

Independent Auditor's Reports
and Financial Statements
for the year ended
Sociedade Mineira de Catoca, Lda.

31
December
2016



Independent auditor's report

To the Directors' of
Sociedade Mineira de Catoca, Lda.

Introduction

1. We have audited the accompanying financial statements of Sociedade Mineira de Catoca, Lda.. These financial statements comprise the balance sheet at 31 December 2016 with total assets of 445.993 thousand United States of America Dollars (USD), net equity of 193.359 thousand USD and profit for the year of 134.569 thousand USD, and the profit and loss account and a statement of cash flows for the year then ended and the corresponding annex.

Directors' responsibility for the financial statements

2. The Directors' are responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Angola and for such internal control, as the directors determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

3. Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with the Technical Standards issued by the Institute of Statutory Auditors "Ordem dos Contabilistas e Peritos Contabilistas de Angola". Those standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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



Opinion

6. In our opinion, the financial statements referred to in Paragraph 1 above present fairly in all material respects, the financial position of Sociedade Mineira de Catoca, Lda. as at 31 December 2016 and its financial performance and cash flows for the year then ended in accordance with generally accepted accounting principles in Angola.

PricewaterhouseCoopers (Angola), Lda
Registered at Ordem dos Contabilistas e Peritos Contabilistas de Angola under the n° E20170010
Represented by:

A handwritten signature in blue ink, appearing to read 'Mário Miranda', is written over the text 'Represented by:'.

Mário Miranda, Perito Contabilista n° 2012085

Luanda, 14 March 2017

BALANCE SHEET
as at 31 December 2016 and 2015

	Notes	USD'000	
		2016	2015
Assets			
Non-current Assets			
Tangible fixed assets	4	224.564	217.108
Intangible fixed assets	5	0	0
Investment in subsidiaries and associates	6	0	0
Accounts receivable	9	9.172	6.127
Total non-current assets		233.736	223.235
Current Assets			
Inventories	8	72.295	64.689
Accounts receivable	9	83.346	35.898
Cash	10	53.392	145.603
Other current assets	11	3.224	2.576
Total Current Assets		212.257	248.766
Total Assets		445.993	472.001
Quotaholders' Equity and Liabilities			
Quotaholders' Equity			
Share Capital	12	29.268	29.268
Legal Reserve	13	16.828	16.828
Other Reserves	13	12.693	12.693
Profit for the year		134.569	116.289
Total Quotaholders' Equity		193.358	175.078
Non-current Liabilities			
Suppliers	19		
Medium and long term loans	15	15.083	40.469
Provision for other risks and charges	18	0	0
Total Non-current Liabilities		15.083	40.469
Current Liabilities			
Suppliers	19	203.594	220.104
Short term loans	20	0	0
Short term part of long term loans	15	28.214	30.970
Other current liabilities	21	5.744	5.380
Total Current liabilities		237.552	256.454
Total Liabilities and Quotaholders' Equity		445.993	472.001

Luanda, 14 March 2017



Amelin Sergei Anatolievich
General Director



Emanuel de Jesus Pereira
Director Financeiro

PROFIT AND LOSS ACCOUNTS
For the years ended 31 December 2016 and 2015

	Notes	USD'000	
		2016	2015
Sales of diamonds	22	593.617	582.016
Services rendered	23	0	0
Other operational income	24	22.395	12.175
		<u>616.012</u>	<u>594.191</u>
Change in finished stocks	25	(166)	(1.839)
Production for own consumption	26	2.286	1.072
Production expenses	27	(104.206)	(93.763)
Personnel costs	28	(139.726)	(130.453)
Depreciation	29	(60.783)	(62.006)
Other operating costs and losses	30	(118.499)	(114.738)
Operational results		<u>194.918</u>	<u>192.464</u>
Financial income (losses)	31	8.838	10.750
Non-operational income (losses)	33	(21.246)	(26.275)
Income before tax		<u>182.510</u>	<u>176.939</u>
Income tax	35	(47.941)	(60.650)
Net income for the year		<u>134.569</u>	<u>116.289</u>

