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Escom Investments BV

Consolidated Financial Statements

As at 31 December 2013

DRAFT UNAUDITED

ESCOM INVESTMENTS BV
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDED 31 December 2013
(Expressed in thousand of USD)

	Notes	2 013	2 012
ASSETS			
Non-current assets			
Property, plant and equipment	5	95,151	121,543
Exploration and evaluation, tangible assets	6	856	1,267
Exploration and evaluation, intangible assets	7	216,956	182,803
Intangible fixed assets		0	0
Investments in associates	8	5,012	3,273
Investment property	10	3,931	9,543
Trade and other receivables	11	30,977	56,956
Construction work in progress	13	0	1,710
		<u>352,883</u>	<u>377,095</u>
Current			
Raw materials and consumables	12	14,687	14,517
Construction work in progress	13	521,634	483,844
Trade and other receivables	11	200,987	179,689
Cash and cash equivalents	15	51,484	41,184
		<u>788,792</u>	<u>719,234</u>
		<u>1,141,675</u>	<u>1,096,329</u>
Total assets			
EQUITY			
Capital and reserves attributable to equity holders of the company			
Share capital	16	25	25
Share premium	16	64,342	64,342
Foreign currency translation reserve	17	(7,183)	584
Other reserves	18	(14,042)	(14,042)
Unappropriated results	17	(32,768)	(77,849)
Accumulated deficit	17	(499,059)	(434,515)
Total equity attributable to the shareholders		<u>(488,685)</u>	<u>(461,455)</u>
Non-controlling interest	19	34,240	42,380
		<u>(454,445)</u>	<u>(419,075)</u>
Total equity			
LIABILITIES			
Non-current liabilities			
Borrowings	20	39,954	169,526
Trade, other payables and other liabilities	21	5,695	5,407
		<u>45,649</u>	<u>174,933</u>
Current liabilities			
Trade, other payables and other liabilities	21	1,069,171	736,862
Provisions	22	5,118	5,237
Derivative financial instruments	14	231	3,262
Borrowings	20	475,950	595,109
Total liabilities		<u>1,596,120</u>	<u>1,515,404</u>
Total equity and liabilities		<u>1,141,675</u>	<u>1,096,329</u>

ESCOM INVESTMENTS BV
CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE PERIOD ENDED 31 December 2013
(Expressed in thousand of USD)

	Notes	2013	2012
Revenue		139,387	67,900
Other income		3,373	685
Total operating income	23	142,759	68,585
Third party costs and services	24	(99,221)	(51,927)
Wages, salaries and social security charges	25	(40,597)	(42,094)
Depreciation and amortization	26	(31,121)	(23,282)
Operating loss		(28,179)	(48,718)
Finance income		35,150	11,485
Finance costs		(47,600)	(56,908)
Finance results - net	27	(12,450)	(45,423)
Share of results of associates	29	(18)	(113)
Loss before income tax		(40,648)	(94,254)
Income tax benefit/(expense)	28	(97)	(99)
Loss for the period		(40,745)	(94,353)
Attributable to:			
Equity holders of the company	17	(32,768)	(77,849)
Non-controlling interest	19	(7,978)	(16,504)
		(40,745)	(94,353)

ESCOM INVESTMENTS BV
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2013
(Expressed in thousand of USD)

	Notes	2013	2012
Loss for the year		(40,745)	(94,353)
Other comprehensive income:			
Currency translation differences	17	7,186	2,609
Total comprehensive income for the year		(33,559)	(91,744)
Attributable to:			
Equity holders of the company		(25,419)	(76,089)
Non-controlling interest		(8,141)	(15,655)
Total comprehensive income for the year		(33,559)	(91,744)

ESCOM INVESTMENTS BV
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2013
(Expressed in thousand of USD)

