



To the Quotaholders of
Sociedade Mineira de Catoca, Lda

Report of the independent auditor

We have audited the accompanying financial statements of Sociedade Mineira de Catoca, Lda at 31 December 2014. These financial statements comprise the balance sheet with a total assets of 472.479 thousand of United States of Dollars (USD) and a net equity of USD 185.265 thousand including a profit for the period of USD 126.476 thousand, the profit and loss account and a statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Our responsibility is to express an opinion on the 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 our audit to obtain reasonable assurance that 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 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.

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



Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of the entity's financial affairs at 31 December 2014 and of its profit and cash flows for the year then ended in accordance with accounting principles generally accepted in Angola.

For PricewaterhouseCoopers (Angola), Lda

Ricardo Santos

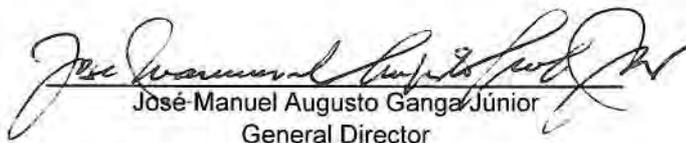
Ricardo Santos
Partner

Luanda
13 March 2015

BALANCE SHEET
as at 31 December 2014 and 2013

	Notes	USD'000	
		2014	2013
Assets			
Non-current Assets			
Tangible fixed assets	4	199.103	207.656
Intangible fixed assets	5	0	0
Investment in subsidiaries and associates	6	64	64
Accounts receivable	9	5.714	5.418
Total non-current assets		<u>204.881</u>	<u>213.138</u>
Current Assets			
Inventories	8	70.618	71.299
Accounts receivable	9	46.316	63.375
Cash	10	149.100	10.638
Other current assets	11	1.564	2.413
Total Current Assets		<u>267.598</u>	<u>147.725</u>
Total Assets		<u>472.479</u>	<u>360.863</u>
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		126.476	100.004
Total Quotaholders' Equity		<u>185.265</u>	<u>158.793</u>
Non-current Liabilities			
Suppliers	19		
Medium and long term loans	15	67.079	68.007
Provision for other risks and charges	18	2.569	2.569
Total Non-current Liabilities		<u>69.648</u>	<u>70.576</u>
Current Liabilities			
Suppliers	19	194.237	115.933
Short term loans	20	0	0
Short term part of long term loans	15	18.782	10.700
Other current liabilities	21	4.546	4.861
Total Current liabilities		<u>217.565</u>	<u>131.494</u>
Total Liabilities and Quotaholders' Equity		<u>472.479</u>	<u>360.863</u>

Luanda, 10 March 2015

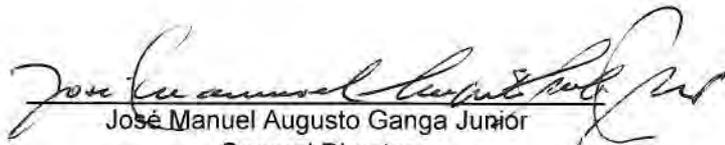

José Manuel Augusto Ganga Júnior
General Director


David Mishal
Administration and Finance Director

PROFIT AND LOSS ACCOUNTS
For the years ended 31 December 2014 and 2013

	Notes	USD'000	
		2014	2013
Sales of diamonds	22	602.940	594.353
Services rendered	23	0	0
Other operational income	24	5.191	8.107
		<u>608.131</u>	<u>602.460</u>
Change in finished stocks	25	(4.221)	4.016
Production for own consumption	26	0	92
Production expenses	27	(106.553)	(120.271)
Personnel costs	28	(123.669)	(130.450)
Depreciation	29	(61.443)	(70.534)
Other operating costs and losses	30	(123.201)	(126.641)
Operational results		<u>189.043</u>	<u>158.672</u>
Financial income (losses)	31	1.932	(2.126)
Non-operational income (losses)	33	(22.313)	(23.196)
Income before tax		<u>168.662</u>	<u>133.350</u>
Income tax	35	(42.186)	(33.346)
Net income for the year		<u>126.476</u>	<u>100.004</u>