Luanda, 14 March 2017


 Amelin Sergei Anatolievich
 General Director



 Emanuel de Jesus Pereira
 Director Financeiro

Statement of Cash Flows
For the years ended 31 December 2016 and 2015

	Notes	USD'000	
		2016	2015
Cash flows from operating activities			
Receipts from customers from the sale of products		566.755	580.632
Payments to suppliers		(206.935)	(171.312)
Payments to employees		(79.023)	(69.266)
Payments of Tax on Employees' remuneration (IRT)		(11.687)	(9.538)
Payments to the Social Security Fund (FFSS)		(7.526)	(6.759)
Cash and cash equivalents generated from operations		261.584	323.757
Advance payments of 2016 corporation tax and other taxes paid	19	(13.824)	(14.566)
Payment of the balance of 2015 corporation tax	19	(36.270)	(31.574)
Payment of royalties		(29.681)	(29.094)
Payment for services provided during the sales of diamonds		(12.817)	(11.998)
Payment of security		(11.440)	(9.250)
Payment of dividends		(126.660)	(113.826)
Payment of withholding tax on dividends		(7.815)	(8.499)
Cash provided by operating activities		23.077	104.950
Cash flows from investing activities			
Acquisition of fixed assets and civil construction		(66.854)	(64.403)
New investments (Lapi and Luemba)		(19.515)	(25.863)
Interest received		2.851	2.100
Cash used in investing activities		(83.518)	(88.166)
Cash flows from financing activities			
Loans - financial institutions and suppliers		(31.770)	(20.281)
Cash used in financing activities		(31.770)	(20.281)
Increase in cash and equivalents		(92.211)	(3.497)
Cash and equivalents at the beginning of the year		145.603	149.100
Cash and equivalents at the end of the year	47	53.392	145.603

Luanda, 14 March 2017


Amelin Serge Anatolevich
General Director


Emanuel de Jesus Pereira
Director Financeiro

Sociedade Mineira de Catoca, Lda.**NOTES TO THE ACCOUNTS AS AT 31st DECEMBER 2016**

The notes to the financial statements are disclosed in a numerical sequence as established by the General Charter of Accounts. The notes omitted, were either not applicable to the company, or not relevant for disclosure. All amounts are in USD thousand.

1. Introduction

Sociedade Mineira de Catoca, Lda. (the Company), was founded as a mixed capital company in accordance with an incorporation agreement dated 26th October 1992 and was incorporated by public deed on 16th September 1993. Its main objective is the exploration, survey, development, mining, treatment and sale of diamonds and other minerals.

The Company bases its administrative services on the mining site – Lunda Sul -, and its financial and logistics functions in Luanda headquarters; there is also a representative office in Moscow.

Total net profit for the year ended 31st December 2016, is USD 134,569 thousand (2015 - USD 116,289 thousand), which represents 16% increment due to change in estimate for prior years income tax (Note 35), fall on the diamonds' price on the international market, (the average price in 2016 was 6% lower than 2015), whereas the quantities of diamonds sold in 2016 increased by 6% compared to the previous year. These conditions allowed the Company to invest USD 69,238 thousand in fixed assets and infrastructure (2015 - USD 80,037 thousand) and to distribute USD 137,893 thousand of social welfare in the form of salaries and other fringe benefits, such as food and transportation (2015 - USD 128,187 thousand) and to pay income taxes and other contributions to the State in the amount of USD 121,649 thousand (2015 – USD 115,426 thousand).

2. Presentation of financial statements

The Company prepares its annual statutory financial statements in accordance with the legal requirements in the currency of Angola, the Kwanza and in the functional currency the US dollar.

These financial statements in US dollars are presented in conformity with accounting principles generally accepted in Angola. These statements were prepared based on the principles and procedures disclosed in Note 2.1.