	Attributable to equity holders of the parent					Total	Non-controlling interest	Total Equity
	Share Capital	Share premium	Other reserves	Foreign currency translation	Retained earnings			
Balance at 31 December 2010	25	64,223	(9,380)	(852)	(118,710)	(64,674)	62,316	(2,358)
Comprehensive Income					(309,790)	(309,790)	(17,625)	(327,415)
Profit/(loss) for the period								
Other comprehensive income				(566)		(566)	(30)	(596)
Currency translation differences				(566)	(309,790)	(310,356)	(17,655)	(328,011)
Total comprehensive income								
Transactions with owners		119				119		119
Contributions from shareholders			(4,682)			(4,682)	4,682	0
Increase in share of investment					(2,080)	(2,080)		(2,080)
Dividends		119	(4,682)		(2,080)	(6,643)	4,682	(1,961)
Total contributions by and distributions to owners								
Changes in ownership interests that do not result in a loss of control							1,919	1,919
Increase in share of investment							2,482	2,482
Non-controlling interest arising on business combination							7,292	7,292
Total transactions with owners		119	(4,682)		(2,080)	(6,643)	16,376	9,739
Balance at 31 December 2011	25	64,342	(14,042)	(1,418)	(430,680)	(381,674)	81,037	(320,637)
Comprehensive Income					(77,849)	(77,849)	(16,504)	(94,353)
Profit/(loss) for the period	17/19							
Other comprehensive income				2,002	(242)	1,760	849	2,609
Currency translation differences	17/19			2,002	(78,091)	(76,089)	(15,655)	(91,744)
Total comprehensive income								
Transactions with owners								0
Contributions from shareholders	16							0
Increase in share of investment					(2,222)	(2,222)		(2,222)
Dividends	17				(2,222)	(2,222)		(2,222)
Total contributions by and distributions to owners								
Changes in ownership interests that do result in a loss of control	17				(1,471)	(1,471)		(1,471)
Increase in share of investment								
Non-controlling interest arising on business combination							(3,002)	(3,002)
Changes in ownership interests that do not result in a loss of control	19							
Total transactions with owners					(3,693)	(3,693)	(3,002)	(6,695)
Balance at 31 December 2012	25	64,342	(14,042)	584	(612,364)	(461,455)	42,380	(419,076)
Comprehensive Income					(32,768)	(32,768)	(7,878)	(40,646)
Profit/(loss) for the period	17/19							
Other comprehensive income				(7,787)	15,116	7,329	(163)	7,166
Currency translation differences	17/19			(7,787)	(17,652)	(25,439)	(6,141)	(33,580)
Total comprehensive income								
Transactions with owners								0
Contributions from shareholders	16							0
Increase in share of investment					(1,811)	(1,811)		(1,811)
Dividends	17				(1,811)	(1,811)		(1,811)
Total contributions by and distributions to owners								
Changes in ownership interests that do result in a loss of control	17							
Increase in share of investment								
Non-controlling interest arising on business combination								
Changes in ownership interests that do not result in a loss of control	19							
Total transactions with owners					(1,811)	(1,811)		(1,811)
Balance at 31 December 2013	25	64,342	(14,042)	(7,183)	(531,827)	(488,685)	34,239	(454,446)

ESCOM INVESTMENTS BV
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2013
(Expressed in thousand of USD)

	Note	2013	2012
Cash flows from operating activities			
Cash generated from operations	31	339,196	(80,045)
Interest paid		(73,488)	(11,452)
Income tax paid			
Net cash generated from operation activities		265,707	(91,497)
Cash flows from investing activities			
Acquisition of subsidiary net of cash			-
Purchases of investment property			-
Purchases of property, plant and equipment (PPE)	5&6	(10,843)	(90,931)
Proceeds from sale of PPE		22,448	980
Purchase of intangible assets	7	(41,892)	(38,500)
Incorporation and acquisition of associates		(6,603)	(6,867)
Loans granted to associates	8	(3,125)	(3,356)
Interest received	27	35,150	11,485
Dividends received	17		-
Net cash used in investing activities		(4,865)	(127,208)
Cash flows from financing activities			
Proceeds from share premium			-
Proceeds from borrowings	20	(246,812)	227,348
Dividends paid to equity holders of the company	17&19	(1,811)	(2,222)
Net cash used in financing activities		(248,624)	225,126
Net increase/ (decrease) in cash, cash equivalents and bank overdrafts		12,219	6,421
Cash, cash equivalents and bank overdrafts at beginning of year	15&20	39,073	32,652
Cash, cash equivalents and bank overdrafts at end of year	15&20	51,292	39,073

1 General Information

ESCOM Investments B.V. (the "Company" or "ESCOM") is a limited company incorporated in The Netherlands on 20 March 2008. Its head office is located at Leidsegracht 10, 1016 CK, Amsterdam, The Netherlands. The Company and its subsidiaries (together 'the Group') hold investments in Africa, mainly in the Republic of Angola, the Republic of Congo and the Republic of South Africa. Its main interests are in the following sectors:

- Real estate;
- Infrastructures;
- Mining;
- Energy;
- Natural resources.

