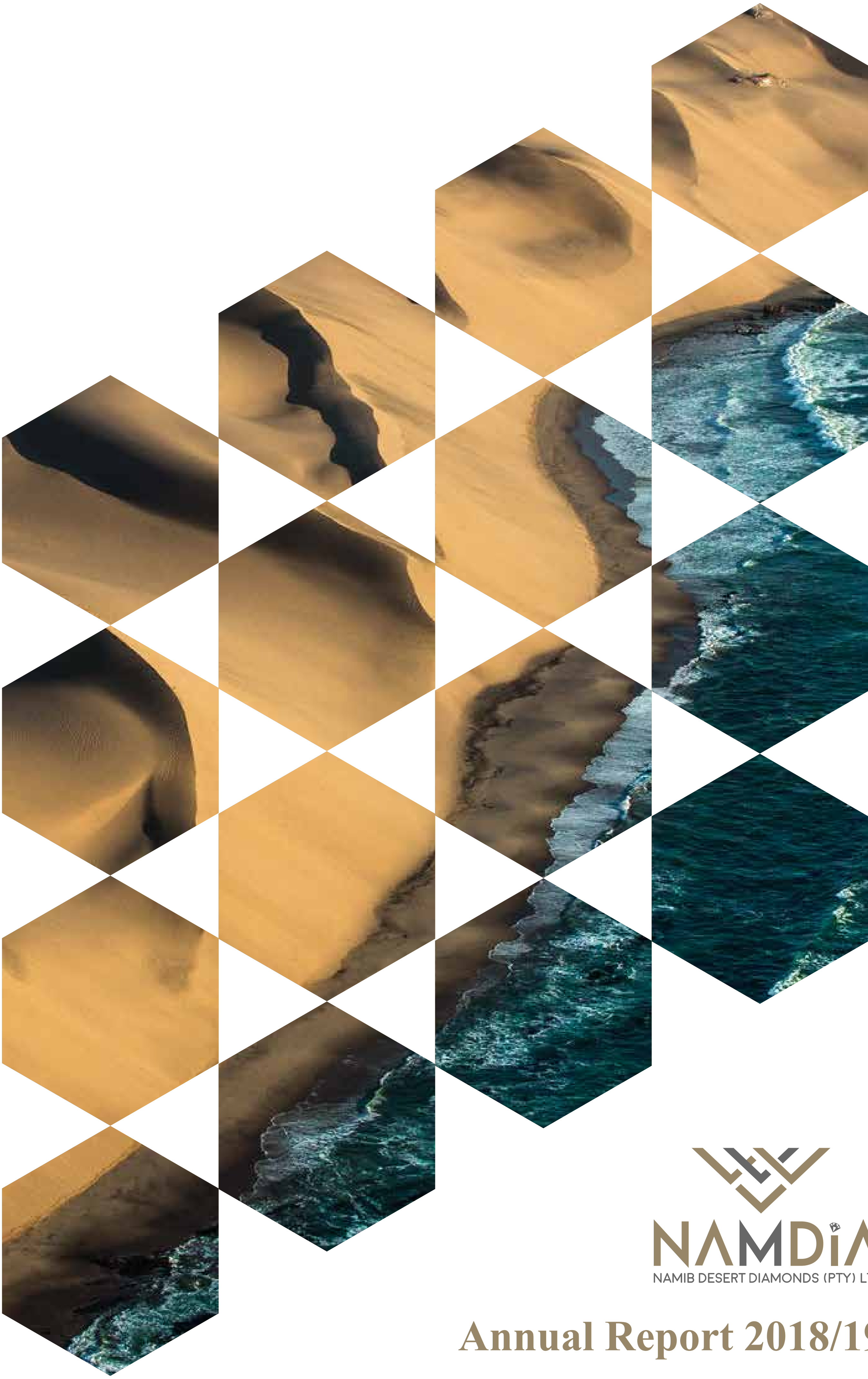


NAMDIA

NAMIB DESERT DIAMONDS (PTY) LTD

# Annual Report 2018/19

Diamonds have been valued and coveted for thousands of years. There is evidence that diamonds were being collected and traded in India as early as the fourth century BC.

In the first century AD, the Roman naturalist Pliny is quoted as having said, “Diamond is the most valuable, not only of precious stones, but of all things in this world.”

*Source: BrilliantEarth*

# EXECUTIVE SUMMARY

In 2016, the birth of NAMDIA enabled Namibia to determine the value of her diamonds and contribute to her socio-economic development. NAMDIA's business plan has always been about exploring future upside opportunities further down the value chain in the international diamond pipeline. In its short existence, NAMDIA has proven that it will live up to its mandate to earn valuable foreign currency revenue for the Government and ensure that it contributes meaningfully to the country's socio-economic development.

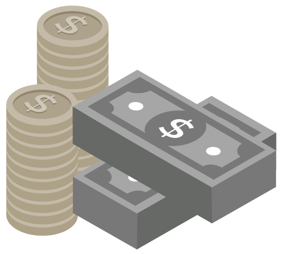
The diamond industry has moved from a relatively stable environment to a highly uncertain environment. The global economic activity slowed notably in the second half of 2018 after strong growth in 2017 and early 2018, reflecting a convergence of factors affecting major economies.
In fulfilling its key strategic objectives, NAMDIA participated directly in the diamond value chain through trading and distributing its allocation of Namibian rough diamonds and created a Namibian footprint on the downstream market.

Despite an extremely challenging year in the Namibian economy and the introduction of synthetics, NAMDIA has continued to outperform its target by achieving an increase of 17% in gross profit from the previous financial year. This positive financial performance is attributed to a well-executed strategy that indeed focused on revenue maximization for Namibian diamonds; optimization of the sales strategy and robust internal processes and procedures and the positioning and branding of Namibia in the global market.

During 2018/19 period NAMDIA purchased and sold 304,033 carats these were conducted over ten (10) sales transactions. The selling price per carat was US$552.58 on average, compared to US$537.25 recorded in the previous financial year, the margins attained averaged 3.9%. The stone size in the NAMDIA Entitlement averaged 0.54 carat. In comparison to the previous year, 2018 was the difficult year in terms of the market conditions, during 2017 the margin of 4.3% on average was achieved, these were more pronounced during the second half of the year.

It has been a successful year for NAMDIA with a number of important milestones achieved. NAMDIA remains well-positioned to continue to deliver sustainable and superior selling prices on behalf of its shareholder. The figures illustrate the successful implementation of strategies to achieve excellence through continuous improvement of our internal processes. They also illustrate the efforts of our Management Team who have ensured that our limited resources are efficiently utilized whilst ensuring that the quality of our service delivery to our clients, stakeholders and shareholders is not compromised.

## N$273.8 million

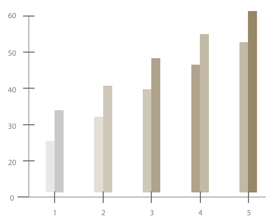


NAMDIA's gross profit amounted to N$273.8 million.

## N$99,3 million

NAMDIA paid N$99,3 million in income taxes and export levies.


## 10 sales

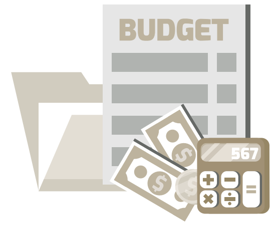


The period to date saw 10 sales, totalling 304,033 carats for an average of USD 552.58 per carat, significantly up from the FY 18 average price of USD 537.25.



## N$50 million

NAMDIA paid its first dividend of N$50 million to its shareholder, the Government of the Republic of Namibia.

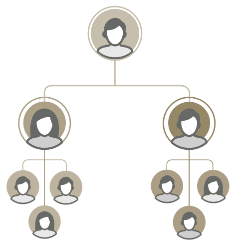



## 7 December 2018

NAMDIA's building, Eumbo, was officially inaugurated by Honourable Tom Alweendo, Minister of Mines and Energy on 7 December 2018.

## Key positions

NAMDIA has filled almost all of its key positions in the organizational structure thus ensuring efficiency and effectiveness in our services.



## Key policies

NAMDIA has developed and implemented key policies to ensure that the company has well-documented processes and systems.

## Campaign

NAMDIA has continued its robust communication campaign with a view to ensuring that the Namibian people, our stakeholders and shareholder have a much-illuminated insight into our business operations. This is pivotal to counter erroneous perceptions about our progressive business.

Overall, 2018 was a good year for the industry, even if it ended with uncertainty about the potential impact the US-China trade war might have on luxury spending. The industry will have to intensify its efforts to reform and steer the changing consumer landscape, especially considering the prevailing concerns about China and the rising acceptance of synthetic diamonds, if it wants to ensure the positive momentum continues into the next decade.

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## CHAPTER ONE
Chairman’s Report

# 1. CHAIRPERSON'S REPORT

On behalf of the NAMDIA Board of Directors I'm pleased to present the company's Annual Report for the financial year that ended 28 February 2019.



## ON BEHALF OF THE BOARD, I WOULD LIKE TO EXPRESS OUR GRATITUDE TO ALL THE STAKEHOLDERS AND THE SHAREHOLDER OF NAMDIA.

**Industry Outlook**
The diamond industry has moved from a relatively stable environment to a highly uncertain environment. De Beers launched its lab-grown diamond jewellery in 2018. This has serious consequences for the actors in the diamond industry.

De Beers raised its output figures for 2018 to 36 million carats. The figure was revised upwards and is the highest level in a decade. Looking ahead to 2019, production levels will decline to 31-33 million carats. The Miner reported that this reduction was due to declining open pit production at the Venetia mine in South Africa and the closure of the Victor mine in Canada.

**Highlights and milestones**
It has been a successful year for NAMDIA with a number of important milestones achieved. NAMDIA remains well positioned to continue to deliver sustainable and superior selling prices on behalf of its shareholder. These figures illustrate the successful implementation of strategies to achieve excellence through continuous improvement of our internal processes. They also illustrate the efforts of our Management Team who have ensured that our limited resources are efficiently utilized whilst ensuring that the quality of our service delivery to our clients, stakeholders and shareholders is not compromised.

- NAMDIA's profit before tax amounted to N$238.6 million.
- NAMDIA paid N$99,3 million in income taxes and export levies.
- The period to date saw 10 sales, totaling 304,033 carats for an average of USD 552.58 per carat, significantly up from the FY 18 average price of USD 537.25.
- NAMDIA paid its first dividend of N$50 million to its shareholder, the Government of the Republic of Namibia.
- NAMDIA's building, Eumbo, was officially inaugurated by Honourable Tom Alweendo, Minister of Mines and Energy on 7 December 2018.
- NAMDIA has filled almost all of its key positions in the organizational structure thus ensuring efficiency and effectiveness in our services.
- NAMDIA has developed and implemented key policies to ensure that the company has well documented processes and systems.
- NAMDIA has continued its robust communication campaign with a view to ensuring that the Namibian people, our stakeholders and shareholder have a much illuminated insight into our business operations. This is pivotal to counter erroneous perceptions about our progressive business.

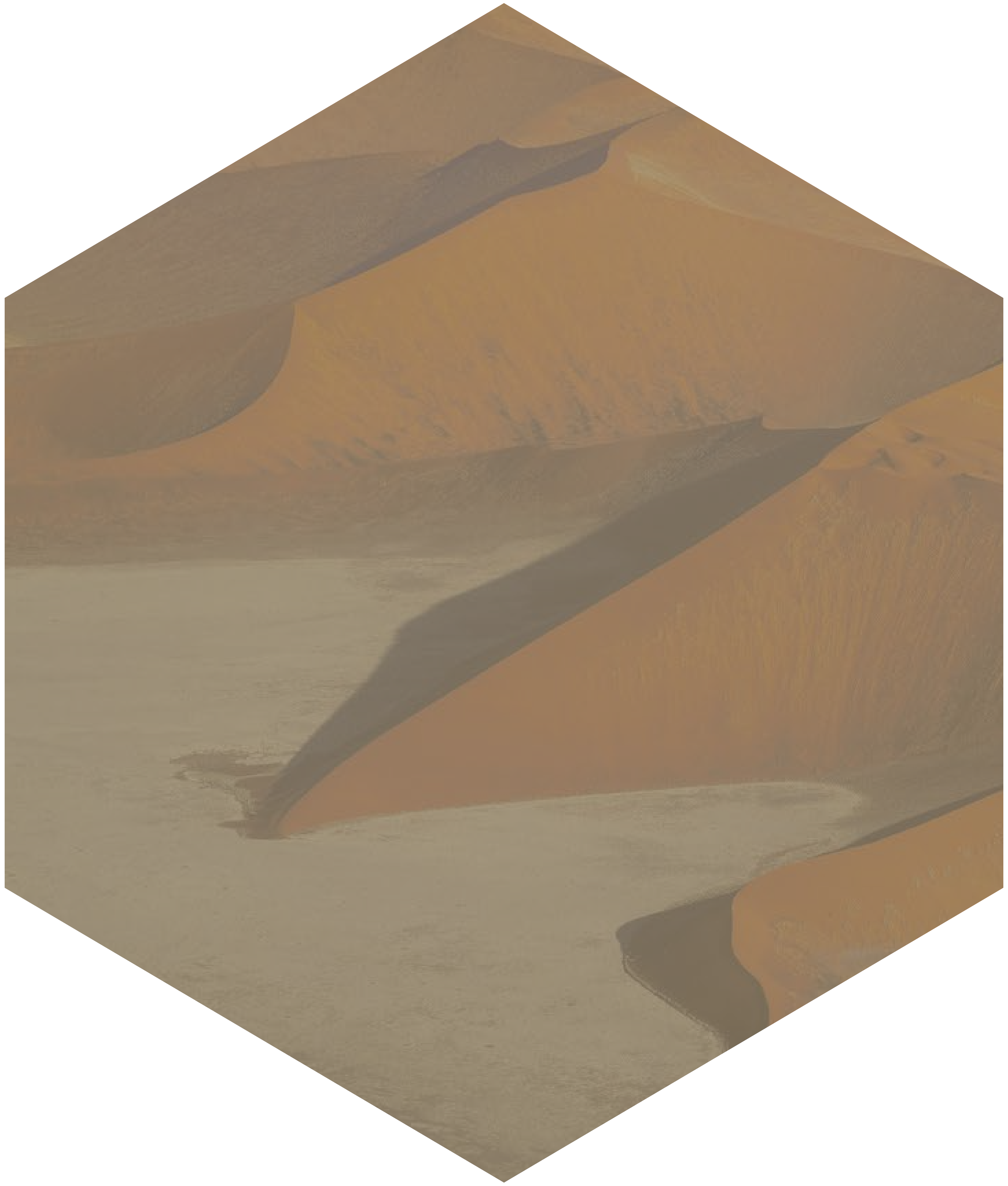
**Concluding Remarks**
Despite the challenging economic outlook of our country and the growth of lab-grown diamonds, NAMDIA remains optimistic in fulfilling its mandate. Our operations are in great shape and our strategy has gained traction.