2.1 Accounting policies and procedures

The financial statements have been prepared on the going concern, accruals basis in order to properly reflect the Company's financial position and were drawn up in accordance with accounting principles generally accepted in Angola. The principal accounting policies and procedures followed by the Company are as follows:

- a) The accounting records are kept in the functional currency, the US dollar, and then automatically converted into the local currency, the Kwanza (Kz), taking into consideration IAS 21.
- b) The historical cost principle is applied to the US dollar accounting records: where assets are recorded at the date of acquisition for the amount of cash or cash equivalents paid or payable in order to acquire them. Liabilities are recorded at the value of the proceeds received in exchange for the related obligation or, under certain circumstances, at the amount of cash expected to be paid in order to meet the liability in the normal course of business.

Sociedade Mineira de Catoca, Lda.

c) The valuation and measurement criteria used for assets and liabilities is as follows:

- (i) Fixed Assets - are recorded at their historical cost of acquisition in US Dollars, including any applicable insurance and freight charges. Items are recognized as fixed assets when the related risks and ownership are transferred from the supplier to the company
- (ii) Pre-operating expenses - all expenses incurred during the installation and development stages of the company, or later expansion of the company are recorded in this account and are amortized as intangible fixed assets from the time production begins.
- (iii) Stocks - raw materials, parts, accessories and foodstuffs are recorded at invoice price which includes insurance and freight charges. Diamond stocks at 31st December 2016 have been valued at the monthly cost of production, specific to each batch.
- (iv) Debtors and creditors - the movements in these accounts are converted at the exchange rate on the date of the transaction and payments or receipts are recorded using the exchange rate prevailing on the date of payment or receipt. The foreign currency balances in these accounts are updated monthly using the official exchange rate. Any differences arising from the use of these different exchange rates are accounted for as gains or losses and disclosed in Note 31.

Investments in new concessions are evaluated at the end of each accounting period to determine whether any provision for impairment is required to cover the risks of non-recoverability of such investments. Once there is unequivocal evidence of economic and technical feasibility, any impairment provision is reversed. The Company's investment is then repaid by the Association responsible for the mine before it declares any dividends.

- (v) Cash and cash equivalents – cash and cash equivalents in currency other than the functional currency are translated using the official year-end exchange rate. Increases and decreases in these funds are recorded using the exchange rate prevailing on the date of the transaction.
- (vi) Sales – product sales are recognized when risk and reward are transferred to the customer. Sales occur generally only once a month due to the nature of the product and are valued based on the amounts presented on the invoice, which corresponds to the price negotiated with the buyer by means of an independent evaluation carried out by an expert contracted by the seller and the buyer.
- (vii) Depreciation – the Company follows the industry practice of depreciating its fixed assets according to fiscal criteria and the related rates of depreciation properly reflect the estimated useful life of each asset. During the start-up stage, depreciation is charged to intangible assets and is recoverable in future years.
- (viii) Income tax – this is calculated at 25% of the profit before tax adjusted for any losses in the past five years in accordance with the law 31/11 of 23rd September and by the law 19/14 dated 22nd October that regulates the Industrial Tax. The company opted not to make account register for Deferred Taxation

Sociedade Mineira de Catoca, Lda.
4. Tangible fixed assets
4.1 Breakdown

	Gross value	Accumulated Depreciation	Net book value
Land	3,856		3,856
Buildings and premises	160,723	111,429	49,294
Machinery and equipment (a)	658,572	540,594	117,978
Transportation equipment	22,793	17,843	4,950
Administrative equipment	24,080	16,880	7,200
Other fixed assets	18,698	15,306	3,392
Fixed assets in progress (b)	37,894		37,894
TOTAL	926,616	702,052	224,564

4.2 Breakdown by valuation criteria

	Net book value		
	Historical cost	Revaluation	Total
Land	3,856		3,856
Buildings and premises	49,294		49,294
Machinery and equipment (a)	117,978		117,978
Transportation equipment	4,950		4,950
Administrative equipment	7,200		7,200
Other fixed assets	3,392		3,392
Fixed assets in progress (b)	37,894		37,894
TOTAL	224,564		224,564

4.3 Gross value - Movements in the period

	31 st Dec 15	Additions	Disposals (c)	Transfers (d)	31 st Dec 16
Land	3,856				3,856
Buildings and premises	156,036	3,858		829	160,723
Machinery and equipment (a)	599,867	31,272	(15,246)	42,679	658,572
Transportation equipment	21,570	1,223			22,793
Administrative equipment	19,908	4,039	(41)	174	24,080
Other fixed assets	17,243	1,499	(44)		18,698
Fixed assets in progress (b)	54,229	27,347		(43,682)	37,894
Total	872,709	69,238	(15,331)	0	926,616

(a) The main acquisitions relate to articulated trucks, bulldozers, excavators, power generators and other heavy machinery (amounting to USD 31,272 thousand).

