Morse Investments (Proprietary) Limited
(Registration number 2006/255)
Financial statements
for the period ended 30 September, 2016

General Information

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

Index

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

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 financial statements and related financial information included in this report. It is his responsibility to ensure that the financial statements fairly present the state of affairs of the company as at the end of the financial period 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 financial statements.

The 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 director 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 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 period to 31 March, 2018 and, in light of this review and the current financial position, he is satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements set out on pages 5 to 21, which have been prepared on the going concern basis, were approved by the director on 10 January, 2017 and were signed on his behalf by:

Q. van Rooyen
Director

Independent Auditor's Report

To the shareholder of Morse Investments (Proprietary) Limited

We have audited the financial statements of Morse Investments (Proprietary) Limited, as set out on pages 7 to 21, which comprise the statement of financial position as at 30 September, 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The company's director is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company`s preparation and fair presentation of the 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 company`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 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 financial statements of Morse Investments (Proprietary) Limited for the period then ended 30 September, 2016 are prepared, in all material respects, in accordance with the basis of accounting described in note to the financial statements, and the requirements of the Companies Act of Namibia.

Other reports required by Companies Act of Namibia

As part of our audit of the financial statements for the period ended 30 September, 2016, we have read the directors' report for the purpose of identifying whether there are material inconsistencies between that report and the audited financial statements. The directors' report is the responsibility of the directors. Based on reading that report we have not identified material inconsistencies between it and the audited financial statements. However, we have not audited the directors' report and accordingly do not express an opinion thereon.

Johan de Vos
Partner

10 January, 2017
Per:
Additional description
Additional description

Directors' Report

The director has pleasure in submitting his report on the financial statements of Morse Investments (Proprietary) Limited for the period ended 30 September, 2016.

1. Nature of business

The company's operations involves buying, cutting and polishing of rough diamonds and selling of diamonds and operates principally in Namibia.

The company has two exclusive offtake mining agreements in place with Northern Namibia Development Company (Pty) Ltd and Meya Mining, respectively in Namibia and Sierra Leone. This will ensure supply of rough diamonds to the company for polishing and distribution. The director expects the mines to come into full production during the second half of the 2017 calendar year.

Northern Namibia Development Company (Pty) Ltd and Meya Mining, both diamond mines, are associated companies of Morse Investments (Pty) Ltd.

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

2. Going concern

We draw attention to the fact that as at 30 September 2016, the company had accumulated losses of N$ (20 057 741) and the company's total liabilities exceed its assets by N$ (20 057 641).

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 company and that the subordination agreement in note 4 of the annual financial statements will remain in force for so long as it takes to restore the solvency of the company.

3. Share capital

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

4. Property, plant and equipment

There was no change in the nature of the property, plant and equipment of the company or in the policy regarding their use.

At 30 September, 2016 the company's property, plant and equipment amounted to N$2,900,615 (2016: N$ 3,073,524), of which N$68,939 (2016: N$ 1,090,161) was added in the current year through additions.

5. Dividends

The director has resolved not to declare a dividend for the financial period ended 30 September, 2016.

6. Directorate

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

Director	Nationality
Q. van Rooyen	Namibian

Directors' Report

7. Secretary

The company secretary is Komada Holdings (Proprietary) Limited.

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

8. Export Processing Zone (EPZ)

The company was awarded EPZ status effective 9 December 2015.

9. Diamond cutting and polishing licence

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

10. Sale of Share Agreement

The director of the company has requested consideration from the Ministry of Mines and Energy of Namibia per letter dated 18 August 2015, in terms of sections 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 (Huso). The transaction will be perfected upon receiving of the minister's approval.