On behalf of the Board, I would like to express our gratitude to all the stakeholders and the shareholder of NAMDIA.

I also want to pay tribute to the employees of NAMDIA for their loyalty and professionalism in their service for NAMDIA. I have great faith in the management of the organization, under the leadership of our CEO, Kennedy Hamutenya, and its ability to ensure NAMDIA continues realizing its vision and strategic objectives.

Lastly, I would also like to thank my Board colleagues for their ongoing contributions. It is a real pleasure, and a privilege to work with such an experienced and dedicated team committed to the objectives and goals of NAMDIA.

**Adv. Shakespeare Masiza**
*Chairman*



# CHAPTER TWO
CEO Report

# 2. CHIEF EXECUTIVE OFFICER'S REPORT

**Industry Overview**

The market has finally entered a downturn, having enjoyed a lengthy buoyant period. The market has been battling with lower profit margins, lack of Bank finance, the depreciation of the Indian rupee and the competition from man-made synthetic gems (laboratory grown diamonds) especially against non-certified smaller sized natural diamonds. In a bid to help their clients, De Beers gave the buyers at its sights a green light to defer purchases of smaller sizes and Indian quality rough. Most Sightholders deferred purchases of these lower value diamonds. Most boxes are being sold below cost price or at a small profit with long credit terms.



## LOOKING AHEAD, THE MARKET OUTLOOK IS PROMISING IN THE MEDIUM TO LONG-TERM, SUPPLY AND DEMAND FUNDAMENTALS LOOK FAVORABLE.

The diamond industry has moved from a relatively stable environment to a highly uncertain environment. On 29th May 2018, De Beers launched a laboratory grown diamond jewellery brand, Lightbox Jewellery. 2019 and the years ahead will see lab-grown diamonds for jewellery entering the growth phase. This has serious consequences for the actors in the natural diamond industry.

We remain cautiously optimistic going forward as experience has taught us that the diamond industry is susceptible to global economic traumas and negative cycles, global political instability and consumer confidence.

**NAMDIA's Performance**

Despite an extremely challenging year in the Namibian economy and the introduction of synthetics, NAMDIA has continued to outperform its target by achieving an increase of 17% in gross profit from the previous financial year. This positive financial performance is attributed to a well-executed strategy that focuses on revenue maximization for Namibian diamonds; optimization of the sales strategy and robust internal processes and procedures.

The year under review was a good one in terms of our operational and financial performance and our clients have paid premium prices and our cash position continues to strengthen.

- NAMDIA had 10 sales during the period under review, totalling 304,033 carats for an average of USD 552.58 per carat.
- Since inception NAMDIA bought and sold 758,453 carats, averaging 27,088 carats per cycle. Lowest cycle: 17,882 carats (US$9.2mil) and highest 44,219 carats (US$22.6mil).
- The full year profit after tax amounts to N$161.9 million, up 16% from the prior year's N$139 million. Increased sales of 17% due to increased Namdeb Holdings Mining output, resulted in the profit before tax of N$238.6 million.
- During the period under review, we have been able to use part own cash reserves to buy rough diamonds when our allocation of rough diamonds entitlement from the NDTC was unusually high due to disproportionate and unusual high production from the mine.
- Export levy of N$22.6 million was paid for the full year.

NAMDIA declared dividends to our shareholder, the Government and people of Namibia, to the tune of N$50 million, from less than two years of operations, proving that NAMDIA is indeed a compelling value proposition for the Government of the Republic of Namibia, and contributing its part towards socio-economic development of the country.

I am pleased to report that the board approved the NAMDIA five-year strategic plan. It is imperative that an organization has a strategic vision, implemented by a team with the requisite expertise, exceptional skills and wide ranging experience. Our executive management team is in place and is tirelessly ensuring the successful implementation of our strategic plan. It is essential to report that our performance management system has been developed and implemented based on our five-year strategic plan.

Our Board of Directors is highly engaged and dedicated to creating long term, sustainable value based on strong principles of governance and an appropriate tone from the top. Our corporate governance framework is carefully crafted, and continually evaluated and updated, to ensure that it promotes accountability and supports our strategy to foster long term value and sustainable growth for the benefit of all shareholders.

NAMDIA's building, Eumbo, was officially inaugurated by Honourable Tom Alweendo, Minister of Mines and Energy on 7 December 2018. This is one of the greatest milestones for NAMDIA after the hard work and dedication to ensure that the company has a safe working environment; and that our diamonds are safely guarded and secured. Our Eumbo Building has state of the art modern security equipment and technology. I am pleased to report that since inception, NAMDIA has ensured the safekeeping of our diamonds and not a single diamond has disappeared during the production cycle and during importing and exporting.

During the year under review, NAMDIA commenced the new client application process. NAMDIA placed advertisements inviting all interested parties to apply to become NAMDIA's Clients. The aim of the process is to expand our client base through the exploration of mixed sales strategies depending on our assortment and the qualities and sizes that the mine presents to us. I will provide a detailed update in next year's annual report as this process was finalized during March 2019.

NAMDIA is proud and honored to have received a PMR Africa Diamond Arrow Award in the category of the most innovative companies/institutions, Human Gems in Namibia. The ratings are based on the perceptions of the respondents.

From a human resources perspective, for the period under review, the Human Resources Department was active in securing the future of NAMDIA 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 where employees can thrive, are optimally engaged, challenged, empowered, are enabled to deliver superior sustained organisational and individual performance. NAMDIA initially had an organisational structure that comprised of 44 employees, however, in order to save costs, whilst still ensuring efficiency, robust productivity and excellent service, it was reduced to 25 employees. The total staff complement consists of 21 employees, 9 females and 12 males, the average age of the workforce is 40 years old, while the oldest employee being 57 years old and the youngest being 27 years old. The average labour cost as percentage (%) of total operational cost is 52%, which is well within the industry norm.

**Stakeholder Engagement**

We are continuing our respectable track record with regard to our ongoing initiatives to engage with all stakeholders and we are seeing the benefit, specifically in terms of employee commitment to the workplace, interest in our product, growth in revenue and improved interactions at government, regulatory, industry and client levels.

**Public Relations**

NAMDIA, in line with its approved Communication Strategy, kicked off its advertising campaign in the local media during the year under review. This campaign is strengthened with editorials in the form of media releases, TV advert and billboards. The media releases aimed to strengthen the establishing advertising campaign and to provide salient information on NAMDIA and position us as the most authoritative source on all things NAMDIA. Social and digital media continues to push the NAMDIA brand into all segments of society.

**Corporate Social Responsibility**

NAMDIA has invested N$485 000.00 towards support for the Brave Warriors, our national soccer team during the period under review. The purpose of our investment was initially for the qualification for the 2019 African Cup of Nations that will serve as an incentive for the players to perform at their peak and to once again push this nation through the greatest sports contest on this continent. However, we have decided to continue supporting our national team for the next three years as we see sport as a unifier and we want to create role models that will inspire the youth of Namibia to become anything that they want to be. Moreover, we pledge our support for the Brave Warriors as part of one of our pillars of nation building as sport assists our youth to develop discipline, healthy habits and by keeping our young people on the sports fields so that they can also stay away from self-destructive behaviors of alcohol, drug abuse and other counterproductive activities and behaviors.

**Looking ahead**

The results we have achieved over the past year reflect the quality of the leadership and the amazing team of NAMDIA employees. I want to express my personal thanks, and that of our executive committee, to everybody that has given a considerable amount of time and commitment during the year to ensure our ongoing success. These contributions, both large and small, strengthen the philosophy of Ubuntu.

Thank you also to the members of our board for their wise counsel and guidance during the year. Apart from a successful operating year, we have made good progress with changes and advancements that have enhanced our overall governance procedures, and the stewardship of NAMDIA.

Most importantly, my gratitude to all our shareholders in particular our Line Ministry: Ministry of Mines and Energy, Ministry of Finance, Ministry of Public Enterprises and my fellow Namibian people.

Lastly, I would also like to thank our loyal clients who have always stood by us and carried our product worldwide since our inception. Your confidence in our processes underpinned by regulation enshrined in the Kimberley Process Certification Scheme and your desire to buy diamonds of the highest gem quality has sustained us thus far, we hope to continue this relationship going forward and expand our buyer-base to other destinations in the new year.

**Kennedy Hamutenya**
*Chief Executive Officer*

## CHAPTER THREE
Strategic Overview

# 3. STRATEGIC OVERVIEW

## 3.1 OVERVIEW OF NAMIB DESERT DIAMONDS

NAMDIA has been established and licensed by the Ministry of Mines and Energy as a rough diamond trader with business operations focused on the purchase of rough diamonds and sale of these diamonds to the international diamond industry. NAMDIA is positioned to create a sustainable route to market 15% of NAMDEB Holdings' total production of rough diamonds, thus further ensuring Namibia's place as a major player in the entire 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. It can further consign some of those polished diamonds for jewellery-making.

NAMDIA leverages on the high quality and corresponding premium pricing of its Namibian diamonds to generate economic benefits to GRN, thereby supporting national development goals and policy in the diamond sector. NAMDIA intends creating a brand that positions Namibian diamonds as a niche product in the luxury brand segment as well as to make it a highly sought-after commodity by 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.

The objective of NAMDIA is to serve as a price discovery and revenue maximisation mechanism for the Namibian government. This will be achieved by participating directly in the diamond value chain through trading and distributing its allocation of Namibian rough diamonds and create a Namibian footprint on the downstream market. The price discovery mechanism will ensure that the nation receives its full, fair share of the revenue from the development of its upstream deposits and that GRN decision-making on upstream and mid-stream tax, investment, promotion and other diamond policies is fully informed.

NAMDIA will further advise GRN in general, and the Ministry of Mines and Energy (MME) at a high level on the overall policy concerning the diamond industry. The industry remains a key contributor to national economic accounts, which is increasingly driven by developments and trends in the downstream market. NAMDIA was established as Namibia's wholly-owned sovereign agency to sell and market our entitlement as per the agreement in the international diamond pipeline and to create a footprint of Namibia's high-quality diamonds in the discerning niche market.

The establishment of NAMDIA was thus, a decision taken by GRN to assert its sovereign rights over mineral resources in this manner.

## 3.2 NAMDIA OBJECTIVE

**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 Namibia 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. Fulfilling our corporate social responsibilities.

### 3.3.3 NAMDIA CORE VALUES

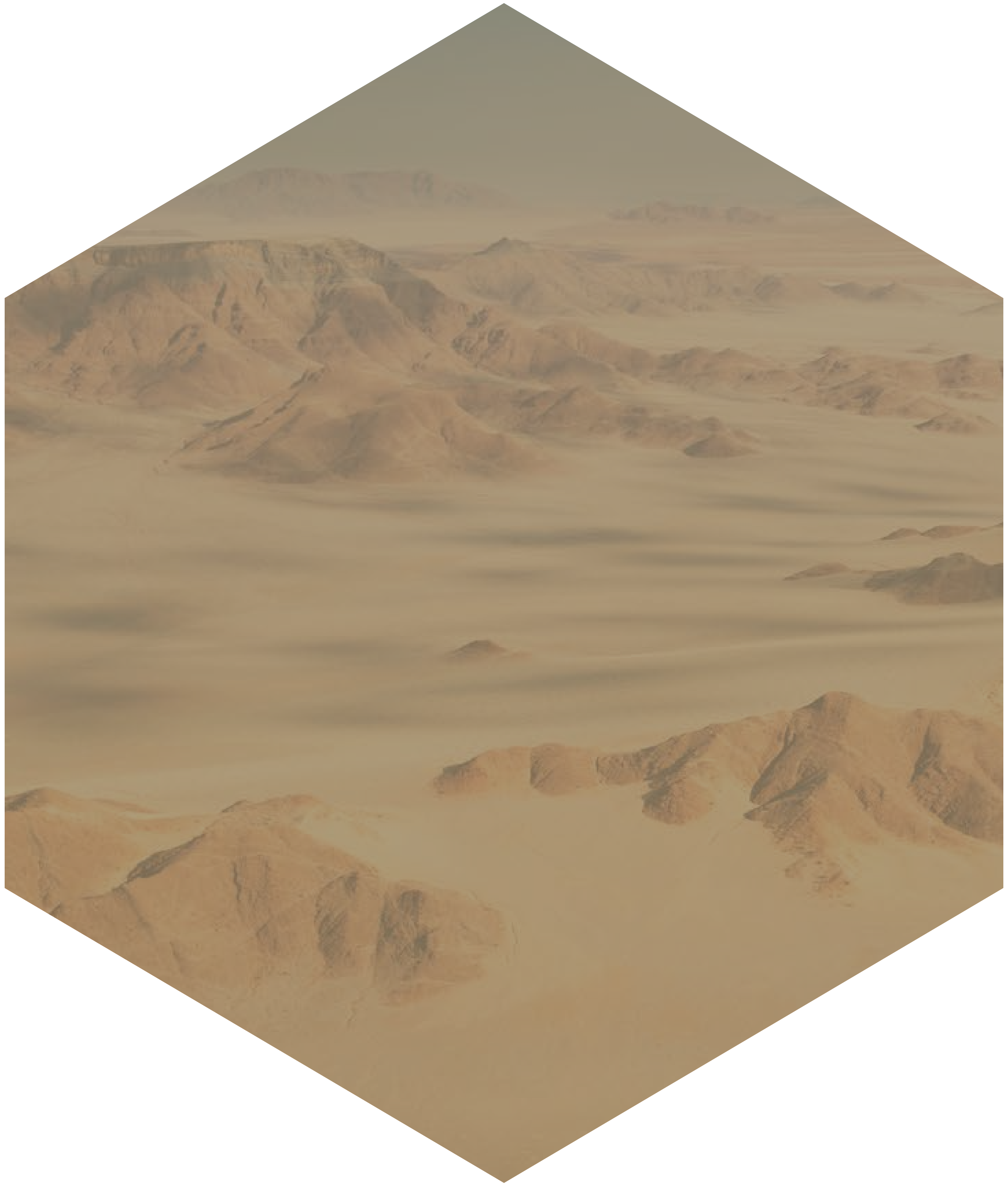
**Integrity** – Acting with honesty and honour, underpinning our long-term relationships with our stakeholders.

