of interest and to maintain cash reserves in short-term investments in order to maintain liquidity, while also achieving a satisfactory return for shareholders.

Interest rate sensitivity analysis

The interest rate sensitivity is immaterial, therefore it will not be disclosed.

Price risk

The group and company are not exposed to price risk as it does not invest in investments subject to price risk, does not have any financial guarantees, does not have any equity instruments or holdings of equity in another entity or any other financial instruments exposed to price risk.

31. GUARANTEES AND CONTINGENT LIABILITIES

At the statement of financial position date the company had an ongoing litigation claim as follows:

	2020 N$	2019 N$
Bravo Compliance (Pty) Ltd	702,314	150,000

The contingent liability relates to a legal proceeding instituted by Bravo Compliance against NAMDIA for the payment of alleged invoices and damages for a contract award that was cancelled by NAMDIA. The likelihood of the reimbursement of the N$ 702,314 (2019: N$ 150,000) claimed by Bravo Compliance is considered to be remote, and no outflow of economic benefits is expected.

At the statement of financial position date the company had the following contingent liability:

A 50% share of Namgem Diamond Manufacturing Company (Pty) Ltd was acquired, but at year end, half of the amount was still payable, since a condition precedent had not been fulfilled as yet. The second part of the 50% shareholding was payable once NAMDIA appointed a technical partner to run the factory. This event took place on 16 March 2020 and the second part of the payment (USD 925,000) was paid on 27 March 2020.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

			Group		Company
		2020	2019	2020	2019
	Note(s)	N$	N$	N$	N$

32. EVENTS AFTER THE REPORTING PERIOD

The group and company evaluated its consolidated and separate annual financial statements for any subsequent events which might have an impact on the group and company. The global outbreak of the Coronavirus pandemic (COVID-19) is an event subsequent to year end which has a potential economic effect worldwide as well as on the group and company. Management has assessed the potential impact of COVID-19 on the group and company. The main trading activity of the group and company is to sell rough diamonds to foreign companies. Currently the Namibian borders are closed for any international flights and 93% of borders worldwide are closed. For as long as the borders remain closed in Namibia and in foreign countries, the group and company will not be able to sell any rough diamonds. At year end all rough diamonds were sold and the group and company did not have any inventory on hand. At this stage it is impossible to make an assessment of what impact the COVID-19 virus will have on the worldwide economy and it is therefore not possible to assess if the demand for rough diamonds will decrease significantly. The group and company acquires rough diamonds locally and can currently still acquire rough diamonds, this has not been impacted by the COVID-19 virus yet. The group and company assessed all of its assets and did not identify any impairment on any assets due to the COVID-19 virus.

33. GOING CONCERN

The consolidated and separate annual financial statements were prepared on a going concern basis. The directors and management have assessed the potential impact of COVID-19 on the group's and company's ability to continue as a going concern. Although the group and company are not able to sell any diamonds due to travel restrictions and 93% of international borders being closed for international travel, the group and company have adequate cash resources to continue to pay its liabilities as they become due for at least 12 months after the reporting period and believes that it will be able to pay its liabilities for a longer period up until 24 months after the reporting period. In addition to this the group and company has a very strong balance sheet with minimal debt compared to the group's and company's total and current assets. The group's and company's expenses are also expected to decrease during the lockdown period and also during the time the borders remain closed as they will not be required to travel overseas to potential buyers. The directors are also not aware of any other material change that may adversely impact the group or company or the going concern assumption. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the group and company.