The 100% owner (Dr. Q. van Rooyen) of Huso, has signed a Sale of Shares Agreement on 14 July 2015, with Trustco Resources (Pty) Ltd (whose ultimate holding company Trustco Group Holdings Ltd (TGH) is listed on the JSE and NSX) for N$3.621 billion payable in 772.1 million shares of TGH at N$4.69 per share. Per definition, the "Closing date" of the transaction will be the date upon which a mining licence has been issued in terms of the Mineral Act to Northern Namibia Development Company (Pty) Ltd (NNDC), another subsidiary of Huso.

Mr.Q van Rooyen is the majority shareholder of both Huso and TGH.

The approval of the mining licence of NNDC was still pending at the time of reporting.

Statement of Financial Position as at 30 September, 2016

Figures in Namibia Dollar	Note(s)	30 September 2016	31 March 2016
Assets			
Non-Current Assets			
Property, plant and equipment	2	2,900,615	3,073,524
Intangible assets	3	4,532,390	4,815,665
Loans to related parties	4	2,960	-
		7,435,965	**7,889,189**
Current Assets			
Inventories	6	3,827,753	3,324,332
Trade and other receivables	7	99,882	77,001
Cash and cash equivalents	8	16,036	9,266
		3,943,671	**3,410,599**
Total Assets		**11,379,636**	**11,299,788**
Equity and Liabilities			
Equity			
Share capital	9	100	100
Accumulated loss		(20,057,741)	(14,168,434)
		(20,057,641)	**(14,168,334)**
Liabilities			
Non-Current Liabilities			
Loans from related parties	4	30,287,214	25,183,660
Current Liabilities			
Trade and other payables	10	1,150,063	284,462
Total Liabilities		**31,437,277**	**25,468,122**
Total Equity and Liabilities		**11,379,636**	**11,299,788**

Statement of Profit or Loss and Other Comprehensive Income

Figures in Namibia Dollar	Note(s)	6 months ended 30 September 2016	12 months ended 31 March 2016
Revenue	11	148,310	282,817
Operating expenses		(6,037,613)	(10,232,157)
Operating loss	12	**(5,889,303)**	**(9,949,340)**
Investment revenue	13	1	2
Finance costs	14	(5)	(5)
Loss before taxation		**(5,889,307)**	**(9,949,343)**
Taxation		-	(1,392,299)
Loss for the period		**(5,889,307)**	**(11,341,642)**
Other comprehensive income		-	-
Total comprehensive loss for the period		**(5,889,307)**	**(11,341,642)**

Statement of Changes in Equity

Figures in Namibia Dollar	Share capital	Accumulated loss	Total equity
Balance at 1 April, 2015	**100**	**(2,826,792)**	**(2,826,692)**
Loss for the period	-	(11,341,642)	(11,341,642)
Other comprehensive income	-	-	-
Total comprehensive Loss for the period	**-**	**(11,341,642)**	**(11,341,642)**
Balance at 1 April, 2016	**100**	**(14,168,434)**	**(14,168,334)**
Loss for the period	-	(5,889,307)	(5,889,307)
Other comprehensive income	-	-	-
Total comprehensive Loss for the period	**-**	**(5,889,307)**	**(5,889,307)**
Balance at 30 September, 2016	**100**	**(20,057,741)**	**(20,057,641)**
Note(s)	9		

Statement of Cash Flows

Figures in Namibia Dollar	Note(s)	6 months ended 30 September 2016	12 months ended 31 March 2016
Cash flows from operating activities			
Cash used in operations	15	(5,024,881)	(12,278,947)
Interest income		1	2
Finance costs		(5)	(5)
Net cash from operating activities		**(5,024,885)**	**(12,278,950)**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(68,939)	(1,090,161)
Net cash from investing activities		**(68,939)**	**(1,090,161)**
Cash flows from financing activities			
Proceeds from loans from related parties		5,100,594	13,447,188
Net cash from financing activities		**5,100,594**	**13,447,188**
Total cash movement for the period		**6,770**	**78,077**
Cash at the beginning of the period		9,266	(68,811)
Total cash at end of the period	8	**16,036**	**9,266**

Accounting Policies

1. Presentation of financial statements

The financial statements have been prepared in accordance with International Financial Reporting Standards, and the Companies Act of Namibia. The 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 financial statements, management is required to make estimates and assumptions that affect the amounts represented in the 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 financial statements. Significant estimates 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 goodwill and tangible assets are inherently uncertain and could materially change over time.