**Client Focus** – To offer 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 FOUR**
Operations of NAMDIA

## 4.1 ORGANISATIONAL STRUCTURE

### BOARD OF DIRECTORS








***01 ADV Shakespeare Masiza***
*Chairman*
***02 Ms Tania Hangula***
*Deputy Chairperson*
***03 Mr Venondjo Maharero***
*Director*

***04 Mr Bonifatius Konjore***
*Director*
***05 Mr Chris Nghaamwa***
*Director*

***06 Mrs Liina Muatunga***
*Director*
***07 Mrs Lorentha Harases***
*Director*

# 4.1 ORGANISATIONAL STRUCTURE

## MANAGEMENT STRUCTURE



*01* ***Kennedy Hamutenya***
*CEO*

*02* ***Lelly Usiku***
*GM: Sales and Marketing*

*03* ***Irwin D Haihambo***
*GM: Human Resources and Administration*

*04* ***Clarky McKay***
*GM: Security and Safety*

*05* ***Sven Von Blottnitz***
*GM: Finance*

*06* ***Marvel Tjombonde***
*Company Secretary & Legal Advisor*

# 4.2 CORPORATE GOVERNANCE REPORT

Our corporate governance is structured and managed in a transparent manner in accordance with due process. The members of the Board of Directors (the "Board") are appointed by the Minister of Mines and Energy for the period 2 August 2016 – 01 August 2019 and comprise of six non-executive independent Directors.

The Broad leadership role includes: setting the direction for realising the group's core purpose and values through its strategy and approving policy, including plans, frameworks, structures and procedures. It also provides oversight on implementation, and demonstrates accountability and transparency through disclosures.

**Directors**
The NAMDIA Board comprises of the following directors:
- Adv. Shakespeare Masiza (Chairperson)
- Ms. Tania Hangula (Deputy Chairperson)
- Mrs. Lorentha Harases (Director)
- Mr. Bonifatius Konjore (Director
- Mr. Venondjo Maharero (Director)
- Mr. Chris Nghaamwa (Director)

**Board and committee meetings**
During the financial year under review the Board held three (3) ordinary and three (3) special Board Meetings. Special meetings are convened when necessary. The attendance of directors at Board and Committee meetings during the reporting period is reflected below.

| Name of Director | Board | Meetings (3) Special meeting (3) | Audit, Risk and Compliance Committee | Meetings (2) | Human Resources and Remuneration Committee | Meetings (4) | Annual General Meeting |
|---|---|---|---|---|---|---|---|
| Adv. S. Masiza | Chairperson | 6/6 | | | Member | 4/4 | 1/1 |
| Ms. T. Hangula | Deputy Chairperson | 4/6 | | | Chairperson | 4/4 | 1/1 |
| Mrs. L. Harases | Director | 6/6 | Chairperson | 2/2 | | | 1/1 |
| Mr. B. Konjore | Director | 5/6 | Member | 2/2 | | | 1/1 |
| Mr. V. Maharero | Director | 6/6 | | | Member | 4/4 | 1/1 |
| Mr. C. Nghaamwa | Director | 5/6 | Member | 2/2 | | | 1/1 |

**Governance Framework**
The Board is ultimately responsible for ensuring that governance standards are met and is assisted in this regard by senior management. To achieve this objective, NAMDIA continues to enhance and align its governance structures, policies and procedures to support its operations and strategy.

The Board is the custodian of corporate governance and is structured to perform this function effectively. Two committees have been established to ensure oversight of significant strategic and operational matters. Both committees have formal terms of references and report to the board. The terms of reference inform the various committee meeting agendas and that the committees are satisfied that its responsibilities have been executed for the year.

1. The Audit, Risk and Compliance Committee assists the Board in monitoring the integrity of the company's financial statements, oversees integral reporting and assess the effectiveness of internal financial controls and the external and internal audit functions. It ensures that NAMDIA has implemented an effective risk management and compliance process that identifies and monitors the management of key risks and ensures compliance to legislation, directives, *inter alia.*

**Composition of the audit, risk and compliance committee**
Mrs. L. Harases (Chairperson), Mr. C Nghaamwa, and Mr. B Konjore

2. 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, market-related and drives 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.

**Composition of the human resources and remuneration committee** Ms. T Hangula (Chairperson), Mr. V. Maharero and Adv. S. Masiza

**Conflict of interest**
Directors sign a declaration stating that they are not aware of any undeclared conflicts of interest that may exist due to their interest in, or association with, any other company. In addition, directors disclose interests in contracts and related party transactions for the board to assess whether such transactions are on arm's length commercial terms. In such instances, directors will recuse themselves from deliberations on these matters. *"Conflict of interest"* is a standing agenda item at all board and committee meetings.



# 4.3 SALES REPORT

### 4.3.1 DEVELOPMENTS IN THE DIAMOND MARKET

**Global Economic Development**
The global economic activity slowed notably in the second half of 2018 after strong growth in 2017 and early 2018, reflecting a convergence of factors affecting major economies. China's growth declined following a combination of needed regulatory tightening to rein in shadow banking and an increase in trade tensions with the United States. Trade tensions increasingly took a toll on business confidence and, so, financial market sentiment worsened, with financial conditions tightening for vulnerable emerging markets in mid-2018 and then in advanced economies later in the year, weighing on global demand. Risks are still tilted to the downside, notably the continued trade tensions between the US and China and no-deal Brexit.

**Rough Diamonds**
De Beers rough diamond production for 2018 is estimated at 35.3 million carats, a 6% increase compared to 2017. The rough diamond sales volumes went down 4% to 33.7 million carats, lower than production, driven by lower demand for lower value rough diamonds in the second half of 2018. The miner explains that in the second half, the low-priced product segment of rough diamonds came under considerable pressure due to weak demand and surplus availability, the rapid depreciation of the rupee and a reduction in bank financing in the midstream. For 2019, De Beers predicts production to range between 31 to 33 million carats, subject to trading conditions.

Russian diamond mining giant, Alrosa has announced its production results for 2018 reporting that annual production declined by 7% to 36.7 million carats, while an 8% decline in carats sold was compensated by a higher average price per carat, leading revenues to rise by 6% to US$4.5 billion. The miner attributed the fall in output to the shutdown of the Mir underground mine and the completion of open-pit mining at the Udachnaya pipe. Alrosa sold 38.1 million carats in 2018 compared to 41.2 million in 2017. The average price per carat increased by 21% to US$164, as the company noted an overall recovery in diamond demand except for the lower-priced stones, where demand was weak. Alrosa has set its 2019 production forecast at 38 million carats.

The strength of the US dollar against China's yuan and the Indian rupee continued to exert additional pressure on the diamond and jewelry trade in those markets. The depreciation of the Indian rupee and Chinese yuan raised costs for local traders and dampened consumer spending in those markets. Manufacturers remain cautious, due to several reported bankruptcies in India, tight bank lending, and expensive rough diamonds that squeezed profit margins. Melee, meanwhile, has been especially weak in 2018; there's been an oversupply in the market, as well as a drop in Indian demand due to the rupee depreciation. The threat of undisclosed synthetics is also a leading factor for jewelers to avoid melee inventory, which are non-certified smaller sized natural diamonds.

Demand for rough diamonds echoed the situation on the polished diamond market, where uncertified melee diamonds saw the strongest price decline due to oversupply, weak rupee and lower liquidity in India. Lower prices for small-size diamonds coupled with flat personnel expenses decreased the profitability of melee diamond polishing.

**Blockchain and Diamond Provenance**
Several traceability programs were launched in the past two years, marking a shift in the way the diamond and jewelry trade operates. Transparency and authenticity are central to the consumer experience. The ability to trace, track and verify a diamond's origins, from the mine, throughout every stage of manufacturing, the various stages of trading, all the way to the jewelry store and the final buyer has become more imperative. The cost of not being able to vouch for your supply is extremely high and consumers value the story of traceable diamonds if it is told to them. The source-verification programs, coupled with innovative marketing, will become a standard feature of diamond sales, going forward.

**Synthetic Diamonds**
The diamond industry has moved from a relatively stable environment to a highly uncertain environment during the period under review. In 2018, De Beers launched its lab-grown diamond jewellery, Lightbox which caused a widespread industry debate on the possible ramifications. The new Company Lightbox jewelry will sell fashion jewelry containing lab-grown stones at affordable prices at US$200 for a 0.25 carat stone and US$800 for one carat. In addition, the U.S. Federal Trade Commission revised its guidelines for the identification of the stones. Diamonds are now defined as "a mineral consisting essentially of carbon crystallized in the isometric system." Previously the definition included the word "natural," which has now been omitted, opening the door for lab-grown stones to legally identify as diamonds, this represents a further acceptance of synthetics among consumers. Miners will rethink their strategy in light of uncertainty about natural diamond demand, and questions about the value of a diamond. Synthetics are likely to gain market share from an estimated 6%, particularly as production costs decrease.

Analysts and investors are betting that the lab-grown-diamond market will expand in 2019. In fact, lender ABN Amro cautioned that rising demand for synthetic-diamond jewelry could impact the natural-diamond market as synthetics shift from an introductory to a growth phase. As technology progresses, lab-grown producers will be able to create higher-quality stones, which may prove more attractive to consumers. It also seems that many millennials are quite happy to buy man-made stones, provided they are disclosed.

The effects on natural diamond demand and price will depend on consumer perceptions and preferences. If the natural diamond industry can differentiate its stones from lab-grown diamonds and perhaps positioning lab-grown diamonds as fashion jewelry rather than luxury items, the effect on natural diamond demand can and will be limited.

# 4.3 SALES REPORT

**Looking back to 2018 and 2019 Outlook**

Overall, 2018 was a good year for the industry, even if it ended with uncertainty about the potential impact the US-China trade war might have on luxury spending. The industry will have to intensify its efforts to reform and steer the changing consumer landscape, especially considering the prevailing concerns about China and the rising acceptance of synthetic diamonds, if it wants to ensure the positive momentum continues into the next decade.

**4.3.2 NAMDIA SALES PERFORMANCE**

NAMDEB Holdings production increased by 11% to 2.0 million carats during 2018 when compared to the previous year. The increased production was attributed to NAMDEB accessing consistently higher grades at the land-based operations and the technology-led optimisation of the marine drill fleet. As a result, and in line with the governing agreement between the parties, NAMDIA purchase entitlement increased by 20% during the financial period under review.

In its short existence, NAMDIA has proven that it will live up to its mandate to earn valuable foreign currency revenue for the Government and ensure that it contributes meaningfully to the country's socio-economic development.

During 2018/19 period NAMDIA purchased and sold 304,033 carats these were conducted over ten (10) sales transactions. The selling price per carat was US$552.58 on average, compared to US$537.25 recorded in the previous financial year, the margins attained averaged 3.9%. The stone size in the NAMDIA Entitlement averaged 0.54 carat. In comparison to the previous year, 2018 was the difficult year in terms of the market conditions, during 2017 the margin of 4.3% on average was achieved, these were more pronounced during the second half of the year.

**Selection of NAMDIA Clients**

During the period under review, NAMDIA has advertised inviting all interested parties to apply to become NAMDIA Clients. The advert ran for two months and 30 October 2018 served as the closing date for the submission of the applications. At the end of the closing date, NAMDIA received a total of 74 applications from 11 countries. Out of the 74 applicants; 58 paid the non-refundable application fee of US$10,000.00; 4 applicants were exempted those being the existing active NAMDIA clients and 12 did not pay. Belgium, India and the United Arab Emirates were the top 3 countries where most applications originated. Namibia came fourth with 7 applications in total of which 3 were NDTC sightholders.

The objective was to ensure that NAMDIA attracts customers who meet high standards of business conduct and possess a keen insight into the diamond market. NAMDIA strategically strives to target clients that are ideally the best fit for NAMDIA's business model and also seeks to have clients based in all the various diamond centres within the global diamond pipeline.

The client selection focused on the applicant's technical ability and world-class business excellence, including business management, ethical accountability and legal compliance. Amongst others, the NAMDIA Client Selection Criteria considered the following factors; reliable business reputation, financial stability, experience in the trade of natural rough diamonds and their end products and having a vertically integrated business model.

# 4.4 HUMAN RESOURCES

The pace and change in the operating environment, has accelerated dramatically in recent years, producing large scale changes in business and society at large, further increasing the complexity and altering the playing field. For **NAMDIA** and other corporates, one consequence of these shifts is in the realisation that ultimately the best-laid strategies and plans are delivered through people, companies can create competitive advantage through their people strategies and outperform their peers, competitors on local and the international front. The NAMDIA Human Resources Department is guided by the organisational strategy aligned to the long term vision, working in collaboration with all its stakeholders to create an environment where employees can thrive, are optimally engaged, empowered, rewarded fairly and are enabled to deliver superior sustained organisational and individual performance.