Below is a listing of subsidiaries and associates showing their main activities, voting rights and how they are consolidated. If ESCOM has more than 50% investment in a company Escom is considered having control and the company is fully consolidated as a subsidiary. Socamines is an exception to this rule, despite having less than 50% investment, ESCOM has the power to control the voting rights in this company and therefore it is fully consolidated.

DRAFT UNAUDITED

ESCOM INVESTMENTS BV
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2013

Group companies included in the consolidated financial statements, their country of incorporation, % of control, % of interest and the consolidated method used as at 31 December 2013 are as follows:

Company	Country of incorporation	Activity	% Control	% Interest	Consolidation method
Mining					
Angola Diamonds International Ltd	BVI	Mining	100%	100%	Fully consolidated
Angola Mining Finance	BVI	Mining	100%	100%	Fully consolidated
Angola Mining Services	BVI	Mining	100%	100%	Fully consolidated
Angola Technical Services	BVI	Mining	100%	100%	Fully consolidated
Carrières de Brazzaville SA	Republic of Congo	Gravel Extraction	-	25.5%	Equity
Clear Sky Diamonds Ltd	BVI	Dormant	100%	100%	Fully consolidated
Escom Kimberlites Limited	BVI	Holding	100%	100%	Fully consolidated
Escom Mining Congo Ltd	BVI	Holding	100%	100%	Fully consolidated
Escom Mining Development & Corporation Limited	BVI	Holding	100%	100%	Fully consolidated
Escom Mining Inc	BVI	Holding	100%	100%	Fully consolidated
Escom - Abrosa Limited	United Kingdom	Spv	100%	100%	Fully consolidated
Equatorial Diamonds Ltd	BVI	Dormant	100%	100%	Fully consolidated
Hélio Diamonds Limited	BVI	Dormant	100%	100%	Fully consolidated
Luó - Sociedade Mineira do Camatshia Camagico SARL	Angola	Diamond concession	-	45%	Equity
New Horizon Diamonds Ltd	BVI	Dormant	100%	100%	Fully consolidated
Savannah Diamonds Ltd	BVI	Dormant	100%	100%	Fully consolidated
SIM Société d'Investissement Minier SARL	Republic of Congo	Holding	51%	51%	Fully consolidated
Socamines Société Congolaise des Carrières et des Mines SARL	Republic of Congo	Gravel extraction	85%	43.35%	Fully consolidated
Sunrise Diamonds Ltd	BVI	Diamond concession	100%	100%	Fully consolidated
Sunset Diamonds Ltd	BVI	Diamond concession	100%	100%	Fully consolidated
Energy					
Escom Global Energy BV	The Netherlands	Holding	100%	100%	Fully consolidated
Escom Energy Limited	BVI	Holding	100%	100%	Fully consolidated
Escom Renewables BV	The Netherlands	Holding	100%	100%	Fully consolidated
Kinocode (Pty) Ltd	South Africa	Renewables	-	17.85%	Equity
NEA Renewable Energy (Pty) Ltd	South Africa	Renewables	-	21.42%	Equity
Networx Eolos Renewables (Pty) Ltd	South Africa	Renewables	-	32.13%	Equity
Networx Renewables (Pty) Ltd	South Africa	Renewables	-	35.66%	Equity
Networx 828 Energy (Pty) Ltd	South Africa	Renewables	-	30.35%	Equity
Oil & Gas					
Africa Natural Resources Ltd	BVI	Holding	100%	100%	Fully consolidated
Africa Resources Limited	BVI	Holding	100%	100%	Fully consolidated
Escom Natural Resources BV	The Netherlands	Holding	100%	100%	Fully consolidated
Infrastructures					
Camargo Correa Escom Cement BV	The Netherlands	Holding	-	49.9%	Equity
Escom Infrastructures BV	The Netherlands	Holding	100%	100%	Fully consolidated
Escom Opca Africa Contractors BV	The Netherlands	Holding	75%	75%	Fully consolidated
Escom Gabon SA	Gabon	Construction	80%	80%	Fully consolidated
GFC - Gabon Projets et Construction SA	Gabon	Construction	100%	100%	Fully consolidated
Opway Angola SA	Angola	Construction	68.7%	52.28%	Fully consolidated
Palanca Cimentos SA	Angola	Cement	-	29.94%	Equity
Progest Congo SARL	Republic of Congo	Consulting	-	33.66%	Equity
SCOTP Société Congolaise de Construction et Travaux Publics SARL	Republic of Congo	Construction	51%	38.25%	Fully consolidated
Real estate					
EGIA - Empresa de Gestão Imobiliária de Angola, Lda	Angola	Real estate	100%	100%	Fully consolidated
Escom Imobiliária SA	Angola	Real estate	100%	100%	Fully consolidated
Escom Promoção Imobiliária Lda	Angola	Real estate	100%	100%	Fully consolidated
Escom Real Estate Limited	BVI	Holding	100%	100%	Fully consolidated
Imolab, S.A.	Angola	Real estate	100%	100%	Fully consolidated
Imolap - Soc. Imobiliária Lar do Patriota, Lda	Angola	Real Estate	-	33.33%	Equity
Promosoyo, Lda	Angola	Real Estate	-	35%	Equity
SIC Société Immobilière du Congo SARL	Republic of Congo	Real estate	51%	51%	Fully consolidated
Turizaire, Lda	Angola	Real Estate	-	35%	Equity
Urbisoyo, Lda	Angola	Real Estate	-	35%	Equity
Vértice Serviços Lda	Angola	Real estate	100%	100%	Fully consolidated
Others					
Africa Net Oil & Gas (Pty) Ltd	South Africa	Services	-	49%	Equity
Escom Capital Development Ltd	BVI	Holding	100%	100%	Fully consolidated
Escom Congo SARL	Republic of Congo	Support services	100%	100%	Fully consolidated
Escom Investimentos e Participações SA	Angola	Support services	100%	100%	Fully consolidated
Escom FDC	DRC	Support services	100%	100%	Fully consolidated
Escom SA	Portugal	Support services	100%	100%	Fully consolidated
Global Assistance Afrique SARL	France	Support services	100%	100%	Fully consolidated
GTD Goods Trading & Distribution Inc	BVI	Central purchasing	100%	100%	Fully consolidated
GTD Goods Trading & Distribution South Africa (Proprietary) Ltd	South Africa	Central purchasing	100%	100%	Fully consolidated
GTD Logística e Serviços Lda.	Angola	Central purchasing	100%	100%	Fully consolidated
Networx Investments Ltd	BVI	Services	100%	100%	Fully consolidated
Networx Investments South Africa (Pty) Ltd	South Africa	Services	51%	51%	Fully consolidated
Networx Mozambique Limitada	Mozambique	Services	51%	51%	Fully consolidated
SGA - Sociedade de Gestão de Águas de Angola SARL	Angola	Water treatment	-	40%	Equity