1.2 Property, plant and equipment

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

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 carried at cost less accumulated depreciation and accumulated impairment losses.

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

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

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses.

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

Accounting Policies

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

Item	Depreciation method	Average useful life
Leasehold improvements		25 years
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 prospectively as a change in accounting estimate.

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

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment 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 arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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.

Accounting Policies

1.3 Intangible assets (continued)

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:

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.

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.

Accounting Policies

1.5 Inventories

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

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.

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.

1.6 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 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:

Accounting Policies

1.8 Revenue (continued)

- 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.

Contract revenue comprises:

- the initial amount of revenue agreed in the contract; and
- variations in contract work, claims and incentive payments:
  - to the extent that it is probable that they will result in revenue; and
  - they are capable of being reliably measured.

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.

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

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 Financial Statements

Figures in Namibia Dollar	2016	2016

2. Property, plant and equipment

	2016			2016		
	Cost or revaluation	**Accumulated depreciation**	**Carrying value**	**Cost or revaluation**	**Accumulated depreciation**	**Carrying value**
Leasehold improvements	167,425	(9,248)	158,177	167,425	(5,780)	161,645
Plant and machinery	3,135,122	(627,630)	2,507,492	3,073,646	(422,274)	2,651,372
Office equipment	239,267	(19,310)	219,957	239,267	(13,576)	225,691
IT equipment	93,264	(78,275)	14,989	85,800	(50,984)	34,816
Total	**3,635,078**	**(734,463)**	**2,900,615**	**3,566,138**	**(492,614)**	**3,073,524**

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Depreciation	Total
Leasehold improvements	161,645	-	(3,468)	158,177
Plant and machinery	2,651,373	61,475	(205,356)	2,507,492
Office equipment	225,691	-	(5,735)	219,956
IT equipment	34,816	7,464	(27,291)	14,989
	3,073,525	**68,939**	**(241,850)**	**2,900,614**

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Depreciation	Total
Leasehold improvements	-	167,425	(5,780)	161,645
Plant and machinery	2,074,105	914,947	(337,679)	2,651,373
Office equipment	229,369	7,789	(11,467)	225,691
IT equipment	85,667	-	(50,851)	34,816
	2,389,141	**1,090,161**	**(405,777)**	**3,073,525**

3. Intangible assets

	2016			2016		
	Cost / Valuation	**Accumulated amortisation**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation**	**Carrying value**
Diamond cutting and polishing licence	5,665,488	(1,133,098)	4,532,390	5,665,488	(849,823)	4,815,665

Reconciliation of intangible assets - 2016

	Opening balance	Amortisation	Total
Diamond cutting and polishing licence	4,815,664	(283,274)	4,532,390

Reconciliation of intangible assets - 2016

	Opening balance	Amortisation	Total
Diamond cutting and polishing licence	5,382,214	(566,550)	4,815,664

Notes to the Financial Statements

Figures in Namibia Dollar	2016	2016

3. Intangible assets (continued)

Details of valuation

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

4. Loans to (from) related parties

Q van Rooyen	(29,893,115)	(24,694,561)
The loan is unsecured, bear interest at rates that is determined by Q van Rooyen from time to time 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	(394,099)	(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.		
Trustco Resources (Pty) Ltd	2,960	-
The loan is unsecured, interest free and has no fixed terms of repayment. The loan is however not repayable within the next twelve months.		
	(30,284,254)	**(25,183,660)**
Non-current assets	2,960	-
Non-current liabilities	(30,287,214)	(25,183,660)
	(30,284,254)	**(25,183,660)**

5. Deferred tax

Reconciliation of deferred tax asset / (liability)

At beginning of year	-	1,392,299
Reversal of deferred tax	-	(1,392,299)
	-	**-**

6. Inventories

Rough diamonds	2,289,719	1,786,298
Polished diamonds	1,538,034	1,538,034
	3,827,753	**3,324,332**

7. Trade and other receivables

Value added taxation	99,882	77,001

Notes to the Financial Statements

Figures in Namibia Dollar	2016	2016

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	16,036	9,266

9. Share capital

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

10. Trade and other payables

Trade payables	993,620	109,585
Other payables	156,443	174,877
	1,150,063	**284,462**

11. Revenue

Diamond sales	148,310	282,817

12. Operating loss

Operating loss for the year is stated after accounting for the following:

Operating lease charges		
Premises		
• Contractual amounts	447,300	894,600
Amortisation on intangible assets	283,274	566,549
Depreciation on property, plant and equipment	241,850	405,777
Employee costs	2,504,354	3,827,555

13. Investment revenue

Interest revenue		
Bank	1	2

14. Finance costs

Bank	5	5

Notes to the Financial Statements

Figures in Namibia Dollar	2016	2016

15. Cash used in operations

Loss before taxation	(5,889,307)	(9,949,343)
Adjustments for:		
Depreciation and amortisation	525,124	972,326
Interest received - investment	(1)	(2)
Finance costs	5	5
Changes in working capital:		
Inventories	(503,421)	(3,324,332)
Trade and other receivables	(22,880)	(27,839)
Trade and other payables	865,599	50,238
	(5,024,881)	**(12,278,947)**

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		
Trustco Resources (Pty) Ltd	2,960	-
Northern Namibia Development Company (Pty) Ltd	(394,099)	(489,099)
Q van Rooyen	(29,893,115)	(24,694,562)

Related party transactions

Purchases from (sales to) related parties		
Northern Namibia Development Company (Pty) Ltd	436,216	485,537

17. Directors' emoluments

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

Notes to the Financial Statements

Figures in Namibia Dollar	2016	2016

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 shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the company consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 4 cash and cash equivalents disclosed in note 8, and equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholder, return capital to shareholder, 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 30 September 2016	**Less than 1 year**	**Between 1 and 2 years**
Trade and other payables	1,150,063	-
Loans from related parties	-	30,287,214

At 31 March 2017	**Less than 1 year**	**Between 1 and 2 years**
Trade and other payables	284,461	-
Loans from related parties	-	25,183,661

19. Going concern

We draw attention to the fact that at 30 September, 2016, the company had accumulated losses of N$ (20,057,741) and that the company's total liabilities exceed its assets by N$ (20,057,641).

The 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 4 of these financial statements will remain in force for so long as it takes to restore the solvency of the company.

Notes to the Financial Statements

20. New Standards and Interpretations

20.1 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 1 April, 2017 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IFRS 9 Financial Instruments	1 January, 2018	Unlikely there will be a material impact
• IFRS 15 Revenue from Contracts with Customers	1 January, 2018	Unlikely there will be a material impact
• Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers	1 January, 2018	Unlikely there will be a material impact
• Amendments to IAS 7: Disclosure initiative	1 January, 2017	Unlikely there will be a material impact
• Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	1 January, 2017	Unlikely there will be a material impact
• Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January, 2016	Unlikely there will be a material impact
• Amendment to IFRS 5: Non-current Assets Held for Sale and Discontinued Operations: Annual Improvements project	1 January, 2016	Unlikely there will be a material impact
• Amendment to IFRS 7: Financial Instruments: Disclosures: Annual Improvements project	1 January, 2016	Unlikely there will be a material impact
• Disclosure Initiative: Amendment to IAS 1: Presentation of Financial Statements	1 January, 2016	Unlikely there will be a material impact