**Our People**

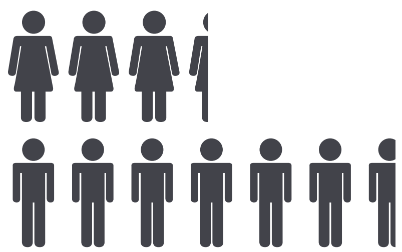
NAMDIA drastically reduced its organisational structure from forty-five (45) to twenty-seven (27) employees as projected in our initial business plan. This came as a result of the rigorous business interrogation, process review and re-engineering which resulted in a lean peoples structure based on delivery requirement of the revised business strategy which focused on optimal human capital deployment and engagement. The remaining vacancies on our structure will be filled during the 2019/20 Financial Year. The total staff complement consists of 21 employees, 9 females and 12 males, the average age of the workforce is 40 years old, while the oldest employee being 57 years old and the youngest being 27 years old.

**Female, Male Ratio**

43% Female

57% Male

**Female Vs Male in Management, the total Executive Management consist of 6 members, 2 females and 4 males (including the CEO)**



33% Female

66% Male

Leadership development and succession planning to ensure capacity and business continuity/sustainability will be key focus areas of people's strategy in the next financial year. To execute or strategy, several diverse skills-sets are required. We will focus on both upskilling, exposure and retaining our current employees, as well as attracting new skills to deepen our talent pools when vacancies arise.

**Employee Wellness**

NAMDIA participated in its maiden Best Company to Work for Survey in 2018. The survey revealed a ***Best Company Index*** (how attracted are your employees to the organisation) of 79.77% versus a benchmark of 64.8% for entire survey population and an ***Engagement Index*** (how employees think, act and feel at the workplace and the relationship with the levels of discretionary effort) of 84.93% versus a benchmark of 71.67% for entire survey population. Based on the outcome of the survey it is evident that we are on the right track, we need to reinforce the correct behaviours, live our values and continue to engage all employees in a meaningful approach. We continue to improve our levels of communication as we expand our human capital team to enable a higher level of interaction between all levels of work, including increased face-to-face communication via quarterly staff meetings. Overall we enjoy a sound and healthy relationship between all our people, management and with our board of directors.

We held a number of workshops to expose employees on the financial (budgeting, retirement savings) and emotional wellbeing, we also engaged vendors to coach employees on issues of dieting, healthy eating habits and on general fitness. We consider the holistic employee well-being as vital to the productivity of employees. Going forward we intend on improving our employee value preposition and leverage our digital platforms to bring us closer, create further opportunities of genuine human connections, acknowledgments and the roll-out of the performance management system.

# 4.5 SECURITY AND INFORMATION TECHNOLOGY INFRASTRUCTURE

The security of employees, diamonds and all other property is still an integral part of the system and the operational integrity of Namdia. Updating and upgrading of all systems, both for the security and data information is an essential and important aspect and as suck all necessary measures were updated, implemented and maintained thus ensuring a safe working environment for employees to work in and diamonds being kept, worked on and sold from. Rest assure that this national resource is in good hands.

Through implementing the necessary systems, procedures and policies, the confidentiality of all information is properly secured and relentlessly protecting such information.

The integrity of all systems and technology so installed and maintained ensures the protection of information and any and all unauthorized access and or attempted access are being addressed on a daily basis.

Security and Information Technology awareness programs and training are being envisage during the coming year to support the effectiveness of all Namdia operations and inclusive of a user centered design.

All operations are in compliance with the Diamond Act, 13/1992 as well as the Diamond Regulations No 84 of 2000.

# 4.6 FINANCIAL MANAGEMENT

**Properties**

Subsequent to the acquisition and fitting of our own building, the Eumbo building, Corner of Sam Nujoma Drive and Dr Kwame Nkrumah Avenue, which was completed in March 2018, Namdia entered into negotiations with the owner of the adjacent erf in Dr Kwame Nkrumah Avenue which resulted in the acquisition of the property by Namdia in January 2019. This property is to be developed in the next financial year in terms of the objectives of the strategic plan.

**Banking Facility**

Having traded successfully for the financial year, the banking facility was due for review in November 2018 and was increased to cater for possible changes to the business scenario. Presently, the facility is for USD 25 million, semi secured by collateral of a Fixed Deposit of N$ 145 million.

**VAT refunds**

A further key strategic finance aspect for Namdia remains obtaining the VAT refunds in a timely manner as cash flow to finance the operating expenses. The 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 auditing by the officials of the Large Taxpayers Office of the Receiver of Revenue. VAT refunds were paid out with sufficient promptness which allowed Namdia to build up sufficient cash reserves for the collateral for the banking facility as well as to pay taxes and dividends.

# 4.7 PUBLIC RELATIONS

In line with the Communication Strategy, our establishing campaign has kicked off in the local media with the advertising campaign. This campaign was supported with editorials in the form of media releases, TV advert and billboards. The media releases were aimed to strengthen the establishing advertising campaign and provide salient information on NAMDIA and position NAMDIA as the most authoritative source on all things concerning NAMDIA. Social and digital media continued to be utilised to push the NAMDIA brand into all segments of society.

During the period under review, NAMDIA hosted our new portfolio Minister and the Minister of Public Enterprises, who paid NAMDIA management and staff courtesy visits.

NAMDIA participated for the second time at the annual Chamber of Mines Mining Expo during 25-26 April 2018, the challenges of the synthetic diamonds on the diamond industry was presented to our key stakeholders. The Mining Expo serves as a great platform to educate the public about the operations of NAMDIA and promote the NAMDIA brand.

During its short existence, the company has demonstrated a compelling value proposition – it has proven its relevance. In that regard, during 2018, NAMDIA paid dividends to its shareholder, the Government of the Republic of Namibia, in the amount of N$50 million.

NAMDIA received a PMR.Africa Diamond Arrow Award in the category of the most innovative companies/institutions. 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.

As part of being a responsible corporate citizen and in line with our Corporate Social Responsibility policy, NAMDIA as a token of appreciation sponsored Brave Warriors, to the tune of N$485,000.00 towards qualifying for the African Cup of Nations 2019 (AFCON, 2019) (See picture below)



# 4.7 PUBLIC RELATIONS

Lastly, on the 7th December 2018 the Minister of Mines and Energy, Honourable Tom K. Alweendo officially inaugurated the NAMDIA building. At the establishment of NAMDIA, the company operated from a small office in one of Windhoek's malls. When an opportunity presented itself to purchase one of the historic sites of the city, mired in glorious history, the Board of Directors decided to buy this property. And besides the historical importance it also stands as a beacon of our independence as we – as the NAMDIA family – can operate in a safe environment underlined by an ambience where our discerning clients from across the globe can feel comfortable in and call a second business home – pretty much like what they would be used to.

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

**TRADING AS NAMDIA**

## CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATMENTS FOR THE YEAR ENDED 28 FEBRUARY 2019

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

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

# CHAPTER FIVE
Annual Financial Statements

# 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** | S.V. Masiza (Chairperson)<br>T. Hangula (Deputy - Chairperson)<br>V.K. Maharero<br>C.W.H. Nghaamwa<br>L. Harases<br>B. Konjore<br>L.M. Muatunga |
| **REGISTERED OFFICE** | Erf 366 Cnr of Dr Kwame Nkrumah Avenue &<br>Dr Sam Nujoma Drive<br>Klein Windhoek<br>Windhoek<br>Namibia |
| **POSTAL ADDRESS** | Private Bag 91600<br>Klein Windhoek<br>Windhoek<br>Namibia |
| **ULTIMATE HOLDING COMPANY** | Government of the Republic of Namibia |
| **BANKERS** | First National Bank of Namibia Limited<br>Standard Bank Namibia Limited |
| **AUDITORS** | EY Namibia<br>Chartered Accountants (Namibia)<br>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 statments were independently compiled by:<br>J.C. Hamilton<br>Hamilton Chartered Accountants |



NAMIB DESERT DIAMONDS (PROPRIETARY) LIMITED
(REGISTRATION NUMBER 2016/0338)
TRADING AS NAMDIA
CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATMENTS FOR THE YEAR ENDED 28 FEBRUARY 2019

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**The following supplementary information does not form part of the consolidated and separate annual financial statments and isunaudited:**

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| Detailed Income Statement | 76 - 77 |


# REPORT OF THE COMPILER

**To the shareholder of Namib Desert Diamonds (Proprietary) Limited**

We have compiled the consolidated and separate annual financial statments of Namib Desert Diamonds (Proprietary) Limited, as set out on page 44 - 75, based on the information you have provided. These consolidated and separate annual financial statments comprise the statement of financial position of Namib Desert Diamonds (Proprietary) Limited as at 28 February 2019, 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 statments 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 statments 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 statments. Accordingly, we do not express an audit opinion or a review conclusion on whether these consolidated and separate annual financial statments 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
15 July 2019
Windhoek



NAMIB DESERT DIAMONDS (PROPRIETARY) LIMITED
(REGISTRATION NUMBER 2016/0338)
TRADING AS NAMDIA
CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATMENTS FOR THE YEAR ENDED 28 FEBRUARY 2019

# 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 statments and related financial information included in this report. It is their responsibility to ensure that the consolidated and separate annual financial statments fairly present the state of affairs of the group 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 statments.

The consolidated and separate annual financial statments 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 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 all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group.

While operating risk cannot be fully eliminated, the group 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 statments. 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 cash flow forecast for the year to 29 February 2020 and, in light of this review and the current financial position, they are satisfied that the group 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 consolidated and separate annual financial statments. The consolidated and separate annual financial statments have been examined by the group's external auditors and their report is presented on pages 42 - 43.

The consolidated and seperated annual financial statements were compiled independently by Hamilton Chartered Accountants for the year ended 28 February 2019.

The consolidated and separate annual financial statments set out on page 44 - 75, which have been prepared on the going concern basis, were approved by the board of directors on 12 July 2019 and were signed on their behalf by:

**Approval of financial statements**

S.V. Masiza (Chairperson)

T. Hangula (Deputy - Chairperson)
Friday, 12 July 2019

# INDEPENDENT AUDITOR'S REPORT

**To the shareholder of Namib Desert Diamonds (Proprietary) Limited**

**Opinion**

We have audited the consolidated and separate annual financial statments of Namib Desert Diamonds (Proprietary) Limited set out on pages 44 - 75, which comprise the directors report and the statement of financial position as at 28 February 2019, and 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 notes to the consolidated and separate annual financial statments, including a summary of significant accounting policies.

In our opinion, the consolidated and separate annual financial statments present fairly, in all material respects, the financial position of Namib Desert Diamonds (Proprietary) Limited as at 28 February 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act 28 of 2004, as amended 2007.

**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 financial statements section of our report. We are independent of the group in accordance with the sections 290 of the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Revised July 2016), parts 1 and 3 of the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants (including International Independence Standards) (Revised July 2018)* and other independence requirements applicable to performing audits of 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 38, report of the compiler on page 40, the director's responsibilities and approval on page 41 as well as the detailed income statement on page 76 to 77, which was obtained prior to the date of this report, and the "NAMDIA – Namib Desert Diamonds (Pty) Ltd Annual Report 2018/2019 for the year ended 28 February 2019", 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 annual financial statments, 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 annual financial statments 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 Annual Financial Statments**

The directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statments in accordance with International Financial Reporting Standards and the requirements of the Companies Act 28 of 2004, as amended 2007, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate annual financial statments that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate annual financial statments, the directors are responsible for assessing the group'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 or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the Consolidated And Separate Annual Financial Statments**

Our objectives are to obtain reasonable assurance about whether the consolidated and separate annual financial statments 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 International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate annual financial statments.



NAMIB DESERT DIAMONDS (PROPRIETARY) LIMITED
(REGISTRATION NUMBER 2016/0338)
TRADING AS NAMDIA
CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATMENTS FOR THE YEAR ENDED 28 FEBRUARY 2019

# INDEPENDENT AUDITOR'S REPORT

As part of an audit in accordance with International Standards on Auditing, 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 annual financial statments, 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 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 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 the consolidated and separate annual financial statments 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 to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate annual financial statments, including the disclosures, and whether the consolidated and separate annual financial statments 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 and separate 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 Accountant & Auditor
Chartered Accountant (Namibia)
Windhoek
15 July 2019

# DIRECTORS' REPORT

The directors have pleasure in submitting their report on the consolidated and separate annual financial statments of Namib Desert Diamonds (Proprietary) Limited and the group for the year ended 28 February 2019.

**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 38.

**2. NATURE OF BUSINESS**
Namib Desert Diamonds (Proprietary) Limited was incorporated in Namibia with interests in the diamond sales sector.

The principal activity of the 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. The company operates principally in Namibia.

The activities of the group are undertaken through the company and its principal subsidiaries, associates and joint arrangements. The group operates in Namibia.

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 statments 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.

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 statments.

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

**5. DIVIDENDS**
The 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$50 000 000.00 (2018-Nil).

**6. DIRECTORATE**
The directors in office at the date of this report are as follows:

| Directors | Date of appointment |
|---|---|
| S.V. Masiza (Chairperson) | 02/08/2016 |
| T. Hangula (Deputy - Chairperson) | 02/08/2016 |
| V.K. Maharero | 02/08/2016 |
| C.W.H. Nghaamwa | 02/08/2016 |
| L. Harases | 02/08/2016 |
| B. Konjore | 02/08/2016 |
| L.M. Muatunga | 17/06/2019 |

There has been changes to the directors for 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 had an interest and which significantly affected the business of the group.

**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 company's immediate and ultimate holding company to be the Government of the Republic of Namibia.

| | 2019 | 2018 |
|---|---|---|
| | Number of shares | |
| **Authorised** | | |
| Ordinary shares | 4 000 | 4 000 |

| | 2019 | 2018 | 2019 | 2018 |
|---|---|---|---|---|
| | N$ | N$ | 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** |



NAMIB DESERT DIAMONDS (PROPRIETARY) LIMITED
(REGISTRATION NUMBER 2016/0338)
TRADING AS NAMDIA
CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATMENTS FOR THE YEAR ENDED 28 FEBRUARY 2019

# DIRECTORS' REPORT

**10. EVENTS AFTER THE REPORTING PERIOD**
The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

**11. GOING CONCERN**
The directors believe that the group has adequate financial resources to continue in operation for the foreseeable future and accordingly the consolidated and separate annual financial statments have been prepared on a going concern basis. The directors have satisfied themselves that the group is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the group. 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.

**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 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 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 were appointed as auditors in accordance with Section 278(1) of the Namibian Companies Act, No. 28 of 2004.

# STATEMENT OF FINANCIAL POSITION AS AT 28 FEBRUARY 2019

| | Note(s) | Group 2019 N$ | Group 2018 N$ | Company 2019 N$ | Company 2018 N$ |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **NON-CURRENT ASSETS** | | | | | |
| Property, plant and equipment | 3 | 77 275 250 | 70 774 782 | 41 775 250 | 40 774 782 |
| Investment in subsidiary | 4 | - | - | 13 806 851 | 13 806 851 |
| Loan to subsidiary | 5 | - | - | 21 662 524 | 15 841 249 |
| Deferred tax | 6 | 976 954 | 319 289 | 976 954 | 319 289 |
| Other investment | 7 | 13 769 040 | - | 13 769 040 | - |
| | | **92 021 244** | **71 094 071** | **91 990 619** | **70 742 171** |
| **CURRENT ASSETS** | | | | | |
| Trade and other receivables | 8 | 49 482 553 | 24 082 569 | 49 460 163 | 24 016 313 |
| Cash and cash equivalents | 9 | 267 722 229 | 199 327 566 | 267 722 229 | 199 327 566 |
| | | **317 204 782** | **223 410 135** | **317 182 392** | **223 343 879** |
| **Total Assets** | | **409 226 026** | **294 504 206** | **409 173 011** | **294 086 050** |
| **EQUITY AND LIABILITIES** | | | | | |
| **EQUITY** | | | | | |
| Share capital | 10 | 50 000 000 | 50 000 000 | 50 000 000 | 50 000 000 |
| Retained income | | 313 333 860 | 201 380 225 | 313 907 491 | 201 484 083 |
| | | **363 333 860 2** | **51 380 225** | **363 907 491** | **251 484 083** |
| **LIABILITIES** | | | | | |
| **NON-CURRENT LIABILITIES** | | | | | |
| Financial liabilities | 11 | 13 196 308 | 18 247 403 | 13 196 308 | 18 247 403 |
| Deferred tax | 6 | 8 768 307 | 1 787 723 | 8 141 890 | 1 265 709 |
| | | **21 964 615** | **20 035 126** | **21 338 198** | **19 513 112** |
| **CURRENT LIABILITIES** | | | | | |
| Trade and other payables | 13 | 1 164 108 | 2 792 190 | 1 163 879 | 2 792 190 |
| Financial liabilities | 11 | 5 160 000 | 5 160 000 | 5 160 000 | 5 160 000 |
| Current tax payable | | 14 569 983 | 14 127 262 | 14 569 983 | 14 127 262 |
| Provisions | 12 | 3 033 061 | 997 778 | 3 033 061 | 997 778 |
| Bank overdraft | 9 | 399 | 11 625 | 399 | 11 625 |
| | | **23 927 551** | **23 088 855** | **23 927 322** | **23 088 855** |
| **Total Liabilities** | | **45 892 166** | **43 123 981** | **45 265 520** | **42 601 967** |
| **Total Equity and Liabilities** | | **409 226 026** | **294 504 206** | **409 173 011** | **294 086 050** |

**Prior year adjustments**

Certain reclassifications have been made to prior year's financial statements of the company to enhance comparability with the current year's financial statements. The reclassification was done to the statement of financial position to align the trade payables (Namdia)/ trade receivables (Eumbo) (2018: N$3,144,087 to 2018: N$2,792,190) and loan to (Namdia)/from(Eumbo) shareholder(2018: N$16,193,149 to 2018: N$15,841,249).

As a result certain lines have been amended in the statement of financial position of the company. Comparative figures have been adjusted to conform to the current year's presentation.Also refer to note 30.





# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Note(s) | Group 2019 N$ | Group 2018 N$ | Company 2019 N$ | Company 2018 N$ |
|---|---|---|---|---|---|
| Revenue | 14 | 2 274 883 943 | 1 930 544 747 | 2 274 872 762 | 1 930 544 747 |
| Cost of sales | 15 | (2 001 087 263) | (1 696 878 349) | (2 001 087 263) | (1 696 878 349) |
| **Gross profit** | | **273 796 680** | **233 666 398** | **273 785 499** | **233 666 398** |
| Other operating income | 16 | 8 419 544 | 1 401 227 | 8 419 544 | - |
| Other operating gains (losses) | 17 | 3 120 313 | (231 253) | 3 120 313 | (148 335) |
| Other operating expenses | | (52 050 733) | (32 434 163) | (51 674 182) | (33 028 984) |
| **Operating profit** | **18** | **233 285 804** | **202 402 209** | **233 651 174** | **200 489 079** |
| Investment income | 21 | 10 628 130 | 6 002 611 | 10 628 130 | 6 002 611 |
| Finance costs | 22 | (5 276 975) | (2 190 055) | (5 276 975) | (1 406 777) |
| **Profit before taxation** | | **238 636 959** | **206 214 765** | **239 002 329** | **205 084 913** |
| Taxation | 23 | (76 683 324) | (66 790 446) | (76 578 921) | (66 268 432) |
| **Profit for the year** | | **161 953 635** | **139 424 319** | **162 423 408** | **138 816 481** |
| Other comprehensive income | | - | - | - | - |
| **Total comprehensive income for the year** | | **161 953 635** | **139 424 319** | **162 423 408** | **138 816 481** |

# 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 2017** | **1 100** | **49 999 000** | **50 000 100** | **61 955 906** | **111 956 006** |
| Profit for the year | - | - | - | 139 424 319 | 139 424 319 |
| Other comprehensive income | - | - | - | - | - |
| **Total comprehensive income for the year** | **-** | **-** | **-** | **139 424 319** | **139 424 319** |
| Eliminated upon consolidation | (100) | - | (100) | - | (100) |
| **Total contributions by and distributions to owners of company recognised directly in equity** | **(100)** | **-** | **(100)** | **-** | **(100)** |
| **Balance at 01 March 2018** | **1 000** | **49 999 000** | **50 000 000** | **201 380 225** | **251 380 225** |
| Profit for the year | - | - | - | 161 953 635 | 161 953 635 |
| Other comprehensive income | - | - | - | - | - |
| **Total comprehensive income for the year** | **-** | **-** | **-** | **161 953 635** | **161 953 635** |
| 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 28 February 2019** | **1 000** | **49 999 000** | **50 000 000** | **313 333 860** | **363 333 860** |
| Note(s) | 10 | 10 | 10 | | |
| **Company** | | | | | |
| **Balance at 01 March 2017** | **1 000** | **49 999 000** | **50 000 000** | **62 667 602** | **112 667 602** |
| Profit for the year | - | - | - | 138 816 481 | 138 816 481 |
| Other comprehensive income | - | - | - | - | - |
| **Total comprehensive income for the year** | **-** | **-** | **-** | **138 816 481** | **138 816 481** |
| **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 28 February 2019** | **1 000** | **49 999 000** | **50 000 000** | **313 907 491** | **363 907 491** |
| Note(s) | 10 | 10 | 10 | | |



NAMIB DESERT DIAMONDS (PROPRIETARY) LIMITED
(REGISTRATION NUMBER 2016/0338)
TRADING AS NAMDIA
CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATMENTS FOR THE YEAR ENDED 28 FEBRUARY 2019

# STATEMENT OF CASH FLOWS

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note(s) | 2019 N$ | 2018 N$ | 2019 N$ | 2018 N$ |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| Profit before taxation | | 238 636 959 | 206 214 765 | 239 002 329 | 205 084 913 |
| **ADJUSTMENTS FOR:** | | | | | |
| Depreciation and amortisation | | 6 761 448 | 1 558 910 | 6 761 448 | 1 558 910 |
| Losses on disposals, scrappings and settlements of assets and liabilities | | - | 82 918 | - | - |
| (Gains)/losses on foreign exchange | | (16 864 434) | 5 091 331 | (1 686 443) | 5 091 331 |
| Interest received | | (10 628 130) | (6 002 611) | (10 628 130) | (6 002 611) |
| Finance costs | | 5 276 975 | 2 190 055 | 5 276 975 | 1 406 777 |
| Gain on bargain purchase in a business combination | | - | (1 401 227) | - | - |
| Movements in provisions | 12 | 2 035 283 | 702 815 | 2 035 283 | 702 815 |
| **CHANGES IN WORKING CAPITAL:** | | | | | |
| Trade and other receivables | | (25 399 984) | 43 606 155 | (25 443 850) | 43 323 288 |
| Trade and other payables | | (1 628 082) | (4 532 158) | (1 628 311) | (2 755 695) |
| **Cash generated from operations** | | **198 190 035** | **247 510 953** | **198 511 310** | **248 409 728** |
| Interest income | | 10 628 130 | 6 002 611 | 10 628 130 | 6 002 611 |
| Finance costs | | (5 276 975) | (2 190 055) | (5 276 975) | (1 406 777) |
| Tax paid | 24 | (69 917 684) | (80 712 969) | (69 917 684) | (80 712 969) |
| **Net cash from operating activities** | | **133 623 506** | **170 610 540** | **133 944 781** | **172 292 593** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Purchase of property, plant and equipment | 3 | (13 261 916) | (48 908 811) | (7 761 916) | (33 328 140) |
| Transfer out of property, plant and equipment | 3 | - | 362 823 | - | 362 823 |
| Other gain | 16 | - | 1 401 127 | - | - |
| Investments in subsidiary | 4 | - | - | - | (13 806 851) |
| Loan advanced to subsidiary | | - | - | (5 821 275) | (15 841 249) |
| Purchase of other investment | 7 | (13 769 040) | - | (13 769 040) | - |
| **Net cash from investing activities** | | **(27 030 956)** | **(47 144 861)** | **(27 352 231)** | **(62 613 417)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Repayment of financial liabilities through profit (loss) | 25 | (5 051 095) | 10 671 813 | (5 051 095) | 23 407 403 |
| Repayment of members loan | | - | (2 323 715) | - | - |
| Dividends paid | 26 | (50 000 000) | - | (50 000 000) | - |
| **Net cash from financing activities** | | **(55 051 095)** | **8 348 098** | **(55 051 095)** | **23 407 403** |
| **Total cash movement for the year** | | **51 541 455** | **131 813 777** | **51 541 455** | **133 086 579** |
| Cash at the beginning of the year | | 199 315 941 | 72 593 495 | 199 315 941 | 71 320 691 |
| Foreign exchange gain/(loss) | | 16 864 434 | (5 091 331) | 16 864 434 | (5 091 331) |
| **Total cash at end of the year** | 9 | **267 721 830** | **199 315 941** | **267 721 830** | **199 315 939** |

# ACCOUNTING POLICIES

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

**1.1 Basis of preparation**
The consolidated and separate annual financial statments 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 statments 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 Namibia Dollars, which is the group and company's functional currency.

These accounting policies are consistent with the previous period.

**1.2 CONSOLIDATION**
**Basis of consolidation**
The consolidated and separate annual financial statments incorporate the consolidated and separate annual financial statments 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 its power over the entity.

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

Adjustments are made when necessary to the consolidated and separate annual financial statments 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.

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.





# ACCOUNTING POLICIES

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 and adjustments in respect of hedge accounting, where appropriate.

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:

| 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 |

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.

**1.4 LEASEHOLD PROPERTY**
When the group holds property under a long term prepaid lease agreement, the lease is classified as a finance lease or an operating lease in accordance with the provisions of IAS 17 Leases. Refer to the accounting policy on leases. When these leases are classified as finance leases, the property is capitalised as leasehold property, and is depreciated over the lease term.

**1.5 OTHER INVESTMENTS**
Other Investments are 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.

# ACCOUNTING POLICIES

**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 29 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 8).

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.

**Financial liabilities from subsidiary**
**Classification**
Loan to subsidiary (note 5) are classified as financial liabilities subsequently measured at amortised cost.

**Recognition and measurement**
Financial liabilities 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.

It is 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 22).

Financial liabilities the group to liquidity risk and interest rate risk. Refer to note 29 for details of risk exposure and management thereof.





# ACCOUNTING POLICIES

**Trade and other payables**
**Classification**
Trade and other payables (note 13), 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 22).

Trade and other payables expose the group to liquidity risk and possibly to interest rate risk. Refer to note 29 for details of risk exposure and management thereof.

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

**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. In the case 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 utilized, 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 unrecog nised déferred 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**
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 as set 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

# ACCOUNTING POLICIES

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 - lessor**

Operating lease income is recognised as an income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in profit or loss.

**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.

## 1.9 IMPAIRMENT OF 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.

Irrespective of whether there is any indication of impairment, the group also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

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 . Mandatorily redeemable preference shares are classified as liabilities.

Incremental costs directly attributable to the issue of new shares or options are shown in 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 group 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.



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# ACCOUNTING POLICIES

## 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 a 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 .

## 1.13 REVENUE FROM CONTRACTS WITH CUSTOMERS

**Revenue**

In its adoption of IFRS 15 Revenue from Contracts with Customers, the group has used the modified retrospective approach, with adjustments made to balances at the date of initial application. The accounting policies related to revenue recognition applied in periods is included here below as it represents the basis for accounting for revenue in the comparative period disclosed in the annual financial statements.

*Accounting policy applicable in the comparative period*

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

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

Turnover comprises the sale of goods to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

Revenue is measured at the fair value of the consideration received or receivable.

*Accounting policy applicable on and after 1 March 2018*

**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 are 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.

# ACCOUNTING POLICIES

***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 that 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 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.

***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.





# 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 has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

**IFRS 9 Financial Instruments**

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurements of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a)impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income” (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the outstanding principal are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on outstanding principal, are measured at FVTOCI. All other debt and equity investments are measured at fair value at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the liability is presented in other comprehensive income, unless the recognition of the effect of the changes of the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Under IAS 39, the entire amount of the change in fair value of a financial liability designated as at fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is therefore no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principal of an “economic relationship”. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

The effective date of the standard is for years beginning on or after 01 January 2018.

The group has adopted the standard for the first time in the 2019 consolidated and separate annual financial statments.

**IFRS 15 Revenue from Contracts with Customers**

IFRS 15 supersedes IAS 11 Construction contracts; IAS 18 Revenue; IFRIC 13 Customer Loyalty Programmes; IFRIC 15 Agreements for the construction of Real Estate; IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also includes extensive new disclosure requirements.

The effective date of the standard is for years beginning on or after 01 January 2018.

The group has adopted the standard for the first time in the 2019 consolidated and separate annual financial statments.

The impact of the standard is not material.

# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

**2.2 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE**

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 01 March 2019 or later periods:

**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 group are as follows:

Group 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-ofuse asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-ofuse 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 group expects to adopt the standard for the first time in the 2020 consolidated and separate annual financial statments.

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.

The standard requires lessees and lessors to make more extensive disclosures than under IAS 17.The net impact of change on profit before tax during the first year of transition will be a decrease of N$ 2 219 659.





# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

**3. PROPERTY, PLANT AND EQUIPMENT**

| **Group** | | **2019** | | | **2018** | |
|---|---|---|---|---|---|---|
| | **Cost or revaluation** | **Accumulated depreciation** | **Carrying value** | **Cost or revaluation** | **Accumulated depreciation** | **Carrying value** |
| Land and Buildings | 66 730 610 | (3 630 019) | 63 100 591 | 56 545 696 | (663 642) | 55 882 054 |
| Furniture and fixtures | 2 650 301 | (631 956) | 2 018 345 | 2 370 610 | (108 509) | 2 262 101 |
| Motor vehicles | 2 618 662 | (479 205) | 2 139 457 | 566 438 | (28 322) | 538 116 |
| Office equipment | 101 396 | (72 849) | 28 547 | 95 985 | (33 588) | 62 397 |
| IT equipment | 2 854 794 | (1 020 202) | 1 834 592 | 2 685 625 | (275 869) | 2 409 756 |
| Other equipment | 2 761 526 | (531 602) | 2 229 924 | 2 450 688 | (75 736) | 2 374 952 |
| Security equipment | 7 886 411 | (1 962 617) | 5 923 794 | 7 626 743 | (381 337) | 7 245 406 |
| **Total** | **85 603 700** | **(8 328 450)** | **77 275 250** | **72 341 785** | **(1 567 003)** | **70 774 782** |

| **Company** | | **2019** | | | **2018** | |
|---|---|---|---|---|---|---|
| | **Cost or revaluation** | **Accumulated depreciation** | **Carrying value** | **Cost or revaluation** | **Accumulated depreciation** | **Carrying value** |
| Leasehold property | 31 230 610 | (3 630 019) | 27 600 591 | 26 545 696 | (663 642) | 25 882 054 |
| Furniture and fixtures | 2 650 301 | (631 956) | 2 018 345 | 2 370 610 | (108 509) | 2 262 101 |
| Motor vehicles | 2 618 662 | (479 205) | 2 139 457 | 566 438 | (28 322) | 538 116 |
| Office equipment | 101 396 | (72 849) | 28 547 | 95 985 | (33 588) | 62 397 |
| IT equipment | 2 854 794 | (1 020 202) | 1 834 592 2 | 685 625 | (275 869) | 2 409 756 |
| Other equipment | 2 761 526 | (531 602) | 2 229 924 | 2 450 688 | (75 736) | 2 374 952 |
| Security equipment | 7 886 411 | (1 962 617) | 5 923 794 | 7 626 743 | (381 337) | 7 245 406 |
| **Total** | **50 103 700** | **(8 328 450)** | **41 775 250** | **42 341 785** | **(1 567 003)** | **40 774 782** |

| **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** |

**Reconciliation of property, plant and equipment - Group - 2018**

| | **Opening balance** | **Additions** | **Disposals** | **Transfers** | **Depreciation** | **Total** |
|---|---|---|---|---|---|---|
| Land and Buildings | 16 670 318 | 39 875 378 | - | - | (663 642) | 55 882 054 |
| Plant and machinery | 6 473 393 | - | - | (6 473 393) | - | - |
| Furniture and fixtures | 82 918 | 2 370 610 | (82 918) | - | (108 509) | 2 262 101 |
| Motor vehicles | - | 566 438 | - | - | (28 322) | 538 116 |
| Office equipment | 41 253 | 56 286 | - | (3 850) | (31 292) | 62 397 |
| IT equipment | 602 740 | 2 073 238 | - | 3 850 | (270 072) | 2 409 756 |
| Other equipment | - | 1 373 329 | - | 1 077 359 | (75 736) | 2 374 952 |
| Security equipment | - | 2 593 532 | - | 5 033 211 | (381 337) | 7 245 406 |
| | **23 870 622** | **48 908 811** | **(82 918)** | **(362 823)** | **(1 558 910)** | **70 774 782** |

# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

**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** |

**Reconciliation of property, plant and equipment - Company - 2018**

| | Opening balance | Additions | Transfers | Depreciation | Total |
|---|---|---|---|---|---|
| Land and Buildings | 2 250 989 | - | (2 250 989) | - | - |
| Leasehold property | - | 24 294 707 | 2 250 989 | (663 642) | 25 882 054 |
| Plant and equipment | 6 473 393 | - | (6 473 393) | - | - |
| Furniture and fixtures | - | 2 370 610 | - | (108 509) | 2 262 101 |
| Motor vehicles | - | 566 438 | - | (28 322) | 538 116 |
| Office equipment | 41 253 | 56 286 | (3 850) | (31 292) | 62 397 |
| IT equipment | 602 740 | 2 073 238 | 3 850 | (270 072) | 2 409 756 |
| Other equipment | - | 1 373 329 | 1 077 359 | (75 736) | 2 374 952 |
| Security equipment | - | 2 593 532 | 5 033 211 | (381 337) | 7 245 406 |
| | **9 368 375** | **33 328 140** | **(362 823)** | **(1 558 910)** | **40 774 782** |

**Details of property**
T5255/2017: Remainder of Erf No. 336, Klein Windhoek, Division "K", Khomas Region, Measuring 1,093 Square meters. The property is held by Eumbo Property Investments (Proprietary) Limited. The property was revalued on 27 July 2016 by The Trust and Estate Co (Pty) Ltd on a market value basis.

| | | | | |
|---|---|---|---|---|
| Land and Buildings | 6 635 547 | 6 635 547 | - | - |
| Acquisitions and additions | 44 887 085 | 34 702 171 | - | - |
| Accumulated depreciation | (3 630 019) | (663 642) | - | - |
| Revaluation - Land and Buildings | 15 207 978 | 15 207 978 | - | - |
| | **63 100 591** | **55 882 054** | **-** | **-** |

The group has pledged investment property to the value of N$30 Million to secure bank facilities from Standard Bank Namibia Ltd granted to Namib Desert Diamonds (Pty) Ltd with a carrying amount of N$18,356,308 (2017:N$23,407,403).

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 capitalized 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

## 4. INVESTMENT IN SUBSIDIARY

The following table lists the entities which are controlled by the group, either directly or indirectly through subsidiaries.

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 2019 | % voting power 2018 | % holding 2019 | % holding 2018 | Carrying amount 2019 | Carrying amount 2018 |
|---|---|---|---|---|---|---|
| Eumbo Property Investment (Pty) Ltd | 100,00 % | 100,00 % | 100,00 % | 100,00 % | 13 806 851 | 13 806 851 |

**Subsidiaries pledged as security**

Eumbo Property Investment (Pty) Ltd, with a carrying value of N$13 806 851 has been used to secure borrowings granted to the group of N$18 356 308 (2018: N$ 23 407 403).- refer to note 11.

| | Group 2019 N$ | Group 2018 N$ | Company 2019 N$ | Company 2018 N$ |
|---|---|---|---|---|
| **5. LOAN TO SUBSIDIARY** | | | | |
| **Subsidiary** | | | | |
| Eumbo Property Investment (Pty) Ltd<br>The loan is interest-free, unsecured and unconditional. This arrangement is reviewed from time to time by the directors | - | - | 21 662 524 | 15 841 249 |
| **Split between non-current and current portions** | | | | |
| Non-current assets | - | - | 21 662 524 | 15 841 249 |
| **6. DEFERRED TAX** | | | | |
| **Deferred tax liability** | | | | |
| Property plant and equipment | (3 303 567) | (1 705 489) | (2 677 150) | (1 183 475) |
| Prepaid expenses | (68 121) | (82 234) | (68 121) | (82 234) |
| Unrealised foreign exchange | (5 396 619) | - | (5 396 619) | - |
| **Total deferred tax liability** | **(8 768 307)** | **(1 787 723)** | **(8 141 890)** | **(1 265 709)** |
| **Deferred tax asset** | | | | |
| Provisions | 976 954 | 319 289 | 976 954 | 319 289 |
| Deferred tax liability | (8 768 307) | (1 787 723) | (8 141 890) | (1 265 709) |
| Deferred tax asset | 976 954 | 319 289 | 976 954 | 319 289 |
| **Total net deferred tax liability** | **(7 791 353)** | **(1 468 434)** | **(7 164 936)** | **(946 420)** |
| **Reconciliation of deferred tax asset / (liability)** | | | | |
| At beginning of year | (1 468 434) | (405 250) | (946 420) | (405 250) |
| Orginating temporary differences in property plant and equipment | (1 598 078) | (1 692 245) | (1 493 675) | (1 170 231) |
| Orginating temporary differences in provisions | 657 665 | 224 901 | 657 66 | 224 901 |
| Reversing temporary differences in in prepaid expenses | 14 113 | 404 160 | 14 113 | 404 160 |
| Taxable / (deductible) temporary difference on unrealised foreign exchange | (5 396 619) | - | (5 396 619) | - |
| | **(7 791 353)** | **(1 468 434)** | **(7 164 936)** | **(946 420)** |

# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

| | Group 2019 N$ | Group 2018 N$ | Company 2019 N$ | Company 2018 N$ |
|---|---|---|---|---|
| **7. OTHER INVESTMENT** | | | | |
| Deposit paid for the purchase of NamGem Diamond Manufacturing (Pty) Ltd. Deposit of USD925 000 was paid and an amount of N$510 349 was paid for due diligence. | | | | |
| NamGem Diamond Manufacturing (Pty) Ltd | 13 769 040 | - | 13 769 040 | - |
| **8. TRADE AND OTHER RECEIVABLES** | | | | |
| **Financial instruments:** | | | | |
| Trade receivables | 12 162 | (2 044) | (695) | (2 044) |
| **Non-financial instruments:** | | | | |
| VAT | 46 976 694 | 22 274 206 | 46 969 061 | 22 207 950 |
| Rental deposit | 4 399 | 2 499 | 2 499 | 2 499 |
| Accrued interest receivable | 2 276 421 | 1 550 926 | 2 276 421 | 1 550 926 |
| Prepaid expenses | 212 877 | 256 982 | 212 877 | 256 982 |
| **Total trade and other receivables** | **49 482 553** | **24 082 569** | **49 460 163** | **24 016 313** |
| **Split between non-current and current portions** | | | | |
| Current assets | 49 482 553 | 24 082 569 | 49 460 163 | 24 016 313 |
| **Categorisation of trade and other receivables** | | | | |
| Trade and other receivables are categorised as follows in accordance with IFRS 9: Financial Instruments: | | | | |
| At amortised cost | 12 162 | (2 044) | (695) | (2 044) |
| Non-financial instruments | 49 470 391 | 24 084 613 | 49 460 858 | 24 018 357 |
| | **49 482 553** | **24 082 569** | **49 460 163** | **24 016 313** |
| **9. CASH AND CASH EQUIVALENTS** | | | | |
| **Cash and cash equivalents consist of:** | | | | |
| Cash on hand | 822 | 5 326 | 822 | 5 326 |
| Bank balances | 267 721 407 | 199 322 240 | 267 721 407 | 199 322 240 |
| FNB credit cards | (399) | (11 625) | (399) | (11 625) |
| | **267 721 830** | **199 315 941** | **267 721 830** | **199 315 941** |
| Current assets | 267 722 229 | 199 327 566 | 267 722 229 | 199 327 566 |
| Current liabilities | (399) | (11 625) | (399) | (11 625) |
| | **267 721 830** | **199 315 941** | **267 721 830** | **199 315 941** |

The balances indicated above are being secured; details of collateral are as follows:
1. Cession and Pledges of credit balances N$100,000,000
2. Cession of Insurance Policies
3. Cession of Sales Proceeds
4. Cession of VAT refund Proceeds





# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

| | Group 2019 N$ | Group 2018 N$ | Company 2019 N$ | Company 2018 N$ |
|---|---|---|---|---|
| **10. SHARE CAPITAL** | | | | |
| **Authorised** | | | | |
| 4,000 Ordinary shares of N$1.00 each | 4 000 | 4 000 | 4 000 | 4 000 |
| **Issued** | | | | |
| 1,000 Ordinary shares of N$1.00 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** |
| **11. FINANCIAL LIABILITIES** | | | | |
| **At amortised cost** | | | | |
| Commercial property loan – Standard Bank Namibia Ltd<br>The loan term is 120 months. Interest is charged at JIBAR (7.1580 + Margin of 3%) and is repayable quarterly. | 18 356 308 | 23 407 403 | 18 356 308 | 23 407 403 |

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.

| | Group 2019 N$ | Group 2018 N$ | Company 2019 N$ | Company 2018 N$ |
|---|---|---|---|---|
| **Split between non-current and current portions** | | | | |
| Non-current liabilities | 13 196 308 | 18 247 403 | 13 196 308 | 18 247 403 |
| Current liabilities | 5 160 000 | 5 160 000 | 5 160 000 | 5 160 000 |
| | **18 356 308** | **23 407 403** | **18 356 308** | **23 407 403** |

# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

## 12. PROVISIONS

| 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 - Group - 2018 | Opening balance | Additions | Total |
|---|---|---|---|
| Leave pay provision | 294 963 | 627 442 | 922 405 |
| Severance pay provision | - | 75 37 | 75 373 |
| | **294 963** | **702 815** | **997 778** |

| 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** |

| Reconciliation of provisions - Company - 2018 | Opening balance | Additions | Total |
|---|---|---|---|
| Leave pay provision | 294 963 | 627 442 | 922 405 |
| Severance pay provision | - | 75 37 | 75 373 |
| | **294 963** | **702 815** | **997 778** |

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 24 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.

| | Group 2019 N$ | Group 2018 N$ | Company 2019 N$ | Company 2018 N$ |
|---|---|---|---|---|
| **13. TRADE AND OTHER PAYABLES** | | | | |
| **Financial instruments:** | | | | |
| Trade payables | 133 113 | 386 511 | 132 884 | 386 511 |
| Pension fund control account | - | 203 675 | - | 203 675 |
| Accrued Expenses | 970 801 | - | 970 801 | - |
| Medical aid control account | 3 028 | 83 940 | 3 028 | 83 940 |
| **Non-financial instruments:** | | | | |
| VET levy control account | 195 | 14 666 | 195 | 14 666 |
| Withholding tax control account | - | (5 642) | - | (5 642) |
| SSC control account | 3 682 | 3 184 | 3 682 | 3 184 |
| Export levy control account | 11 | 1 688 155 | 11 | 1 688 155 |
| PAYE control account | 53 278 | 417 701 | 53 278 | 417 701 |
| | **1 164 108** | **2 792 190** | **1 163 879** | **2 792 190** |

Rounding as per prior year signed annual financial statements.





# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

| | Note | Group 2019 N$ | Group 2018 N$ | Company 2019 N$ | Company 2018 N$ |
|---|---|---|---|---|---|
| **14. REVENUE FROM CONTRACTS WITH CUSTOMERS OR TURNOVER** | | | | | |
| **Revenue from contracts with customers** | | | | | |
| Goods transferred at a point in time | | 2 274 872 762 | 1 930 523 008 | 2 274 872 762 | 1 930 523 008 |
| Services tranferred over time | | - | 21 739 | - | 21 739 |
| | | **2 274 872 762** | **1 930 544 747** | **2 274 872 762** | **1 930 544 747** |
| **Revenue other than from contracts with customers** | | | | | |
| Rental Income | | 11 181 | - | - | - |
| | | **2 274 883 943** | **1 930 544 747** | **2 274 872 762** | **1 930 544 747** |
| **15. COST OF SALES** | | | | | |
| Diamond selling costs | | 4 283 697 | 3 351 364 | 4 283 697 | 3 351 364 |
| Diamond valuation costs | | - | 6 400 964 | - | 6 400 964 |
| Export levies | | 22 627 525 | 12 917 649 | 22 627 525 | 12 917 649 |
| Import permit | | 1 500 | 2 500 | 1 500 | 2 500 |
| Transport & shipping charges | | 488 534 | 10 157 | 488 534 | 10 157 |
| Purchases - rough diamonds | | 1 973 686 007 | 1 674 195 715 | 1 973 686 007 | 1 674 195 715 |
| | | **2 001 087 263** | **1 696 878 349** | **2 001 087 263** | **1 696 878 349** |
| **16. OTHER OPERATING INCOME** | | | | | |
| Other Gains - Goodwill on acquisition | | - | 1 401 227 | - | - |
| Other Income - Deposits from Applicants | | 8 419 544 | - | 8 419 544 | - |
| | | **8 419 544** | **1 401 227** | **8 419 544** | **-** |
| **17. OTHER OPERATING GAINS (LOSSES)** | | | | | |
| **Gains (losses) on disposals, scrappings and settlements** | | | | | |
| Property, plant and equipment | 3 | - | (82 918) | - | - |
| **Foreign exchange gains (losses)** | | | | | |
| Arising on other financial assets | | (1 007) | (25) | (1 007) | (25) |
| Cash and cash equivalents | 9 | 16 864 434 | (5 091 331) | 16 864 434 | (5 091 331) |
| Translation of foreign borrowings | | (13 743 114) | 4 943 021 | (13 743 114) | 4 943 021 |
| | | **3 120 313** | **(148 335)** | **3 120 313** | **(148 335)** |
| **Total other operating gains (losses)** | | **3 120 313** | **(231 253)** | **3 120 313** | **(148 335)** |

# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

| | Group 2019 N$ | Group 2018 N$ | Company 2019 N$ | Company 2018 N$ |
|---|---|---|---|---|
| **18. OPERATING PROFIT (LOSS)** | | | | |
| Operating profit for the year is stated after charging (crediting) the following, amongst others: | | | | |
| **Auditor's remuneration - external** | | | | |
| Audit fees | 278 750 | 98 000 | 181 600 | 98 000 |
| **Remuneration, other than to employees** | | | | |
| Consulting and professional services | 4 467 115 | 4 149 511 | 3 711 915 | 3 959 770 |
| Secretarial services | 1 500 | 4 700 | 1 500 | 4 700 |
| | **4 468 615** | **4 154 211** | **3 713 415** | **3 964 470** |
| **Employee costs** | | | | |
| Salaries, wages, bonuses and other benefits | 27 231 383 | 16 162 407 | 27 231 383 | 16 162 407 |
| **Leases** | | | | |
| **Operating lease charges** | | | | |
| Premises | - | 568 367 | 771 714 | 2 177 207 |
| Storage | 151 900 | - | 151 900 | - |
| | **151 900** | **568 367** | **923 614** | **2 177 207** |
| **Depreciation and amortisation** | | | | |
| Depreciation of property, plant and equipment | 6 761 448 | 1 558 910 | 6 761 448 | 1 558 910 |

**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:

| | Group 2019 N$ | Group 2018 N$ | Company 2019 N$ | Company 2018 N$ |
|---|---|---|---|---|
| Changes in inventories of finished goods and work in progress | 2 001 087 263 | 1 696 878 349 | 2 001 087 263 | 1 696 878 349 |
| Employee costs | 27 231 383 | 16 162 407 | 27 231 383 | 16 162 407 |
| Operating lease charges | 151 900 | 568 367 | 923 614 | 2 177 207 |
| Depreciation, amortisation and impairment | 6 761 448 | 1 558 910 | 6 761 448 | 1 558 910 |
| Other expenses | 17 906 002 | 14 144 479 | 16 757 737 | 13 130 460 |
| | **2 053 137 996** | **1 729 312 512** | **2 052 761 445** | **1 729 907 333** |
| **19. EMPLOYEE COSTS** | | | | |
| **Employee costs** | | | | |
| Basic | 26 953 639 | 15 763 581 | 26 953 639 | 15 763 581 |
| Commissions | 277 744 | 398 826 | 277 744 | 398 826 |
| | **27 231 383** | **16 162 407** | **27 231 383** | **16 162 407** |
| **20. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES** | | | | |
| **Depreciation** | | | | |
| Property, plant and equipment | 6 761 448 | 1 558 910 | 6 761 448 | 1 558 910 |
| **21. INVESTMENT INCOME** | | | | |
| **Interest income** | | | | |
| **Investments in financial assets:** | | | | |
| Bank and other cash | 10 628 130 | 6 002 611 | 10 628 130 | 6 002 611 |





# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

| | Group 2019 N$ | Group 2018 N$ | Company 2019 N$ | Company 2018 N$ |
|---|---|---|---|---|
| **22. FINANCE COSTS** | | | | |
| Borrowings | 5 276 975 | 2 182 171 | 5 276 975 | 1 398 893 |
| Inland revenue | - | 7 884 | - | 7 884 |
| **Total finance costs** | **5 276 975** | **2 190 055** | **5 276 975** | **1 406 777** |
| **23. TAXATION** | | | | |
| **Major components of the tax expense** | | | | |
| **Current** | | | | |
| Local income tax - current period | 70 360 405 | 65 727 262 | 70 360 405 | 65 727 262 |
| **Deferred** | | | | |
| Originating and reversing temporary differences | 6 322 919 | 1 063 184 | 6 218 516 | 541 170 |
| | **76 683 324** | **66 790 446** | **76 578 921** | **66 268 432** |
| **24. TAX PAID** | | | | |
| Balance at beginning of the year | (14 127 262) | (29 112 969) | (14 127 262) | (29 112 969) |
| Current tax for the year recognised in profit or loss | (70 360 405) | (65 727 262) | (70 360 405) | (65 727 262) |
| Balance at end of the year | 14 569 983 | 14 127 262 | 14 569 983 | 14 127 262 |
| | **(69 917 684)** | **(80 712 969)** | **(69 917 684)** | **(80 712 969)** |

# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

### 25. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

**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 - Group - 2018**

| | Opening balance | Interest bearing borrowings - Commercial Property | Total movements | Closing balance |
|---|---|---|---|---|
| Other financial liabilities measured at fair value | 12 735 590 | 10 671 813 | 10 671 813 | 23 407 403 |
| | **12 735 590** | **10 671 813** | **10 671 813** | **23 407 403** |
| **Total liabilities from financing activities** | **12 735 590** | **10 671 813** | **10 671 813** | **23 407 403** |

**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** |

**Reconciliation of liabilities arising from financing activities - Company - 2018**

| | Opening balance | Interest bearing borrowings - Commercial Property loan | Total movements | Closing balance |
|---|---|---|---|---|
| Other financial liabilities measured at fair value | - | 23 407 403 | 23 407 403 | 23 407 403 |
| | **-** | **23 407 403** | **23 407 403** | **23 407 403** |
| **Total liabilities from financing activities** | **-** | **23 407 403** | **23 407 403** | **23 407 403** |

The tables above details changes in the company's liabilities arising from the financing activities, including both cash and non-cash changes. Liabilities arising from the financing activities are those for which cash flows were, or future cash flows will be, classified in the company's statement of cash flows as cash flows from financing activities.





# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

### 26. DIVIDENDS PAID

| | | | | |
|---|---|---|---|---|
| Dividends | (50 000 000) | - | (50 000 000) | - |

Dividends are paid from capital profits.

### 27. RELATED PARTIES

| | | | | |
|---|---|---|---|---|
| **Relationships** | | | | |
| Eumbo Property Investment (Pty) Ltd | Refer to note 4 | | | |
| **Related party balances** | | | | |
| **Loan accounts - Owing (to) by related parties** | | | | |
| Eumbo Property Investment (Pty) Ltd | - | - | 22 457 859 | 16 193 149 |
| Eumbo Property Investment (Pty) Ltd - Rental Payable | - | - | 795 335 | 351 900 |
| **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 | - | - | 771 714 | 1 608 840 |
| **Municipal sub-charges to (received from) related parties** | | | | |
| Eumbo Property Investment (Pty) Ltd | - | - | - | 201 127 |
| **Compensation to directors and other key management** | | | | |
| Short-term employee benefits | 2 556 322 | 4 128 226 | 2 556 322 | 4 128 226 |

# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

### 28. DIRECTORS' EMOLUMENTS

| Executive - 2019 | Retainer fees | 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** |

| 2018 | Retainer fees | Sitting Fees | Expense allowances | Total |
|---|---|---|---|---|
| S.V. Masiza (Chairperson) | 420 000 | 200 000 | 204 268 | 824 268 |
| T. Hangula (Deputy - Chairperson) | 389 400 | 135 000 | 57 421 | 581 821 |
| V.K. Maharero | 420 000 | 180 000 | 70 776 | 670 776 |
| C.W.H. Nghaamwa | 420 000 | 180 000 | - | 600 000 |
| L. Harases | 420 000 | 180 000 | - | 600 000 |
| B. Konjore | 420 000 | 180 000 | 66 361 | 666 361 |
| F. Amuenje | 140 000 | 45 000 | - | 185 000 |
| | **2 629 400** | **1 100 000** | **398 826** | **4 128 226** |



NAMIB DESERT DIAMONDS (PROPRIETARY) LIMITED
(REGISTRATION NUMBER 2016/0338)
TRADING AS NAMDIA
CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATMENTS FOR THE YEAR ENDED 28 FEBRUARY 2019

# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

### 29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

**Categories of financial instruments**

**Categories of financial assets**

| Group - 2019 | Note(s) | Amortised cost | Total | Fair value |
|---|---|---|---|---|
| Trade and other receivables | 8 | 12 162 | 12 162 | - |
| Cash and cash equivalents | 9 | 267 722 229 | 267 722 229 | - |
| | | **267 734 391** | **267 734 39** | **-** |

| Group - 2018 | Note(s) | Amortised cost | Total | Fair value |
|---|---|---|---|---|
| Trade and other receivables | 8 | (2 044) | (2 044) | - |
| Cash and cash equivalents | 9 | 199 327 566 | 199 327 566 | - |
| | | **199 325 522** | **199 325 522** | **-** |

| Company - 2019 | Note(s) | At amortised cost | Total | Fair value |
|---|---|---|---|---|
| Loan to subsidiary | 5 | 21 662 524 | 21 662 524 | - |
| Trade and other receivables | 8 | (695) | (695) | - |
| Cash and cash equivalents | 9 | 267 722 229 | 267 722 229 | - |
| | | **289 384 058** | **289 384 058** | **-** |

| Company - 2018 | Note(s) | Loans and receivables | Total | Fair value |
|---|---|---|---|---|
| Loan to subsidiary | 5 | 15 841 249 | 15 841 249 | - |
| Trade and other receivables | 8 | (2 044) | (2 044) | - |
| Cash and cash equivalents | 9 | 199 327 566 | 199 327 566 | - |
| | | **215 166 771** | **215 166 771** | **-** |

# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

**Categories of financial liabilities**

| Group - 2019 | Note(s) | Amortised cost | Total | Fair value |
|---|---|---|---|---|
| Trade and other payables | 13 | 1 106 942 | 1 106 942 | - |
| Other financial liabilities at fair value | 11 | 18 356 308 | 18 356 308 | - |
| FNB credit card | 9 | 399 | 399 | - |
| | | **19 463 649** | **19 463 649** | **-** |

| Group - 2018 | Note(s) | Amortised cost | Total | Fair value |
|---|---|---|---|---|
| Trade and other payables | 13 | 674 126 | 674 126 | - |
| Other financial liabilities at fair value | 11 | 23 407 403 | 23 407 403 | - |
| FNB credit card | 9 | 11 625 | 11 625 | - |
| | | **24 093 154** | **24 093 154** | **-** |

| Company - 2019 | Note(s) | Amortised cost | Total | Fair value |
|---|---|---|---|---|
| Trade and other payables | 13 | 1 106 942 | 1 106 942 | - |
| Other financial liabilities | 11 | 18 356 308 | 18 356 308 | - |
| FNB Credit Card | 9 | 399 | 399 | - |
| | | **19 463 649** | **19 463 649** | **-** |

| Company - 2018 | Note(s) | Amortised cost | Total | Fair value |
|---|---|---|---|---|
| Trade and other payables | 13 | 674 126 | 674 126 | - |
| Other financial liabilities | 11 | 23 407 403 | 23 407 403 | - |
| FNB credit card | 9 | 11 625 | 11 625 | - |
| | | **24 093 154** | **24 093 154** | **-** |

**Capital risk management**
The group'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 ability to continue as a going concern while taking advantage of strategic opportunities in order to maximise stakeholder returns sustainably.

The group 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 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.

| | | | Group | | Company |
|---|---|---|---|---|---|
| | | 2019 | 2018 | 2019 | 2018 |
| | | N$ | N$ | N$ | N$ |
| **The capital structure and gearing ratio of the group at the reporting date was as follows:** | | | | | |
| Financial liabilities | 11 | 18 356 308 | 23 407 403 | 18 356 308 | 23 407 403 |
| Trade and other payables | 13 | 1 164 108 | 2 792 190 | 1 163 879 | 2 792 190 |
| **Total borrowings** | | **19 520 416** | **26 199 593** | **19 520 187** | **26 199 593** |
| | | | | | |
| Cash and cash equivalents | 9 | (267 721 830) | (199 315 941) | (267 721 830) | (199 315 941) |
| **Net borrowings** | | **(248 201 414)** | **(173 116 348)** | **(248 201 643)** | **(173 116 348)** |
| Equity | | 363 333 860 | 251 380 225 | 363 907 491 | 251 484 083 |
| Gearing ratio | | (68)% | (69)% | (68)% | (69)% |





# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

**Financial risk management**

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

The group's risk management policies are established to identify and analyse the risks faced by the group, 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 activities.

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

The group is exposed to credit risk on loans receivable, debt instruments at fair value through other comprehensive income, 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 through dealing with well-established financial institutions with high credit ratings.

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

The group 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**
The group is exposed to foreign currency risk as a result of certain transactions and borrowings which are denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters utilising foreign forward exchange contracts where necessary. The foreign currencies in which the group deals primarily are US Dollars.

The group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

**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:

# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2019<br>N$ | 2018<br>N$ | 2019<br>N$ | 2018<br>N$ |
| **US Dollar exposure:** | | | | | |
| **Current assets:** | | | | | |
| Trade and other receivables | 8 | - | (2 044) | - | (2 044) |
| FNB CFC Account, USD 160,550 [2018: USD 351,553] | 9 | 2 232 296 4 | 106 568 | 2 232 296 | 4 106 568 |
| RMB CFC Account, USD 81,363 [2018: USD 1,873,190] | 9 | 1 131 425 | 21 881 165 | 1 131 425 | 21 881 165 |
| RMB USD Term Deposit, USD5,100,000[2018: USD 0] | 9 | 71 758 081 | - | 71 758 081 | - |
| **Current liabilities:** | | | | | |
| Trade and other payables | 13 | - | (2 689) | - | (2 689) |
| **Net exposure** | | **75 121 802** | **25 983 000** | **75 121 802** | **25 983 000** |
| **Exchange rates** | | | | | |
| **Namibia Dollar per unit of foreign currency:** | | | | | |
| US Dollar | | 13,900 | 11,681 | 13,900 | 11,681 |

**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 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 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 is exposed to price risk because of its investments in equity instruments which are measured at fair value. The exposure to price risk on equity investments is managed through a diversified portfolio, and through the use of option contracts on relevant indexes, where necessary.

The group is not exposed to commodity price risk.

## 30. PRIOR YEAR ADJUSTMENTS

Certain reclassifications have been made to prior year's financial statements of the company to enhance comparability with the current year's financial statements. The reclassification was done to the statement of financial position to align the trade payables (Namdia)/trade receivables (Eumbo) (2018: N$3,144,087 to 2018: N$2,792,190) and loan to (Namdia)/from(Eumbo) shareholder(2018: N$16,193,149 to 2018: N$15,841,249).

As a result certain lines have been amended in the statement of financial position of the company. Comparative figures have been adjusted to conform to the current year's presentation.





# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

## 31. GUARANTEES AND CONTINGENT LIABILITIES

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

| | 2019<br>N$ | 2018<br>N$ |
|---|---|---|
| Bravo Compliance (Pty) Ltd | 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 reimbursement of the N$ 150 000 claimed by Bravo Compliance is considered to be remote, and no outflow of economic benefits is expected.

# DETAILED INCOME STATEMENT

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note(s) | 2019 N$ | 2018 N$ | 2019 N$ | 2018 N$ |
| **Revenue** | | | | | |
| Sale of goods | | 2 274 872 762 | 1 930 523 008 | 2 274 872 762 | 1 930 523 008 |
| Rental income on investment property | | 11 180 | - | - | - |
| Levies and other income on investment property | | 1 | - | - | - |
| Other sales | | - | 21 739 | - | 21 739 |
| | **14** | **2 274 883 943** | **1 930 544 747** | **2 274 872 762** | **1 930 544 747** |
| **Cost of sales** | | | | | |
| Purchases | | (2 001 087 263) | (1 696 878 349) | (2 001 087 263) | (1 696 878 349) |
| Gross profit | | 273 796 680 | 233 666 398 | 273 785 499 | 233 666 398 |
| **Other operating income** | | | | | |
| Goodwill on acquisition | | - | 1 401 227 | - | - |
| Deposits from Applicants | | 8 419 544 | - | 8 419 544 | - |
| | **16** | **8 419 544** | **1 401 227** | **8 419 544** | **-** |
| **Other operating gains (losses)** | | | | | |
| Losses on disposal of assets or settlement of liabilities | | - | (82 918) | - | - |
| Profit/loss on foreign exchange | | 3 120 313 | (148 335) | 3 120 313 | (148 335) |
| | **17** | **3 120 313** | **(231 253)** | **3 120 313** | **(148 335)** |
| Expenses (Refer to page 46) | | (52 050 733) | (32 434 163) | (51 674 182) | (33 028 984) |
| Operating profit | 18 | 233 285 804 | 202 402 209 | 233 651 174 | 200 489 079 |
| Investment income | 21 | 10 628 130 | 6 002 611 | 10 628 130 | 6 002 611 |
| Finance costs | 22 | (5 276 975) | (2 190 055) | (5 276 975) | (1 406 777) |
| Profit before taxation | | 238 636 959 | 206 214 765 | 239 002 329 | 205 084 913 |
| Taxation | 23 | (76 683 324) | (66 790 446) | (76 578 921) | (66 268 432) |
| **Profit for the year** | | **161 953 635** | **139 424 319** | **162 423 408** | **138 816 481** |





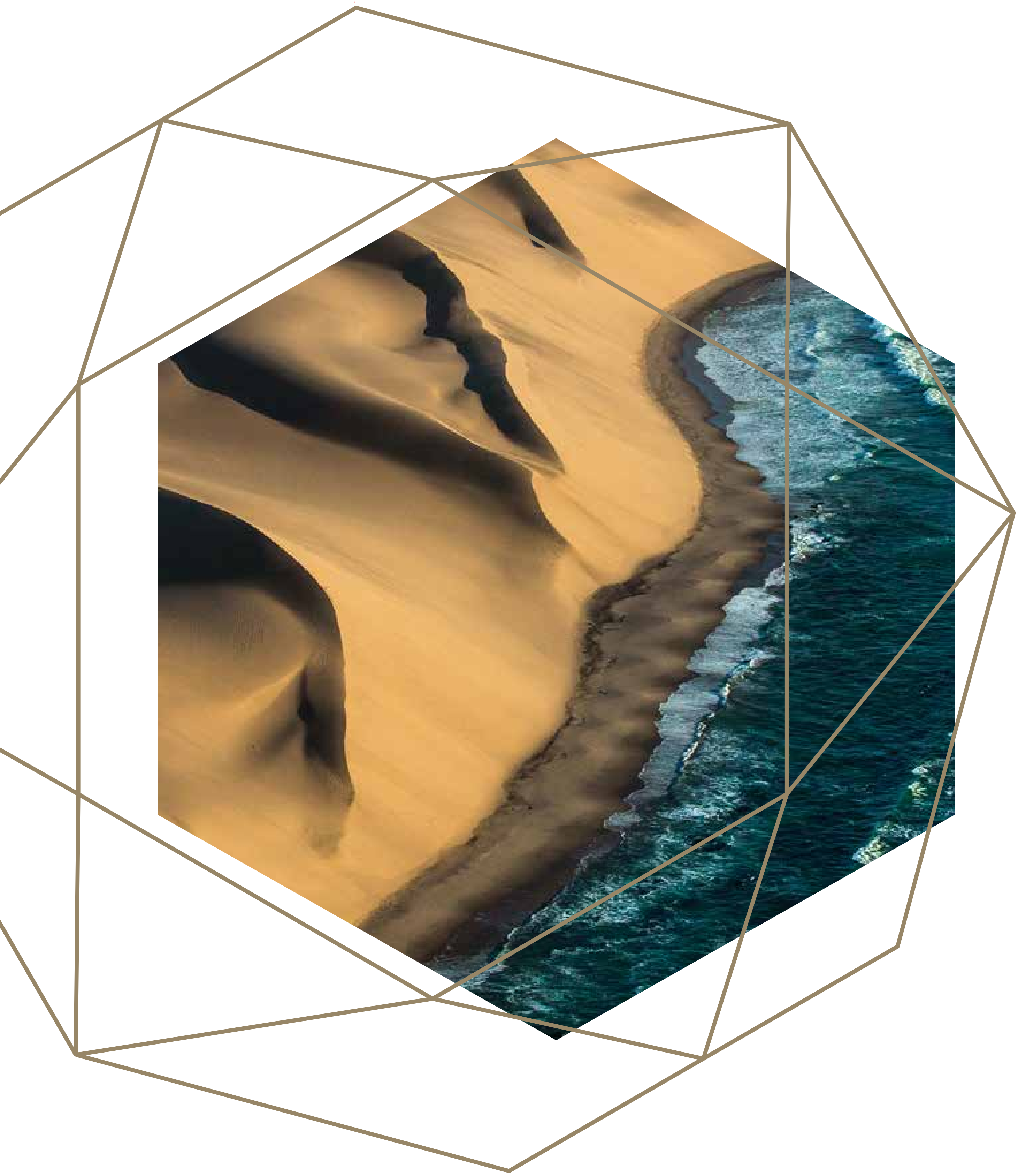
# DETAILED INCOME STATEMENT

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note(s) | 2019 N$ | 2018 N$ | 2019 N$ | 2018 N$ |
| **Other operating expenses** | | | | | |
| Advertising | | (3 565 303) | (643 352) | (3 565 303) | (624 294) |
| Auditors remuneration - external auditors | 18 | (278 750) | (98 000) | (181 600) | (98 000) |
| Bank charges | | (114 623) | (1 849 638) | (114 623) | (1 822 731) |
| Cleaning | | (210 337) | (48 512) | (210 337) | (48 512) |
| Commission paid | | - | (750 000) | - | - |
| Computer expenses | | (492 157) | (549 899) | (492 157) | (549 899) |
| Consulting and professional fees - accounting | | (157 500) | (270 114) | (157 500) | (263 000) |
| Consulting fees | | (3 163 207) | (3 327 878) | (3 161 707) | (3 146 321) |
| Consulting and professional fees - legal fees | | (1 146 408) | (551 519) | (392 708) | (550 449) |
| Consumables | | (62 219) | - | (62 219) | - |
| Depreciation | | (6 761 448) | (1 558 910) | (6 761 448) | (1 558 910) |
| Employee costs | | (27 231 383) | (16 162 407) | (27 231 383) | (16 162 407) |
| Entertainment | | (90 837) | (78 633) | (90 837) | (78 633) |
| Branding and promotions | | (707 845) | (1 081 095) | (707 845) | (1 081 095) |
| Annual duty | | (40 480) | (5 000) | (40 200) | (5 000) |
| Sponsorships | | (660 830) | (1 081 283) | (660 830) | (1 081 283) |
| General expense | | (61 937) | (197 756) | (61 937) | (197 756) |
| Stamp duty | | (200) | (804 650) | (200) | (804 650) |
| Expenses deposits from applicants | | (2 061 309) | - | (2 061 309) | - |
| Gifts | | (118 045) | (11 335) | (118 045) | (11 335) |
| Insurance | | (1 394 711) | (106 470) | (1 394 711) | (78 701) |
| Lease rentals on operating lease | | (151 900) | (568 367) | (923 614) | (2 177 207) |
| Motor vehicle expenses | | (29 434) | (4 415) | (29 434) | (4 415) |
| Electricity and water | | (289 635) | 291 994) | - | (296 437) |
| Printing and stationery | | (207 593) | (75 754) | (201 593) | (75 754) |
| Repairs and maintenance | | (113 006) | (9 357) | (113 006) | (4 370) |
| Secretarial fees | | (1 500) | (4 700) | (1 500) | (4 700) |
| Security | | (592 664) | (95 815) | (592 664) | (95 815) |
| Staff welfare | | (140 371) | - | (140 371) | - |
| Subscriptions | | (396 681) | (89 863) | (396 681) | (89 863) |
| Telephone and fax | | (633 477) | (273 855) | (633 477) | (273 855) |
| Training | | (282 712) | (169 912) | (282 712) | (169 912) |
| Travel - local | | (182 146) | (63 916) | (182 146) | (63 916) |
| Travel - overseas | | (710 085) | (1 609 764) | (710 085) | (1 609 764) |
| | | **(52 050 733)** | **(32 434 163)** | **(51 674 182)** | **(33 028 984)** |

The accounting policies on pages 50 to 56 and the notes on pages 57 to 75 form an integral part of the consolidated and separate annual financial statments.

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

# NAMDIA TEAM



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