Sociedade Mineira de Catoca, Lda.

(b) Increase in "Fixed assets in progress" relate primarily to the following projects: geology prospecting studies conducted on CAT E042 (9,846 thousand), overhaul of hydraulic excavators and trucks (USD 6,416 thousand), modernization of conveyor belts 3rd phase (USD 2,886 thousand), construction of a living quarter B12 (USD 1,940 thousand). As of 31st December 2016, the main ongoing investments were: geology prospecting studies conducted on CAT E042 (USD 12,164 thousand), overhaul of hydraulic excavators and trucks (USD 6,416 thousand), deep horizons drills (USD 4,808 million), construction of the administrative building (USD 4,045 thousand), assembly of the structure for the 3rd mill Central Processing Plant 2 (USD 3,909 thousand), modernization of conveyor belts 3rd phase (USD 2,886 thousand), studies conducted on the tailing pond (USD 2,018 thousand).

(c) The most significant disposals (in thousands of U.S. dollars) in 2016 were trucks, obsolete machinery and equipment with no further use.

((d) Main transfer to fixed assets for the year 2016 was assembly of the structure for the 3rd mill Central Processing Plant 2 (USD 42,679 thousand).

4.4 Accumulated depreciation - movements in the period

Accumulated depreciation	31 st Dec 15	Charge	Disposals	31 st Dec 16
Buildings and premises	103,509	7,920		111,429
Machinery and equipment	508,209	46,641	(14,257)	540,593
Transportation equipment	14,940	2,903		17,843
Administrative equipment	14,943	1,978	(40)	16,881
Other fixed assets	14,000	1,341	(35)	15,306
Total	655,601	60,783	(14,332)	702,052

5. Intangible fixed assets
5.1 Breakdown

Accounts	Gross value	Accumulated Depreciation	Net book value
Development expenditure	721	721	-
Total	721	721	-

Sociedade Mineira de Catoca, Lda.
5.2 Gross value - Movements in the period

Fixed Assets	31 st Dec 15	Additions	Disposals (c)	Transfers (d)	31 st Dec 16
Development expenditure	721				721
Total	721	0	0	0	721

5.3 Accumulated depreciation - movements in the period

Accumulated depreciation	31 st Dec 15	Charge	Disposals	31 st Dec 16
Development expenditure	721			721
Total	721			721

8. Inventories
8.1 Breakdown

Description	Gross Value	Provisions	31 st Dec 16 Net Value
Raw and subsidiary materials, and consumables	50,108	2,204	48,104
Products and work in progress	206	206	
Finished and intermediate products (a)	24,191		24,191
Merchandise			
Raw materials, merchandise/materials in transit	-		-
Total	74,505	2,210	72,295

(a) Finished products comprise 576,043 carats of diamond (2015 – 595,905 carats) of main production, and 238,639 carats of tiny diamonds valued at the cost of production as at December 2016.

Sociedade Mineira de Catoca, Lda.
8.2 Provisions - Movements in the period

Provisions	31 Dec 15	Charge	Disposals	31 Dec 16
Raw and subsidiary materials, and consumables	1,629	375		2,004
Products and works in progress	202	4		206
Total	1,831	379		2,210

9. Accounts receivable

Description	Current	Non-current		
		Maturing In up to 5 years	Maturing in more than 5 years	Total
Gross Value				
Clients	37,813			
Suppliers – (Prepayments)	13,808			
Related companies (a)		106,365		106,365
Personnel	9,036			
Other debtors (b)	22,689			
TOTAL	83,346	106,365		106,365
Provision for impairment of investments (a)		(97,194)		(97,194)
Total	35,898	9,171		9,171

