



Report on Payments to Governments 2017

Report on Payments to Governments

for the year ended 31 December 2017

Introduction

This report provides an overview of the payments made to governments by Gem Diamonds Limited and its subsidiaries (the Group) for the 31 December 2017 financial year, as required under the United Kingdom's (UK) Report on Payments to Governments Regulations 2014 (as amended December 2015). These UK Regulations enact domestic rules in line with Directive 2013/34/EU (the EU Accounting Directive (2013)) and apply to companies that are involved in extractive activities.

This report is also intended to satisfy the requirements of the Disclosure and Transparency Rules of the Financial Conduct Authority in the United Kingdom.

Basis for preparation

Reporting entities

This report includes payments to governments made by subsidiaries in the Group which are engaged in extractive activities. During the 2017 financial reporting period, extractive activities were conducted in Lesotho and Botswana.

Extractive activities

Extractive activities relate to the exploration, prospection, discovery, development and extraction of minerals, oil, natural gas deposits or other materials. Gem Diamonds Limited, through its subsidiaries, is engaged in diamond mining activities.

Scope of payments

The report discloses only those significant payments made to governments arising from extractive activities.

Government

Government includes any national, regional or local authority of a country. It includes a department, agency or undertaking (i.e. corporation) controlled by that authority.

Payment types disclosed at legal entity level

▪ Production entitlements

There were no payments of this nature for the year ended 31 December 2017.

▪ Taxes

These are payments on the entity's income, production or profits, excluding taxes levied on consumption such as value added taxes, personal income taxes or sales taxes in line with in-country legislation.

▪ Royalties

These are payments for the right to extract diamonds and are determined on percentage of sales in terms of in-country legislation and / or mining lease agreements.

▪ Dividends

These are dividend payments, other than dividends paid to a government as an ordinary shareholder of an entity unless paid in lieu of production entitlements or royalties. There were no dividend payments of this nature to governments for the year ended 31 December 2017.

▪ Signature, discovery and production bonuses

There were no payments of this nature to governments for the year ended 31 December 2017.

▪ Licence fees

These are fees paid for acquisition of leases and licences, including annual renewal fees, in order to obtain and maintain access to the areas in which extractive activities are performed. These payments were not above the reportable threshold at entity level and have therefore not been reported.

▪ Payments for infrastructure improvements

There were no payments of this nature to governments for the year ended 31 December 2017.

Cash flow basis

Payments reported are on a cash flow basis and may differ to amounts reported in the Gem Diamonds Limited 2017 Annual Report and Accounts which are prepared on an accrual basis.

Report on Payments to Governments continued

for the year ended 31 December 2017

Materiality level

In line with the guidance provided in the Report on Payments to Governments Regulations, payments made as a single payment, or as a series of related payments, that are equal to or exceed US\$111 000 (£86 000) are disclosed in this report. All payments below this threshold have been excluded.

Reporting currency

The payments to government have been reported in US dollar.

Payments made in currencies other than US dollar were translated at the relevant annual average rate for the year ended 31 December 2017.

Summary report

Operation	Country	Taxes US\$'000	Royalties US\$'000	Total US\$'000
Letšeng Diamonds (Proprietary) Limited	Lesotho	229	17 887	18 116
Gem Diamonds Botswana (Proprietary) Limited	Botswana	–	230	230
Total		229	18 117	18 346

Lesotho

Letšeng Diamonds (Proprietary) Limited	Taxes US\$'000	Royalties US\$'000	Total US\$'000
Lesotho Revenue Authority	229	–	229
Government of Kingdom of Lesotho	–	17 887	17 887

Botswana

Gem Diamonds Botswana (Proprietary) Limited	Taxes US\$'000	Royalties US\$'000	Total US\$'000
Government of Botswana	–	230	230