Luanda, 10 March 2015

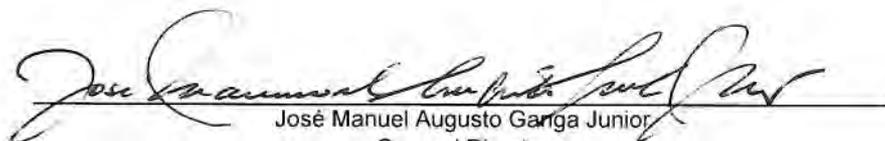

 José Manuel Augusto Ganga Júnior
 General Director


 David Mishal
 Administration and Finance Director

Statement of Cash Flows
For the years ended 31 December 2014 and 2013

	Notes	USD'000	
		2014	2013
Cash flows from operating activities			
Receipts from customers from the sale of products		658.052	572.676
Payments to suppliers		(232.417)	(256.645)
Payments to employees		(64.128)	(67.760)
Payments of Tax on Employees' remuneration (IRT)		(8.510)	(8.434)
Payments to the Social Security Fund (FFSS)		(6.417)	(6.270)
Cash and cash equivalents generated from operations		346.580	233.567
Advance payments of 2014 corporation tax and other taxes paid	19	(21.111)	(20.722)
Payment of the balance of 2013 corporation tax	19	(12.624)	(23.648)
Payment of royalties		(30.173)	(29.652)
Payment for services provided during the sales of diamonds		(1.371)	(566)
Payment of security		(9.477)	(9.288)
Payment of dividends		(47.473)	(118.455)
Payment of withholding tax on dividends		(10.000)	(13.173)
Cash provided by operating activities		214.351	18.063
Cash flows from investing activities			
Acquisition of fixed assets and civil construction		(60.412)	(67.952)
New investments (Lapi and Luemba)		(17.654)	(19.344)
Interest received		1.257	277
Cash used in investing activities		(76.809)	(87.019)
Cash flows from financing activities			
Loans - financial institutions and suppliers		920	33.320
Cash used in financing activities		920	33.320
Increase in cash and equivalents		138.462	(35.636)
Cash and equivalents at the beginning of the year		10.638	46.274
Cash and equivalents at the end of the year	47	149.100	10.638

Luanda, 10 March 2015


 José Manuel Augusto Garriga Junior
 General Director


 David Mishal
 Administration and Finance Director

NOTES TO THE ACCOUNTS AS AT 31st DECEMBER 2014

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 2014, is USD 126,476 thousand (2013 - USD 100,004 thousand), which represents an increase of 26%, increase on the diamonds' price on the international market, (the average price in 2014 was 3% higher than 2013), whereas the quantities of diamonds sold in 2013 decreased 2% compared to the previous year. These conditions allowed the Company to invest USD 53,469 thousand in fixed assets and infrastructure (2013 - USD 77,608 thousand) and to distribute USD 122,035 thousand of social welfare in the form of salaries and other fringe benefits, such as food and transportation (2013 - USD 129,156 thousand) and to pay income taxes and other contributions to the State in the amount of USD 103,864 thousand (2013 – USD 119,719 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 2014 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 5/99 dated 6th August that regulates the changes on the Industrial Tax Act.

Sociedade Mineira de Catoca, Lda.

4. Tangible fixed assets

4.1 Breakdown

	Gross value	Accumulated Depreciation	Net book value
Land	3,850		3,850
Buildings and premises	149,574	95,338	54,236
Machinery and equipment (a)	562,961	468,535	94,426
Transportation equipment	21,293	11,968	9,325
Administrative equipment	23,390	17,800	5,590
Other fixed assets	16,976	13,107	3,869
Fixed assets in progress (b)	27,807		27,807
TOTAL	805,851	606,748	199,103

4.2 Breakdown by valuation criteria

	Net book value		
	Historical cost	Revaluation	Total
Land	3,850		3,850
Buildings and premises	54,236		54,236
Machinery and equipment (a)	94,426		94,426
Transportation equipment	9,325		9,325
Administrative equipment	5,590		5,590
Other fixed assets	3,869		3,869
Fixed assets in progress (b)	27,807		27,807
TOTAL	199,103		199,103

4.3 Gross value - Movements in the period

	31 st Dec 13	Additions	Disposals (c)	Transfers (d)	31 st Dec 14
Land	3,850				3,850
Buildings and premises	143,510	4,784		1,280	149,574
Machinery and equipment (a)	536,625	22,464	(4,636)	8,608	562,961
Transportation equipment	23,343	2,709	(221)	(4,538)	21,293
Administrative equipment	19,397	1,386	(253)	2,860	23,290
Other fixed assets	15,761	1,299	(139)	55	16,976
Fixed assets in progress (b)	15,245	20,827		(8,265)	27,807
Total	757,631	53,469	(5,249)	0	805,851

(a) The main acquisitions relate to articulated trucks, bulldozers, excavators, power generators and other heavy machinery (amounting to USD 22,464 thousand).

Sociedade Mineira de Catoca, Lda.

(b) Increase in "Fixed assets in progress" relate primarily to the following projects: assembly of the 3rd mill for the **Central Processing Plant 2** (USD 8,749 thousand), water pumping station for the mine (USD 2,582 thousand), modernization projects for CPP1 (USD 1,386 thousand), restoration of the hooper grids and conveyor belts for CPP2 (USD 1,374 thousand), deep horizons drills (USD 822 thousand), construction of the administrative building on the mining site (USD 657 thousand), studies conducted at tailings ponds (USD 421 thousand). As of 31st December 2014, the main ongoing investments were: assembly of the structure for the 3rd mill CPP2 (USD 10,588 thousand), deep horizons drills (USD 4,808 million), construction of the administrative building (USD 3,362 thousand), water pumping station for the mine (USD 2,582 thousand), studies conducted at tailings ponds (USD 2,018 thousand), modernization projects for CT1 (USD 1,386 thousand), restoration of the hooper grids and conveyor belts for CPP2 (USD 1,374 thousand),

(c) The most significant disposals (in thousands of U.S. dollars) in 2014 were trucks, obsolete machinery and equipment with no further use.

(d) Main transfers to fixed assets for the year 2014 were as follows: restoration of the conveyor belts phase 1 and 3 (USD 3,300 thousand), crushing plant repairs (672 thousand), construction and assembly of new central warehouse (USD 405 thousand), construction of the department of geology facility (USD 404 thousand).

4.4 Accumulated depreciation - movements in the period

Accumulated depreciation	31 st Dec 13	Charge	Disposals	31 st Dec 14
Buildings and premises	87,725	8,210	(597)	95,338
Machinery and equipment	425,109	44,747	(1,320)	468,536
Transportation equipment	10,390	4,558	(2,980)	11,968
Administrative equipment	14,982	2,478	340	17,800
Other fixed assets	11,769	1,450	(113)	13,106
Total	549,975	61,443	(4,670)	606,748

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 13	Additions	Disposals (c)	Transfers (d)	31 st Dec 14
Development expenditure	721				721
Total	721	0	0	0	721

5.3 Accumulated depreciation - movements in the period

Accumulated depreciation	31 st Dec 13	Charge	Disposals	31 st Dec 14
Development expenditure	721			721
Total	721			721

6. Investments in subsidiaries and affiliates

6.1 Breakdown

	Gross value	Provisions	Net book value
Affiliates			
Share capital	64		64
Total	64		64

8. Inventories

8.1 Breakdown

Description	Gross Value	Provisions	31 st Dec 13 Net Value
Raw and subsidiary materials, and consumables	40,542	1,622	38,920
Products and work in progress	196	196	
Finished and intermediate products (a)	26,197		26,197
Merchandise			
Raw materials, merchandise/materials in transit	5,501		5,501
Total	72,436	1,818	70,618

(a) Finished products comprise 563,889 carats of diamond valued at cost of production (2013 – 561,201 carats), valued at the cost of production as at December 2014.

8.2 Provisions - Movements in the period

Provisions	31 Dec 13	Charge	Disposals	31 Dec 14
Raw and subsidiary materials, and consumables	1,683		(61)	1,622
Products and works in progress	191	5		196
Total	1,874	5	(61)	1,818

9. Accounts receivable

Description	Current	Non-current		
		Maturing In up to 5 years	Maturing in more than 5 years	Total
Gross Value				
Clients	508			
Suppliers – (Prepayments)	21,942			
Related companies (a)		60,987		60,987
Personnel	6,908			
Other debtors (b)	16,958	5,714		5,714
TOTAL	46,316	66,701		66,701
Provision for impairment of investments (a)		(60,987)		(60,987)
Total	46,316	5,714		5,714

(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 – nº 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 2014 as a precautionary measure as prescribed in the number II, point c) of the note 2.1.

Sociedade Mineira de Catoca, Lda.

During 2014, exploration and evaluation costs, amounting to USD 31,123 thousand (2013 - USD 29,833 thousand) were capitalized, USD 22,094 thousand (2013 - USD 20,909 thousand) in respect of Luemba and USD 9,029 thousand (2013 - USD 8,924 thousand) in respect of Lapi.

Similarly, the costs incurred with new concessions, amounting to USD 29,863 thousand (2013 – USD 13,632 thousand), were capitalized and fully provided for.

(b) Other debtors

Description	2014	2013
Deposits	78	178
Outsourcing companies (a)	2,153	1,649
Advances to third parties	7,656	2,965
Advances to customs broker	1,596	1,223
Other	5,475	4,675
Total	16,958	10,690

(a) This amount relates to transfer of assets.

10. Cash and bank

Description	2014	2013
Bank accounts	148,849	10,188
Cash	251	450
Total	149,100	10,638

Cash and bank includes USD 7,699 thousand (2012 - USD 41,989 thousand), and USD 2,939 thousand (2012 – USD 4,285 thousand) in Kwanzas, Rands and other currencies.

11. Other current assets

Description	2014	2013
Expenses to be spread over future accounting periods:		
- Insurance of vehicles and equipment	1	1
- Rent of property	179	355
- Insurance of health	1,264	2,011
- Insurance of transport	101	31
- Others	19	15
Total	1,564	2,413

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 Law 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		100,004		100,004
Allocation of earnings (a)			(100,004)	(100,004)
Total		100,004	(100,004)	

(a) Allocation of earnings

Description	2014	2013
Reserves with special purpose		
Distribution of dividends/profit	100,004	131,731
Total	100,004	131,731

15. Loans

15.1 Breakdown

Description	Current	Non-current		
		Maturing in up to 5 years	Maturing in more than 5 years	Total
Bank Loans	15,516	67,079		67,079
Other loans	3,266			
Total	18,782	67,079		67,079

15.2 Movements during the period

Description	Opening balance	Increases	Decreases	Closing balance
Bank Loans	75,484	7,111		82,595
Other Loans (a)	3,223	43		3,266
Total	78,707	7,154		85,861

(a) Increase relates to interest.

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	82,595	8,489,550
Bank loans in USD thousand	Libor + 1% per annum	3,266	335,743
		85,861	8,825,293

Loans represent: (i) interest capitalized on the premium subsequently converted to a loan amounting to USD 3,266 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 67,079 thousand obtained from Banco Caixa Geral Totta de Angola, Banco de Negócios Internacional and Banco Africano de Investimentos (iii) and the short term parts for these loans, amounting to USD 15,516 thousand with interest rates varying from 5,6% to 7,5% per annum.

18. Provisions for other risks

18.1 Movements in these provisions during the period:

Description	Opening balance	Increases	Decreases	Closing balance
Provisions for other risks and charges (a)	2,569			2,569
Total	2,569			2,569

(a) Provision for employees' retirement compensation (Art. 262 Labors Act).

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	39,964			
Customers – creditor balances	34,100			
State (a)	24,978			
Related companies	79,845			
Personnel	6,514			
Other creditors	8,836			
Total	194,237			

Sociedade Mineira de Catoca, Lda.

(a) This item breaks down as follows:

Description	2014	2013
Tax on profits:		
Advances	(21,111)	(20,722)
Withholdings		
Charge for the year	42,186	33,346
	21,075	12,624
Production and consumption tax	2,093	2,399
Personal income tax	669	683
Turnover tax	5	3
Other taxes	1,136	1,280
Total	24,978	16,989

21. Others current liabilities

21.1 Breakdown

Description	2014	2013
Income to be spread over future periods		
- Holidays, holidays subsidies and compensation	4,546	4,861
Total	4,546	4,861

NOTES TO THE PROFIT AND LOSS ACCOUNT (INCOME STATEMENT)**22. Sales****22.1 Breakdown of sales by market**

Description	2014	2013
Internal market Sales	602,940	594,353
Total	602,940	594,353

22.2 Breakdown of sales by activities

Description	2014	2013
Extraction, processing and sales of diamonds	602,940	594,353
Total	602,940	594,353

24. Other operational income**24.1 Breakdown**

Description	2014	2013
Other operational income	5,191	8,107
Total	5,191	8,107

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	30,418		26,197		(4,221)
Total	30,418		26,197		(4,221)

26. Production for own consumption

Description	2014	2013
Works for inventories	-	92
Total	-	92

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	42,068	105,027		40,542	106,553
Total	42,068	105,027		40,542	106,553

28. Payroll

Description	2014	2013
Directors' remuneration	1,424	1,524
Other remunerations	122,245	128,926
Total	123,669	130,450
Number of employees in the company's service (a)	2,025	2,052

(a) Reduction due to outsourcing (Logistics).

29. Depreciation

Description	2014	2013
Tangible assets (Note 4)	61,443	70,534
Intangible assets (Note 5)		
Total	61,443	70,534

30. Other operational costs

Description	2014	2013
Sub-contract	53,127	56,230
Third party supplies and services:		
Third party fees/commission	1,382	540
Electricity (a)	11,193	11,032
Maintenance and repair	548	2,820
Other third party supplies and services	27,025	26,332
Taxes	29,926	29,687
Total	123,201	126,641

31. Financial income/(losses)

Description	2014	2013
Financial income and gains:		
Interest	1,276	308
Foreign exchange differences		
Realized	9,252	3,648
Unrealized	324	382
Discounts obtained from immediate cash payment	11	96
	10,863	4,434
Financial costs and losses:		
Interest (a)	5,997	3,433
Foreign exchange differences		
Realized	1,185	1,821
Unrealized	643	170
Discounts granted from immediate cash payment		82
Others	1,106	1,054
	8,931	6,560
Total	1,932	(2,126)

(a) Includes amount of USD 51 thousand related to the interest on the loan from LL International Holding B.V. for the year 2014 (see note 15.2); and bank interest of USD 5,946 thousand.

33. Non-operational income:

Description	2014	2013
Non-operational income and gains:		
Provisions repositions		
Inventories (Note 8)	61	120
Gains on fixed asset	(11)	8
Contractual penalties earned	1	
Prior period adjustment	15	20
Other non-operational income and gains		1
	66	149
Non-operational costs and losses:		
Provisions		
Inventories (Note 8)		
Impairment of investments (Note 9)	17,522	19,591
Other risks and charges		
Losses on fixed assets	553	932
Losses on inventories		
Contractual fines and penalties	12	33
Prior period adjustment	942	56
Other non-operational costs and losses	3,350	2,733
	22,379	23,345
Total	(22,313)	(23,196)

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35. Income tax:

Description	2014	2013
Accounting income	168,662	133,350
Deductions not allowed for tax purposes (a)	80	33
Taxable profits (fiscal loss)	168,742	133,383
Nominal taxation rate	25%	25%
Tax on ordinary Income (a)	42,186	33,346
Actual taxation rate	25%	25%

(a) Provision for employees' retirement compensation (Art. 262º Angolan Labor Act)

(b) These taxes breakdown as follows:

Description	2014	2013
Tax on ordinary Income	42,186	33,346
Total	42,186	33,346

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

Description	2014	2013
Guarantees (a)	104,591	71,810
Letters of Credit (b)	14,818	1,342
	119,409	73,152

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

	Original currency	USD thousand	Kz thousand
Banco Totta de Angola – Usd (i)	59,889	59,889	6,155,784
Banco Internacional de Crédito – Usd (ii)	42,189	42,189	4,336,474
Banco Sol – Usd (ii)	2,513	2,513	258,251
	104,591	104,591	10,750,509

(i) Bank Guarantees on equipment, acquired through bank loans in the amount of USD 42,690 thousand and for employees housing plan, in the amount of USD 17,199 thousand.

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

(b) Letter of Credit

Banco Caixa Geral Totta de Angola, SA issued a Letters of Credit for the acquisition of machinery for the central processing plants, worth USD 14,818 thousands.

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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:

Accounts	ENDIAMA	CNO	AIRS	LLI	OMSI	OAPS	SODIAM	LAPI/ LUEM BA	END. CHINA	Total
Accounts Receivable (note 9)	0	0	0	0	0	0	0	31,123	0	31,123
Provision for impairment (note 9)	0	0	0	0	0	0	0	-31,123		-31,123
Other debtors (note 9)	0	227	0	0	0	0	0	0		227
Total in Assets	0	227	0	0	0	0	0	0	0	227
Suppliers – current account (note 19)	0	299	0	0	0	162	1,538	0	0	1,999
Loans (note 15.1)	1,071	0	1,071	588	536	0	0	0		3,266
Total in Liabilities	1,071	299	1,071	588	536	162	1,538	0		5,265
Other operational costs and losses (note 30)	0	2,774	0	0	0	176	0	0		2,950
Interest (note 31)	17	0	17	9	8	0	0	0		51
Total in Profit and Loss account	17	2,774	17	9	8	176	0	0	0	3,001

42. Other information

(i) Dividends proposals

Management will propose the total amount of the net profit for the period (USD 126,476 (2013 - USD 100,004 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 671 thousand were spent in programs and actions related to environmental restoration during 2014 (2013– USD 733 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	2014	2013
Cash and equivalents:		
Cash	251	450
Bank accounts	148,849	10,188
Total as per balance sheet	149,100	10,638

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