The Company is not listed at any stock exchange.

Going Concern

The consolidated financial statements were authorised for issue by the board of directors on, 2015.

As at the 28 December 2010, the shareholders of the Company, Espírito Santo Resources Limited (66.67%) and Overview Investments S.A.R.L. (33.33%), sold, through signed agreements, their shares in Escom Investments B.V. to Newbrook International Inc., East 53rd Street, Marbella, Swiss Bank Building, 2nd floor, Panama, Republic of Panama, a third party investor. Despite the delay, the conclusion of the selling process is still expected, albeit possible through other investors, and is now foreseen for early 2015, allowing the Company to continue as a going concern.

As at 27 December 2010, Rio Forte Investments, S.A. (located in Luxembourg) sold its interest in Escom Investments B.V. to Espírito Santo Resources Limited as part of an internal restructuring. The ultimate parent company of both Espírito Santo Resources Limited and Rio Forte Investments S.A is Espírito Santo International S.A., a company which was the major holding Company for the financial and non-financial activities of the Espírito Santo Group.

Following the collapse of the Espírito Santo Group in the 3rd quarter of 2014, both Espírito Santo International and Rio Forte Investments S.A. were declared insolvent by the authorities in Luxembourg as at 27 October 2014 and 8 December 2014, respectively. Up until this moment, management does not have much information about the status of its major shareholder, