

**Morse Investments (Proprietary) Limited
(Registration number 2006/255)
Annual Financial Statements
for the year ended 31 March 2016**

Morse Investments (Proprietary) Limited

(Registration number 2006/255)

Annual Financial Statements for the year ended 31 March 2016

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
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

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Annual Financial Statements for the year ended 31 March 2016

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

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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.

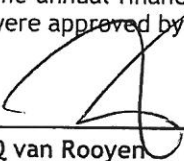
The director acknowledges that he is ultimately responsible for the system of internal financial control established by the company and places considerable importance on maintaining a strong control environment. To enable the director to meet these responsibilities, the board sets standards for internal 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 2017 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 25, which have been prepared on the going concern basis, were approved by the board on 29 November 2016 and were signed on its behalf by:



Q van Rooyen

Windhoek

29 November 2016



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 2016, and the statement of 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 25.

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 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of Namibia.



BDO
Registered Accountants and Auditors
Chartered Accountants (Namibia)

Windhoek
29 November 2016

Per: JSW de Vos
Partner

Morse Investments (Proprietary) Limited

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Director's Report

The director submits his report for the year ended 31 March 2016.

1. Review of activities

Main business and operations

The company's operations are buy, cut and polish of rough diamonds and selling of diamonds and operates principally in Namibia.

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\$ 11,341,643 (2015: N\$ 2,826,790 loss), after deferred tax of N\$ (1,392,299) (2015: N\$ 1,392,299).

2. Going concern

We draw attention to the fact that at 31 March 2016, the company had accumulated losses of N\$ (14,168,433) and that the company's total liabilities exceed its assets by N\$ (14,168,333).

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 10 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.

3. Authorised and issued share capital

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

4. Non-current assets

Details of major changes in the nature of the non-current assets of the company during the year were as follows:

There were additions of N\$ 1,090,160 (2015: N\$ 2,475,977) to property, plant and equipment during the current year under review.

5. Dividends

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

6. 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

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Director's Report

7. 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

8. Export Processing Zone (EPZ)

The company was awarded EPZ status effective 9 December 2015.

9. Diamond cutting and polishing license

The company's licence is valid from 22/09/2014 to 22/09/2024.

10. Sale of Shares Agreement

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% owner (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 billion payable in equity of Trustco Group Holdings Ltd (TGH), 772.1 mil TGH 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.

11. Auditors

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

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Annual Financial Statements for the year ended 31 March 2016

Statement of Financial Position

Figures in Namibia Dollar	Note(s)	2016	2015
Assets			
Non-Current Assets			
Property, plant and equipment	3	3,073,524	2,389,141
Intangible assets	4	4,815,665	5,382,214
Deferred tax	5	-	1,392,299
		<u>7,889,189</u>	<u>9,163,654</u>
Current Assets			
Inventories	6	3,324,332	-
Trade and other receivables	7	77,001	49,162
Cash and cash equivalents	8	9,267	5,000
		<u>3,410,600</u>	<u>54,162</u>
Total Assets		<u>11,299,789</u>	<u>9,217,816</u>
Equity and Liabilities			
Equity			
Share capital	9	100	100
Accumulated loss		(14,168,433)	(2,826,790)
		<u>(14,168,333)</u>	<u>(2,826,690)</u>
Liabilities			
Non-Current Liabilities			
Loans from related parties	10	25,183,661	11,736,472
Current Liabilities			
Trade and other payables	11	284,461	234,223
Bank overdraft	8	-	73,811
		<u>284,461</u>	<u>308,034</u>
Total Liabilities		<u>25,468,122</u>	<u>12,044,506</u>
Total Equity and Liabilities		<u>11,299,789</u>	<u>9,217,816</u>

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Statement of Profit or Loss and Other Comprehensive Income

Figures in Namibia Dollar	Note(s)	2016	2015
Revenue	12	111,526	52,816
Other income		171,290	75,354
Operating expenses		(10,232,157)	(4,347,262)
Profit before investment income and finance costs	13	(9,949,341)	(4,219,092)
Investment income		2	3
Finance costs		(5)	-
Loss before taxation		(9,949,344)	(4,219,089)
Taxation	14	(1,392,299)	1,392,299
Loss for the year		(11,341,643)	(2,826,790)
Other comprehensive income		-	-
Total comprehensive loss		(11,341,643)	(2,826,790)

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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 loss 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 01 April 2015	100	(2,826,790)	(2,826,690)
Changes in equity			
Total comprehensive loss for the year	-	(11,341,643)	(11,341,643)
Total changes	-	(11,341,643)	(11,341,643)
Balance at 31 March 2016	100	(14,168,433)	(14,168,333)
Note(s)	9		

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Statement of Cash Flows

Figures in Namibia Dollar	Note(s)	2016	2015
Cash flows from operating activities			
Cash used in operations	15	(12,278,947)	(3,739,275)
Interest income		2	3
Finance costs		(5)	-
Net cash from operating activities		(12,278,950)	(3,739,272)
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(1,090,160)	(2,069,877)
Proceeds on sale of property, plant and equipment	3	-	75,354
Assets acquired through business combination		-	(6,071,588)
Net cash from investing activities		(1,090,160)	(8,066,111)
Cash flows from financing activities			
Proceeds on share issue	9	-	100
Proceeds from loans from related parties		13,447,188	11,736,472
Net cash from financing activities		13,447,188	11,736,572
Total cash movement for the year		78,078	(68,811)
Cash at the beginning of the year		(68,811)	-
Total cash at end of the year	8	9,267	(68,811)

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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.

These accounting policies are consistent with the previous period.

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 assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of 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. 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.

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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.

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.

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

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Accounting Policies

1.3 Intangible assets (continued)

Item	Useful life
Diamond cutting and polishing license	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.

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Annual Financial Statements for the year ended 31 March 2016

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 asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses 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 Inventories

Inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and net realisable value on the first-in-first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.7 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.

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Accounting Policies

1.7 Impairment of assets (continued)

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.

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.

1.8 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.

1.9 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.

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Accounting Policies

1.9 Revenue (continued)

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.

1.10 Borrowing costs

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

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Notes to the Annual Financial Statements

Figures in Namibia Dollar

2016

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 2016 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 9 Financial Instruments

A finalised version of IFRS 9 has been issued which replaces IAS 39 Financial Instruments: Recognition and Measurement. The completed standard comprises guidance on Classification and Measurement, Impairment Hedge Accounting and Derecognition:

IFRS 9 introduces a new approach to the classification of financial assets, which is driven by the business model in which the asset is held and their cash flow characteristics. A new business model was introduced which does allow certain financial assets to be categorised as "fair value through other comprehensive income" in certain circumstances. The requirements for financial liabilities are mostly carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk.

The new model introduces a single impairment model being applied to all financial instruments, as well as an "expected credit loss" model for the measurement of financial assets.

IFRS 9 contains a new model for hedge accounting that aligns the accounting treatment with the risk management activities of an entity, in addition enhanced disclosures will provide better information about risk management and the effect of hedge accounting on the financial statements.

IFRS 9 carries forward the derecognition requirements of financial assets and liabilities from IAS 39.

Effective for annual periods beginning on or after 1 January 2018.

IFRS 7 Financial Instruments

Amendment to IFRS 7: Financial Instruments: Disclosures: Annual Improvements project - effective for annual periods beginning on or after 1 January 2016.

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2. New Standards and Interpretations (continued)

IFRS 15 Revenue from Contracts from Customers

New standard that requires entities to recognise 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. This core principle is achieved through a five step methodology that is required to be applied to all contracts with customers - effective for annual periods beginning on or after 1 January 2017.

The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiplelement arrangements - effective for annual periods beginning on or after 1 January 2017.

The new standard supersedes:

- (a) IAS 11 Construction Contracts;
- (b) IAS 18 Revenue;
- (c) IFRIC 13 Customer Loyalty Programmes;
- (d) IFRIC 15 Agreements for the Construction of Real Estate;
- (e) IFRIC 18 Transfers of Assets from Customers; and
- (f) (f) SIC-31 Revenue—Barter Transactions Involving Advertising Services.

Effective for annual periods beginning on or after 1 January 2017.

IAS 16 Property, Plant and Equipment

Amendments to IAS 16 and IAS 38 to clarify the basis

for the calculation of depreciation and amortisation, as being the expected pattern of consumption of the future economic benefits of an asset - effective for annual periods beginning on or after 1 January 2016.

Amendment to both IAS 16 and IAS 38 establishing the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. Clarifying that revenue is generally presumed to be an inappropriate basis for measuring the consumption of economic benefits in such assets - effective for annual periods beginning on or after 1 January 2016.

Amendments to IAS 16 and IAS 41 which defines bearer plants and includes bearer plants in the scope of IAS 16 Property, plant and Equipment, rather than IAS 41 allowing such assets to be accounted for after initial recognition in accordance with IAS 16 - effective for annual periods beginning on or after 1 January 2016.

IAS 1: Presentation of Financial Statements

Disclosure Initiative: Amendment to IAS 1: Presentation of Financial Statements - effective for annual periods beginning on or after 1 January 2016.

The company does not envisage the adoption of the standard until such time as it becomes applicable to the company's operations.

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3. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Leasehold property	167,425	(5,780)	161,645	-	-	-
Plant and machinery	3,073,646	(422,274)	2,651,372	2,158,701	(84,596)	2,074,105
Office equipment	239,267	(13,576)	225,691	231,477	(2,108)	229,369
IT equipment	85,800	(50,984)	34,816	85,800	(133)	85,667
Total	3,566,138	(492,614)	3,073,524	2,475,978	(86,837)	2,389,141

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Depreciation	Total
Leasehold property	-	167,425	(5,780)	161,645
Plant and machinery	2,074,105	914,946	(337,679)	2,651,372
Office equipment	229,369	7,789	(11,467)	225,691
IT equipment	85,667	-	(50,851)	34,816
	2,389,141	1,090,160	(405,777)	3,073,524

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

	2016			2015		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Diamond cutting and polishing licence	5,665,488	(849,823)	4,815,665	5,665,488	(283,274)	5,382,214

Reconciliation of intangible assets - 2016

	Opening balance	Amortisation	Total
Diamond cutting and polishing licence	5,382,214	(566,549)	4,815,665

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4. Intangible assets (continued)**Reconciliation of intangible assets - 2015**

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

Details of valuation

The company's licence is carried at cost model and is valid from 22/09/2014 to 22/09/2024.

5. Deferred tax**Deferred tax asset**

Accelerated capital allowances for tax purposes	-	1,392,299
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Reconciliation of deferred tax asset

At beginning of the year	1,392,299	-
Increase in tax losses available for set off against future taxable income	-	1,636,001
Originating temporary difference on tangible fixed assets	-	(243,702)
Reversal of deferred tax	(1,392,299)	-
	-	1,392,299

Deferred tax has been derecognised to account for EPZ status obtained during the year.

6. Inventories

Rough diamonds	1,786,298	-
Polished diamonds	1,538,034	-
	3,324,332	-

7. Trade and other receivables

Value Added Tax	77,001	49,162
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8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	133	5,000
Bank balances	9,134	-
Bank overdraft	-	(73,811)
	9,267	(68,811)

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Figures in Namibia Dollar	2016	2015
8. Cash and cash equivalents (continued)		
Current assets	9,267	5,000
Current liabilities	-	(73,811)
	<u>9,267</u>	<u>(68,811)</u>
9. Share capital		
Authorised		
4,000 Ordinary shares of N\$ 1 each	<u>4,000</u>	<u>4,000</u>
Issued		
100 Ordinary shares of N\$ 1 each	<u>100</u>	<u>100</u>
10. Loans from related parties		
Next Investments (Pty) Ltd	-	(11,697,611)
The loan was taken over by Q van Rooyen in the current year.		
Q van Rooyen	(24,694,562)	(38,861)
The loan is unsecured, bear interest at rate that is determined by Q van Rooyen 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 loan is subordinated to the benefit of other creditors.		
Northern Namibia Development Company (Pty) Ltd	(489,099)	-
The loan is unsecured, interest free and has no fixed terms of repayment. The loan is however not repayable within the next twelve months.		
	<u>(25,183,661)</u>	<u>(11,736,472)</u>
11. Trade and other payables		
Trade payables	109,584	201,160
Other payables	92,177	33,063
Other accrued expenses	82,700	-
	<u>284,461</u>	<u>234,223</u>
12. Revenue		
Sale of goods	50,836	-
Sawing & scanning income	60,690	52,816
	<u>111,526</u>	<u>52,816</u>

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13. Profit before investment income and finance costs

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

Operating lease charges

Premises

- Contractual amounts

894,600 544,250

Profit on sale of property, plant and equipment

- 75,354

Amortisation on intangible assets

566,549 283,274

Depreciation on property, plant and equipment

405,777 86,836

Employee costs

3,783,396 1,037,524

14. Taxation**Major components of the tax expense****Deferred**

Originating and reversing temporary differences

1,392,299 (1,392,299)

15. Cash used in operations

Loss before taxation

(9,949,344) (4,219,089)

Adjustments for;

Depreciation and amortisation

972,326 370,110

Loss on sale of assets

- (75,354)

Interest received

(2) (3)

Finance costs

5 -

Changes in working capital:

Inventories

(3,324,332) -

Trade and other receivables

(27,839) (49,162)

Trade and other payables

50,239 234,223

(12,278,947) (3,739,275)

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16. Related parties		
Relationships		
Shareholder		
	Q van Rooyen	
Related through shareholding/common directorship		
	Huso Investments Pty Ltd Next Investments (Pty) Ltd Northern Namibia Development Company (Pty) Ltd Portsmut Hunting Safaris (Pty) Ltd Foxtrot Properties (Pty) Ltd Dolphin View 50 Langstrand (Pty) Ltd Trustco Group Holdings Limited and its subsidiaries	
Director		
	Q van Rooyen	
Related party balances		
Loan accounts - Owing (to) / by related parties		
Next Investments (Pty) Ltd		- (11,736,472)
Northern Namibia Development Company (Pty) Ltd	(489,099)	-
Q van Rooyen	(24,694,562)	(38,861)
		<hr/>
Related party transactions		
Diamonds purchased from related party		
Northern Namibia Development Company (Pty) Ltd	485,537	-
		<hr/>

17. Director's emoluments

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

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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 2016

	Less than 1 year	Between 2 and 5 years
Trade and other payables	284,461	-
Loans from related parties	-	25,183,661

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:

2016

	Loans and receivables	Total
Cash and cash equivalents	9,267	9,267

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19. Financial assets by category (continued)

2015

	Loans and receivables	Total
Cash and cash equivalents	5,000	5,000

20. Financial liabilities by category

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

2016

	Financial liabilities at amortised cost	Total
Loans from related parties	25,183,660	25,183,660

2015

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

21. Going concern

We draw attention to the fact that at 31 March 2016, the company had accumulated losses of N\$ (14,168,433) and that the company's total liabilities exceed its assets by N\$ (14,168,333).

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 10 of these annual financial statements will remain in force for so long as it takes to restore the solvency of the company.