Morse Investments (Proprietary) Limited

(Registration number 2006/255)
Annual Financial Statements
for the year ended 31 March 2015

BDO

General Information

Country of incorporation and domicile	Namibia
Nature of business and principal activities	Buy, cut and polish of rough diamonds and selling of diamonds
Shareholder	Q van Rooyen
Director	Q van Rooyen
Registered office	Trustco House 2 Keller Street Windhoek Namibia
Business address	Trustco House 2 Keller Street Windhoek Namibia
Postal address	P.O. Box 11363 Windhoek Namibia
Bankers	First National Bank Namibia Limited
Auditors	BDO Registered Accountants and Auditors Chartered Accountants (Namibia)
Secretary	Komada Holdings (Pty) Ltd
Company registration number	2006/255

Index

The reports and statements set out below comprise the annual financial statements presented to the shareholder:

Index	**Page**
Director's Responsibilities and Approval	3
Independent Auditors' Report	4
Director's Report	5 - 6
Statement of Financial Position	7
Statement of Profit or Loss and Other Comprehensive Income	8
Statement of Changes in Equity	9
Statement of Cash Flows	10
Accounting Policies	11 - 15
Notes to the Annual Financial Statements	16 - 24

Director's Responsibilities and Approval

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

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

The director acknowledges that he is ultimately responsible for the system of internal financial control established by the company and places considerable importance on maintaining a strong control environment. To enable the director to meet these responsibilities, the board 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 company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The director is 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 annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The director has reviewed the company's cash flow forecast for the year to 31 March 2016 and, in the light of this review and the current financial position, he is satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on page 4.

The annual financial statements set out on pages 5 to 24, which have been prepared on the going concern basis, were approved by the board on 25 August 2015 and were signed on its behalf by:

Q van Rooyen

Windhoek

25 August 2015

Tel: +264 61 224 125
Fax: +264 61 236 518
Email: info@bdo.com.na

61 Bismarck Street
P.O. Box 2184
WINDHOEK
Namibia

Independent Auditors' Report

To the shareholder of Morse Investments (Proprietary) Limited

We have audited the annual financial statements of Morse Investments (Proprietary) Limited, which comprise the statement of financial position as at 31 March 2015, 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 a summary of significant accounting policies and other explanatory notes, and the director's report, as set out on pages 5 to 24.

Director's Responsibility for the Annual Financial Statements

The company's director is responsible for the preparation and fair presentation of these annual financial statements in accordance with International Financial Reporting Standards, and requirements of the Companies Act of Namibia, and for such internal control as the director determines is necessary to enable the preparation of annual financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Morse Investments (Proprietary) Limited as at 31 March 2015, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards, and the requirements of the Companies Act of Namibia.

BDO

BDO
Registered Accountants and Auditors
Chartered Accountants (Namibia)

Windhoek
25 August 2015

Per: C Celliers
Partner

Director's Report

The director submits his report for the year ended 31 March 2015.

1. Review of activities

Main business and operations

The company's operations are purchase of rough diamonds for cutting, polishing and selling and operates principally in Namibia. This is the company's first year of trading.

The operating results and state of affairs of the company are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net loss of the company was N$ 2,826,790, after deferred tax asset of N$ 1,392,299.

2. Diamond Cutting and Polishing Licence

The company acquired a diamond cutting & polishing licence from the Ministry of Mines and Energy, with the period of validity of licence being from 22/09/2014 to 22/09/2024.

3. Going concern

We draw attention to the fact that at 31 March 2015, the company had accumulated losses of N$ (2,826,790) and that the company's total liabilities exceed its assets by N$ (2,826,690).

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the company to continue as a going concern is dependent on a number of factors. The most significant of these is that the director continue to procure funding for the ongoing operations for the company and that the subordination agreement referred to in note 9 of these annual financial statements will remain in force for so long as it takes to restore the solvency of the company.

The fact that the total liabilities exceed the assets has not hindered the company's ability to pay its debts as they become due in the normal course of business.

4. Events after the reporting period

The director of the company has requested consideration from the Ministry of Mines and Energy per letter dated 18 August 2015, in terms of section 21 and 22 of the Diamond Act 13 of 1999, for the sale of 100% of the shares in the company to Huso Investments (Pty) Ltd

The 100% onwer (Mr.Q van Rooyen) of Huso Investments (Pty) Ltd, has signed a Sale of Shares Agreement on 14 July 2015, with Trustco Resources (Pty) Ltd (Ultimate Holding Company, Trustco Group Holdings Ltd), Listed on the JSE and NSX) for N$3,621 bil payable in equity of Trustco Group Holdings Ltd (TTO), 772.1 mil TTO shares at N$4.69 per share. Per definition, the "Closing date" of the transaction will be the date upon which a Mining Licence had been issued in terms of the Mineral Act to Northern Namibia Development Company (Pty) Ltd, another subsidiary of Huso Investments (Pty) Ltd.

Mr. Q van Rooyen is the majority shareholder of both Huso Investments (Pty) Ltd and Trustco Group Holdings Ltd.

5. Authorised and issued share capital

There were no changes in the authorised or issued share capital of the company during the year under review.

Director's Report

6. Non-current assets

There were additions of N$ 2,475,977 to property, plant and equipment during the current year under review.

7. Dividends

No dividends were declared or paid to shareholders during the year.

8. Director

The director of the company during the year and to the date of this report is as follows:

Name	Nationality
Q van Rooyen	Namibian

9. Secretary

The secretary of the company is Komada Holdings (Pty) Ltd of:

Business address	2 Keller Street Windhoek Namibia
Postal address	P.O. Box 11363 Windhoek Namibia

10. Auditors

BDO will continue in office in accordance with section 278(2) of the Companies Act of Namibia.

Statement of Financial Position

Figures in Namibia Dollar	Note(s)	2015
Assets		
Non-Current Assets		
Property, plant and equipment	3	2,389,141
Intangible assets	4	5,382,214
Deferred tax	5	1,392,299
		9,163,654
Current Assets		
Trade and other receivables	6	49,162
Cash and cash equivalents	7	5,000
		54,162
Total Assets		**9,217,816**
Equity and Liabilities		
Equity		
Share capital	8	100
Accumulated loss		(2,826,790)
		(2,826,690)
Liabilities		
Non-Current Liabilities		
Loan from related party	9	11,736,472
Current Liabilities		
Trade and other payables	10	234,223
Bank overdraft	7	73,811
		308,034
Total Liabilities		**12,044,506**
Total Equity and Liabilities		**9,217,816**

Statement of Profit or Loss and Other Comprehensive Income

Figures in Namibia Dollar	Note(s)	2015
Revenue	11	52,816
Other income		75,354
Operating expenses		(4,347,262)
Profit before investment income and finance costs	12	**(4,219,092)**
Investment income		3
Loss before taxation		**(4,219,089)**
Taxation	13	1,392,299
Loss for the year		**(2,826,790)**
Other comprehensive income		-
Total comprehensive loss		**(2,826,790)**

Statement of Changes in Equity

Figures in Namibia Dollar	Share capital	Accumulated loss	Total equity
Balance at 01 April 2014	**-**	**-**	**-**
Changes in equity			
Total comprehensive income for the year	-	(2,826,790)	(2,826,790)
Issue of shares	100	-	100
Total changes	100	(2,826,790)	(2,826,690)
Balance at 31 March 2015	**100**	**(2,826,790)**	**(2,826,690)**
Note(s)	8		

Statement of Cash Flows

Figures in Namibia Dollar	Note(s)	2015
Cash flows from operating activities		
Cash used in operations	14	(3,739,275)
Interest income		3
Net cash from operating activities		**(3,739,272)**
Cash flows from investing activities		
Purchase of property, plant and equipment	3	(2,069,877)
Sale of property, plant and equipment	3	75,354
Assets acquired through business combination	21	(6,071,588)
Proceeds from loans from related parties		11,736,472
Net cash from investing activities		**3,670,361**
Cash flows from financing activities		
Proceeds on share issue	8	100
Total cash movement for the year		**(68,811)**
Total cash at end of the year	7	**(68,811)**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, and the Companies Act of Namibia. The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in Namibia Dollars.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

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

1.2 Property, plant and equipment

The cost of 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 company; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Accounting Policies

1.2 Property, plant and equipment (continued)

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Plant and machinery	6 years
Office equipment	4 years
IT equipment	3 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for 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 period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.3 Intangible assets

An intangible asset is recognised when:
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Accounting Policies

1.3 Intangible assets (continued)

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	**Useful life**
Diamond cutting and polishing licence	10 years

1.4 Financial instruments

Classification

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

Loans to (from) group companies

These include loans to and from holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Loans to group companies are classified as loans and receivables.

Loans from group companies are classified as financial liabilities measured at amortised cost.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Accounting Policies

1.4 Financial instruments (continued)

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the company's accounting policy for borrowing costs.

1.5 Tax

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

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

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

1.6 Impairment of assets

The company 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 company estimates the recoverable amount of the asset.

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

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

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

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

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

Accounting Policies

1.6 Impairment of assets (continued)

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.

1.7 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.

1.8 Revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company 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 company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.9 Borrowing costs

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

Notes to the Annual Financial Statements

Figures in Namibia Dollar **2015**

2. New Standards and Interpretations

2.1 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 April 2015 or later periods:

At the date of authorisation of these annual financial statements, the following Standards and Interpretations were in issue but not yet effective:

IFRS 2 Share-based payments (Amendments resulting from Annual Improvements 2010 – 2012 Cycle (definition of 'vesting condition')) – effective for annual periods beginning on or after 1 July 2014.

IFRS 3 Business combinations (Amendments resulting from Annual Improvements 2010 – 2012 Cycle (accounting for contingent consideration)) – effective for annual periods beginning on or after 1 July 2014.

IFRS 3 Business combinations (Amendments resulting from Annual Improvements 2011 – 2013 Cycle (scope exception for joint ventures)) – effective for annual periods beginning on or after 1 July 2014.

IFRS 7 Financial Instruments: Disclosures (Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures) – effective for annual periods beginning on or after 1 January 2015.

IFRS 7 Financial Instruments: Disclosures (Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9) – date of application is 1 January 2018. IFRS 8

Operating Segments (Amendments resulting from Annual Improvements 2010 – 2012 Cycle (aggregation of segments, reconciliation of segment assets)) – effective for annual periods beginning on or after 1 July 2014. IFRS 9 Financial Instruments (Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures) – effective for annual periods beginning on or after 1 January 2015

IFRS 9 Financial Instruments (Reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the 'own credit' gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9) – effective date of application is 1 January 2018.

IFRS 13 Fair value measurement (Amendments resulting from Annual Improvements 2011 – 2013 Cycle (scope of the portfolio exception in paragraph 52)) – effective for annual periods beginning 1 July 2014. IFRS 15 Revenue from Contracts with Customers (Original issue) – effective for annual periods beginning 1 January 2017.

IAS 16 Property, plant and equipment (Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)) – effective for annual periods beginning 1 July 2014.

IAS 19 Employee benefits (Amended to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service) – effective for annual periods beginning 1 July 2014.

Notes to the Annual Financial Statements

2. New Standards and Interpretations (continued)

IAS 24 Related party disclosures (Amendments resulting from Annual Improvements 2010-2012 Cycle (management entities)) – effective for annual periods beginning 1 July 2014.

IAS 39 Financial Instruments: Recognition and Measurement (Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IA S 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception) – effective date of application is 1 January 2018.

The company does not envisage the adoption of these standards and interpretations until such time that they become applicable to the group's operations.

The board does not anticipate that the above standards and interpretations will have a material effect on the group's annual financial statements..

Notes to the Annual Financial Statements

3. Property, plant and equipment

	2015		
	Cost / Valuation	Accumulated depreciation	Carrying value
Plant and machinery	2,158,701	(84,596)	2,074,105
Office equipment	231,477	(2,108)	229,369
IT equipment	85,800	(133)	85,667
Total	**2,475,978**	**(86,837)**	**2,389,141**

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Additions through business combinations	Depreciation	Total
Plant and machinery	-	2,039,700	119,000	(84,595)	2,074,105
Office equipment	-	26,977	204,500	(2,108)	229,369
IT equipment	-	3,200	82,600	(133)	85,667
	-	**2,069,877**	**406,100**	**(86,836)**	**2,389,141**

4. Intangible assets

	2015		
	Cost / Valuation	Accumulated amortisation	Carrying value
Diamond cutting and polishing licence	5,665,488	(283,274)	5,382,214

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Diamond cutting and polishing licence	-	5,665,488	(283,274)	5,382,214

5. Deferred tax

Deferred tax asset

Accelerated capital allowances for tax purposes	1,392,299

Reconciliation of deferred tax asset

Increase (decrease) in tax losses available for set off against future taxable income	1,636,001
Originating temporary difference on tangible fixed assets	(243,702)
	1,392,299

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2015

6. Trade and other receivables

Value Added Tax	49,162

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	5,000
Bank overdraft	(73,811)
	(68,811)
Current assets	5,000
Current liabilities	(73,811)
	(68,811)

8. Share capital

Authorised	
4,000 Ordinary shares of N$ 1 each	4,000
Issued	
100 Ordinary shares of N$ 1 each	100

9. Loan from related party

Next Investments (Pty) Ltd	(11,736,472)

Loan from Next Investments (Pty) Ltd is unsecured, bear interest at rate that is determined by the directors from time to time (the rate at year-end was 0% per annum) and have no fixed terms of repayment, other than not being repayable within the next 12 months.

The carrying amounts approximate fair value.

10. Trade and other payables

Trade payables	201,160
Other payables	33,063
	234,223

11. Revenue

Sawing & scanning income	52,816

12. Profit before investment income and finance costs

Profit before investment income and finance costs for the year is stated after accounting for the following:

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2015

12. Profit before investment income and finance costs (continued)

Operating lease charges	
Premises	
• Contractual amounts	544,250
Profit on sale of property, plant and equipment	75,354
Amortisation on intangible assets	283,274
Depreciation on property, plant and equipment	86,836
Employee costs	1,037,524

13. Taxation

Major components of the tax income

Deferred	
Originating and reversing temporary differences	(1,392,299)

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

Accounting loss	(4,219,089)
Tax at the applicable tax rate of 33% (2014: 33%)	(1,392,299)

14. Cash used in operations

Loss before taxation	(4,219,089)
Adjustments for:	
Depreciation and amortisation	370,110
Profit on sale of assets	(75,354)
Interest received	(3)
Changes in working capital:	
Trade and other receivables	(49,162)
Trade and other payables	234,223
	(3,739,275)

Notes to the Annual Financial Statements

Figures in Namibia Dollar	2015

15. Related parties

Relationships

Related through shareholding / common directorship	Trustco Group International (Pty) Ltd Trustco Air Services (Pty) Ltd Trustco News (Pty) Ltd Trustco Fleet Management (Pty) Ltd Next Investments (Pty) Ltd Foxtrot Properties (Pty) Ltd Portsmut Hunting Safaris (Pty) Ltd Namibia Medical Investments (Pty) Ltd Dolphin View 50 Langstrand (Pty) Ltd Othinge Investments (Pty) Ltd Huso Investments (Pty) Ltd Northern Namibia Development Company (Pty) Ltd
Director	Q van Rooyen

Related party balances

Loan accounts - Owing (to) by related parties	
Next Investments (Pty) Ltd	(11,736,472)

Related party transactions

16. Director's emoluments

No emoluments were paid to the director or any individuals holding a prescribed office during the year.

17. Comparative figures

No comparative figures have been presented as these are the first annual financial statements of the company.

Notes to the Annual Financial Statements

18. Risk management

Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

There are no externally imposed capital requirements.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Liquidity risk

The company’s risk to liquidity is a result of the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities.

At 31 March 2015	Less than 1 year	Between 2 and 5 years
Bank overdraft	73,811	-
Trade and other payables	234,223	-
Loans from related parties	-	11,736,472

19. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2015

	Loans and receivables	Total
Trade and other receivables	49,162	49,162
Cash and cash equivalents	5,000	5,000
	54,162	**54,162**

Notes to the Annual Financial Statements

20. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2015

	Financial liabilities at amortised cost	**Total**
Loans from related parties	11,736,472	11,736,472

21. Business combination

On 5 September 2014, the company acquired assets by way of purchase the business of Nuska Investments (Pty) Ltd. The current operations of the acquiree include cutting and polishing of diamonds. The assets and resources acquired include diamond cutting licence, fixed assets and staff related to the operations. The company has taken over the management of operations of the entity but also intends to expand the existing operations to more significant levels.

Fair value of assets acquired

Property, plant and equipment	406,100
Intangible assets	5,665,488
	6,071,588

22. Going concern

We draw attention to the fact that at 31 March 2015, the company had accumulated losses of N$ (2,826,790) and that the company's total liabilities exceed its assets by N$ (2,826,690).

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the company to continue as a going concern is dependent on a number of factors. The most significant of these is that the director continue to procure funding for the ongoing operations for the company , the company start receiving enough diamonds for cutting and polishing from Northern Namibia Development Company (Pty) Ltd and that the subordination agreement referred to in note 9 of these annual financial statements will remain in force for so long as it takes to restore the solvency of the company.

Notes to the Annual Financial Statements

23. Events after the reporting period

The director of the company has requested consideration from the Ministry of Mines and Energy per letter dated 18 August 2015, in terms of section 21 and 22 of the Diamond Act 13 of 1999, for the sale of 100% of the shares in the company to Huso Investments (Pty) Ltd.

The 100% onwer (Mr.Q van Rooyen) of Huso Investments (Pty) Ltd, has signed a Sale of Shares Agreement on 14 July 2015, with Trustco Resources (Pty) Ltd (Ultimate Holding Company, Trustco Group Holdings Ltd), Listed on the JSE and NSX) for N$3,621 bil payable in equity of Trustco Group Holdings Ltd (TTO), 772.1 mil TTO shares at N$4.69 per share. Per definition, the "Closing date" of the transaction will be the date upon which a Mining Licence had been issued in terms of the Mineral Act to Northern Namibia Development Company (Pty) Ltd, another subsidiary of Huso Investments (Pty) Ltd.

Mr. Q van Rooyen is the majority shareholder of both Huso Investments (Pty) Ltd and Trustco Group Holdings Ltd.