(a) Joint Venture Associations Lapi and Luemba and new concessions

In September 2006, the Department of Geology and Mines, by Executive Decree 125/06 published in the Official Gazette Series I – 113 on 19 September, approved the constitution of the Lapi Joint Venture Association. The Association's members comprise Endiama E.P (41%), Jasiminas Mining Exploitation Lda (14%), Mombo Agro Pecuaria e Comercio Geral Lda (13%) and Sociedade Mineira do Catoca (32%). The Association was formed to prospect for and prove secondary diamond deposits in an area of 240 km² denominated Lapi.

In September 2006, the Department of Geology and Mines, by Executive Decree 126/06 published in the Official Gazette Series I – 114 on 20 September, also approved the Luemba Joint Venture Association. Its members comprise Endiama E.P (41%), Ouse Investments Limited (Angola branch) (17%), Nawa Nawa (5%) and Sociedade Mineira do Catoca (32%). The Association was formed to prospect for and prove secondary diamond deposits in an area of 85.7km² denominated Luemba.

In November 2006 both Joint Ventures were granted concessions to prospect for and prove primary diamond deposits (Decree 93/06 for the area denominated Lapi and Decree 92/06 for the area denominated Luemba, made public in Series I Republic Gazette – n° 138 on the 15th of November).

During the exploration and evaluation phase the Company is the sole responsible for all the risks associated with the investments. The feasibility study, raised some uncertainty on the recoverability of these investments, leading management to the decision of reinforcing the 2008 provision, so as to amount the total value capitalized until 31st December 2016 as a precautionary measure as prescribed in the number II, point c) of the note 2.1. However, due to the available prospecting and research information pertaining the concession of Luaxe, the total cost for 2016 amounting USD 9,172 thousand, was not provisioned

Sociedade Mineira de Catoca, Lda.

During 2016, exploration and evaluation costs, amounting to USD 44,652 thousand (2015 - USD 42,320 thousand) were capitalized, USD 35,607 thousand (2015 - USD 33,275 thousand) in respect of Luemba and kept the USD 9,045 thousands (2015 - USD 9,045 thousand) in respect of Lapi.

Similarly, the costs incurred with new concessions, amounting to USD 61,713 thousand (2015 – USD 44,530 thousand), were capitalized and fully provided for.

(b) Other debtors

Description	2016	2015
Deposits	78	80
Goods supplied to third parties	18,863	6,805
Advances to third parties	2,556	1,203
Advances to customs broker	619	1,297
Other	573	4,717
Total	22,689	14,103

10. Cash and bank

Description	2016	2015
Bank accounts	53,327	145,440
Cash	65	163
Total	53,392	145,603

Cash and bank includes USD 50,942 thousand (2015 - USD 140,288 thousand), and USD 2,450 thousand (2015 – USD 5,315 thousand) in Kwanzas, Rands and other currencies.

11. Other current assets

Description	2016	2015
Expenses to be spread over future accounting periods:		
- Insurance of vehicles and equipment	66	3
- Rent of property	160	278
- Insurance of health	2,883	2,282
- Insurance of transport	113	13
- Others	2	-
Total	3,224	2,576

Sociedade Mineira de Catoca, Lda.
12. Quota holders' equity
12.1 Breakdown and movements in the period

Description	Opening balance	Increases	Decreases	Closing balance
Share Capital	29,268			29,268
Total	29,268			29,268

12.2 Share capital

Description	Opening balance	Increases	Decreases	Closing balance
Quota holders with interest over 20 %:				
Endiama – Empresa Nacional de Diamantes de Angola	9,600			9,600
Almazi Rossii Sakha S/A	9,600			9,600
Other Quota holders:				
LL International Holding B.V.	5,268			5,268
Odebrecht Mining Service Inc	4,800			4,800
Total	29,268			29,268

13. Reserves
13.1 Breakdown

Description	Opening balance	Increases	Decreases	Closing balance
Legal reserves (a)	16,828			16,828
Reserves for special purpose (b)	12,693			12,693
Total	29,521			29,521

(a) The legal reserve was created to comply with Article 191 of the Commercial Code and may only be used to increase the share capital or cover losses after all other reserves have been used.

(b) Reserve for severance pay totaling USD 6,693 thousand, with the objective of safeguarding workers' rights as provided for in the General Labor's Act and Investment Reserve for a total of USD 6,000 thousand.

Sociedade Mineira de Catoca, Lda.
14. Retained earnings
14.1 Breakdown

Description	Opening balance	Increases	Decreases	Closing balance
Opening balance				
Movements in the period:				
Transfer of earnings from previous periods		116,289		116,289
Allocation of earnings (a)			(116,289)	(116,289)
Total		116,289	(116,289)	

(a) Allocation of earnings

Description	2016	2015
Reserves with special purpose		
Distribution of dividends/profit	116,289	126,476
Total	116,289	126,476

15. Loans
15.1 Breakdown

Description	Current	Non-current		
		Maturing in up to 5 years	Maturing in more than 5 years	Total
Bank Loans	25,377	15,083		15,083
Other loans	2,837			
Total	28,214	15,083		15,083

15.2 Movements during the period

Description	Opening balance	Increases	Decreases	Closing balance
Bank Loans	68,119		(27,659)	40,460
Other Loans (a)	3,320	70	(553)	2,837
Total	71,439	70	(28,212)	43,297

(a) Increase relates to interest.

Sociedade Mineira de Catoca, Lda.
15.3 Terms of loans

Description	Interest Rate	Foreign Currency	Amount in local currency
Bank loans in USD thousand	Libor+1% up to 7,5% per annum	40,460	6,679,015
Bank loans in USD thousand	Libor + 1% per annum	2,837	468,323
		43,297	7,147,338

Loans represent: (i) interest capitalized on the premium subsequently converted to a loan amounting to USD 2,837 thousand paid by LL International Holding BV (formerly Daumonty Financing Company B.V.) a quotaholder, (ii) the medium and long term portions of loans amounting to USD 15,083 thousand obtained from Banco Caixa Geral Totta de Angola, Banco Sol and Banco Internacional de Crédito (iii) and the short term parts for these loans, amounting to USD 25,377 thousand with interest rates varying from 5,6% to 7,5% per annum.

19. Accounts payable
19.1 Breakdown

Description	Current	Non-current		
		Maturing in up to 5 years	Maturing in more than 5 years	Total
Suppliers – current account	38,801			
Customers – creditor balances (a)	43,287			
State (b)	38,586			
Related companies (c)	65,810			
Personnel	8,106			
Other creditors	9,004			
Total	203,594			

(a) Advanced payment from Nadiam in return of future sales.

(b) This item breaks down as follows:

Description	2016	2015
Tax on profits:		
Advances	(13,824)	(14,566)
Withholdings		
Charge for the year	47,256	50,151
	33,432	35,585
Production and consumption tax	2,589	2,406
Personal income tax	958	887
Turnover tax	47	18
Other taxes	1,560	1,350
Total	38,586	40,246

Sociedade Mineira de Catoca, Lda.

(c) This item breaks down as follows:

Rubricas	2016	2015
Dividends of Endiama	26.482	26.171
Dividends of PJSC Alrosa		37.336
Dividends of LL International	39.328	20.489
TOTALS	65.810	83.996

21. Others current liabilities
21.1 Breakdown

Description	2016	2015
Charges payable		
- Holidays, holidays subsidies and compensation	5,743	5,380
Total	5,743	5,380

Sociedade Mineira de Catoca, Lda.

NOTES TO THE PROFIT AND LOSS ACCOUNT (INCOME STATEMENT)

22. Sales

22.1 Breakdown of sales by market

Description	2016	2015
Internal market		
Sales	593,617	582,016
Total	593,617	582,016

22.2 Breakdown of sales by activities

Description	2016	2015
Extraction, processing and sales of diamonds	593,617	582,016
Total	593,617	582,016

24. Other operational income

24.1 Breakdown

Description	2016	2015
Other operational income	22,395	12,175
Total	22,395	12,175

25. Change in finished products and intermediate products

Description	Opening balance	Gifts and losses or gains	Closing balance	Exchange variation	Movement in the year
Finished and intermediate products	24,357		24,191		(166)
Total	24,357		24,191		(166)

26. Production for own consumption

Description	2016	2015
Works for inventories	2,286	1,071
Total	2,286	1,071

Sociedade Mineira de Catoca, Lda.
27. Costs of subsidiary materials consumed

Description	Opening inventories	Purchases	Gifts and losses or gains	Closing inventories (8.1)	Cost in the year
Raw materials, subsidiary and consumption materials	40,730	113,584		50,108	104,206
Total	40,730	113,584		50,108	104,206

28. Payroll

Description	2016	2015
Directors' remuneration	2,358	2,319
Other remunerations	137,368	128,134
Total	139,726	130,453
Number of employees in the company's service (a)	2,191	2,051

(a) Reduction due to outsourcing (Logistics).

29. Depreciation

Description	2016	2015
Tangible assets (Note 4)	60,783	62,006
Intangible assets (Note 5)		
Total	60,783	62,006

30. Other operational costs

Description	2016	2015
Sub-contract	38,568	39,309
Third party supplies and services:		
Third party fees/commission	12,277	12,448
Electricity (a)	11,988	11,445
Maintenance and repair	1,567	546
Other third party supplies and services	24,215	21,358
Taxes	29,884	29,632
Total	118,499	114,738

Sociedade Mineira de Catoca, Lda.
31. Financial income/(losses)

Description	2016	2015
Financial income and gains:		
Interest	2,851	1,976
Foreign exchange differences		
Realized	59,276	23,814
Unrealized	148	1,661
Discounts obtained from immediate cash payment	50-	-
	62,325	27,451
Financial costs and losses:		
Interest (a)	4,319	5,976
Foreign exchange differences		
Realized	46,128	6,856
Unrealized	2,165	3,030
Discounts granted from immediate cash payment		
Others	875	839
	53,487	16,701
Total	8,838	10,750

(a) Includes amount of USD 77 thousand related to the interest on the loan from LL International Holding B.V. for the year 2016 (see note 15.2); and bank interest of USD 4,242 thousand.

33. Non-operational income:

Description	2016	2015
Non-operational income and gains:		
Provisions repositions		
Risks and obligations (Note 18)		2,569
Inventories (Note 8)		
Gains on fixed asset	1	
Contractual penalties earned		
Prior period adjustment		
Other non-operational income and gains		
	1	2,569
Non-operational costs and losses:		
Provisions		
Inventories (Note 8)	375	8
Impairment of investments (Note 9)		25,863
Other risks and charges		
Losses on fixed assets	417	22
Losses on inventories		
Contractual fines and penalties	2	322
Prior period adjustment		
Other non-operational costs and losses	20,453	2,629
	21,247	28,844
Total	(21,246)	(26,275)

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35. Income tax:

Description	2016	2015
Accounting income	182,511	176,938
Deductions not allowed for tax purposes (a)	6,513	26,235
Non taxable income (a)		(2,569)
Taxable profits (fiscal loss)	189,024	200,604
Nominal taxation rate	25%	25%
Income tax for years 2007 and 2008 (b)		10,499
Income tax for years 2009 and 2010 (b)	685	
Tax on ordinary Income (b)	47,256	50,151
	47,941	60,650
Actual taxation rate	25%	25%

(a) Contractual penalties and fines, as well as other non-operational losses.

(b) Change in estimate of prior years income.