DETAILED INCOME STATEMENT

	Note(s)	Group 2020 N$	Group 2019 N$	Company 2020 N$	Company 2019 N$
Revenue					
Sale of goods		1 959 148 635	2 274 872 762	1 959 148 635	2 274 872 762
Rental income		-	11 181	-	-
	16	**1 959 148 635**	**2 274 883 943**	**1 959 148 635**	**2 274 872 762**
Cost of sales					
Purchases		(1 750 017 668)	(2 001 087 263)	(1 750 017 668)	(2 001 087 263)
Discount received		17 760	-	17 760	-
	17	**(1 749 999 908)**	**(2 001 087 263)**	**(1 749 999 908)**	**(2 001 087 263)**
Gross profit		**209 148 727**	**273 796 680**	**209 148 727**	**273 785 499**
Other operating income					
Deposits from applicants		-	8 419 544	-	8 419 544
Bid documents		2 300	-	2 300	-
		2 300	**8 419 544**	**2 300**	**8 419 544**
Other operating gains (losses)					
Profit/(loss) on foreign exchange		(3 297 320)	3 120 313	(3 297 320)	3 120 313
Expenses (Refer to page 72)		**(65 748 777)**	**(52 050 732)**	**(71 159 442)**	**(51 674 182)**
Operating profit	**19**	**140 104 930**	**233 285 805**	**134 694 265**	**233 651 174**
Investment income	22	15 667 440	10 628 130	15 584 188	10 628 130
Finance costs	23	(5 578 057)	(5 276 975)	(6 000 803)	(5 276 975)
Profit before taxation		**150 194 313**	**238 636 960**	**144 277 650**	**239 002 329**
Taxation	24	(54 945 217)	(76 683 324)	(54 789 842)	(76 578 921)
Profit for the year		**95 249 096**	**161 953 636**	**89 487 808**	**162 423 408**

The supplementary information presented does not form part of the consolidated and separate annual financial statements and is unaudited.

DETAILED INCOME STATEMENT

	Note(s)	Group 2020 N$	Group 2019 N$	Company 2020 N$	Company 2019 N$
Other operating expenses					
Advertising		(381 985)	(3 565 303)	(381 985)	(3 565 303)
Annual duty		(32 950)	(40 480)	(32 770)	(40 200)
Auditors remuneration - external auditors	19	(376 866)	(278 750)	(321 366)	(181 600)
Bank charges		(1 640 670)	(114 623)	(1 640 960)	(114 623)
Branding and promotions		(1 078 531)	(707 845)	(1 078 531)	(707 845)
Cleaning		(218 359)	(210 337)	(218 359)	(210 337)
Computer expenses		(617 569)	(492 157)	(617 569)	(492 157)
Consulting and professional fees - accounting		(170 100)	(157 500)	(155 520)	(157 500)
Consulting and professional fees - legal fees		(840 890)	(1 146 408)	(840 890)	(392 708)
Consulting fees		(732 010)	(3 163 207)	(732 010)	(3 161 707)
Consumables		(73 551)	(62 219)	(73 551)	(62 219)
Depreciation		(6 647 604)	(6 761 448)	(6 995 430)	(6 761 448)
Directors' emoluments		(1 230 371)	(2 544 571)	(1 230 371)	(2 544 571)
Donations		(501 643)	-	-	-
Electricity and water		(360 477)	(289 634)	-	-
Employee costs		(24 510 986)	(24 686 812)	(24 510 986)	(24 686 812)
Entertainment		(301 924)	(90 837)	(301 924)	(90 837)
Expense deposits from applicants		-	(2 061 309)	-	(2 061 309)
General expenses		(54 677)	(61 937)	(54 677)	(61 937)
Gifts		-	(118 045)	-	(118 045)
Insurance		(1 245 166)	(1 394 711)	(1 245 166)	(1 394 711)
Lease rentals on operating lease		(325 333)	(151 900)	(685 811)	(923 614)
Motor vehicle expenses		(46 270)	(29 434)	(46 270)	(29 434)
Printing and stationery		(91 782)	(207 593)	(91 782)	(201 593)
Repairs and maintenance		(596 307)	(113 006)	(596 307)	(113 006)
Secretarial fees		(1 500)	(1 500)	-	(1 500)
Security		(237 475)	(592 664)	(237 475)	(592 664)
Sponsorships		(19 252 707)	(660 830)	(24 888 658)	(660 830)
Staff welfare		(383 490)	(140 371)	(383 490)	(140 371)
Stamp duty		(9 325)	(200)	(9 325)	(200)
Subscriptions		(419 954)	(396 681)	(419 954)	(396 681)
Telephone and fax		(721 711)	(633 477)	(721 711)	(633 477)
Training		(247 886)	(282 712)	(247 886)	(282 712)
Travel - local		(303 351)	(182 146)	(303 351)	(182 146)
Travel - overseas		(2 095 357)	(710 085)	(2 095 357)	(710 085)
		(65 748 777)	**(52 050 732)**	**(71 159 442)**	**(51 674 182)**

The accounting policies on pages 46 to 53 and the notes on pages 54 to 70 form an integral part of the consolidated and separate annual financial statements.

The supplementary information presented does not form part of the consolidated and separate annual financial statements and is unaudited.

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