(b) These taxes breakdown as follows:

Description	2016	2015
Tax on ordinary Income	47,256	50,151
Total	47,256	50,151

36. Responsibilities accepted and not reflected in the balance sheet:

Description	2016	2015
Guarantees (a)	60,215	84,678
Letters of Credit (b)	11,630	12,387
	71,845	97,065

(a) The guarantees are given a title in the following banks:

	Original currency	USD thousand	Kz thousand
Banco Totta de Angola – Usd (i)	17,237	17,237	2,845,448
Banco Internacional de Crédito – Usd (ii)	42,189	42,189	6,964,491
Banco Sol – Usd (ii)	789	789	130,319
	60,215	60,215	9,940,258

(i) Bank Guarantees on equipment, acquired through bank loans in the amount of USD 16,824 thousand and for employees housing plan, in the amount of USD 413 thousand.

(ii) Guarantees on equipment acquired, through bank loans.

(a) Letter of Credit

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Banco Caixa Geral Angola, SA, Banco Internacional de Crédito and Banco VTB, issued a Letters of Credit for the acquisition of machinery for the central processing plants, worth USD 11,630 thousands.

37. Contingencies

In the process of fulfilling its tax obligations, the company has resorted to specific judgement and assessment which may have a different interpretation by the relevant authorities and may result in future contingency which are not possible to estimate. Moreover, it is the company's understanding that the probability of this contingency coming to materialise is low and for this reason no liability has been recognised in respect of this matter at balance sheet date.

40. Related parties transactions:

The main entities related to the Company are:

Quota holders:

- Endiama E.P. (ENDIAMA)
- Almaz Rossii Sakha SA (AIRS)
- Odebrecht Mining Services Inc. (OMSI)
- LL International Holding BV (LLI)

Companies from OMSI's group:

- Constructora Norberto Odebrecht SA (CNO)
- Odebrecht Angola Projects and Services Ltd (OAPs)

The Sodiam Diamond Trading Society (SODIAM) group Endiama and the participating Associations Lapi Luemba (LAPI / Luemba)

The balances resulting from transactions with these entities are:

Rubricas	ENDIAMA	CNO	AIRS	LLI	OMSI	OAPS	SODIAM	Lapi/ Luemba	Total
Accounts Receivable (note 9)	-	-	-	-	-	-	37,813	44,652	82,465
Provision for impairment (note 9)	-	-	-	-	-	-	-	-44,652	-44,652
Other debtors (note 9)	-	234	-	-	-	-	-	-	234
Total in Assets	-	234	-	-	-	-	37,813	-	38,047
Suppliers – current account (note 19)	-	2,273	-	-	-	-	1,538	-	3,811
Loans (note 15.1)	1,113	-	1,113	611	-	-	-	-	2,837
Total in Liabilities	1,113	2,273	1,113	611	-	-	1,538	-	6,648
Other operational costs and losses (note 30)	-	2,540	-	-	-	102	-	-	2,642
Interest (note 31)	27	-	27	14	9	-	-	-	77
Total in Profit and Loss account	27	2,540	27	14	9	102	-	-	2,719

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42. Other information

(i) Dividends proposals

Management will propose the total amount of the net profit for the period (USD 135,569 (2015 - USD 116,289 thousand) to be distributed as dividends.

(ii) Plans for investment in environmental restoration

In 2010, the Company obtained an Environmental Impact study from a specialized company to assess the impacts to the environment from its mining operations and determine what measures would be required to mitigate them. Management believes that measures already taken by the Company (USD 499 thousand were spent in programs and actions related to environmental restoration during 2016 (2015– USD 449 thousand)) together with other measures already planned for future implementation, such the development of the Environment department and changes to the production process, will be sufficient to meet all requirements in terms of site restoration and that the present value of such future actions are not material and has therefore not made any provisions for site restoration nor recorded the corresponding asset

NOTES TO THE STATEMENT OF CASH FLOWS

43. Policies and procedures

The Company opted for the direct method for presenting the cash flow statement, disclosing the main components of inflows and outflows of cash and cash equivalents. The cash flows generated in currencies other than the USD, are translated into USD using the exchange rate prevailing at the date of the transaction.

The cash flows resulting from extraordinary activities and/or non operational ones, are presented based on the nature of the activities that generated them.

47. Cash and equivalents of cash

Accounts	2016	2015
Cash and equivalents:		
Cash	65	163
Bank accounts	53,327	145,440
Total as per balance sheet	53,392	145,603

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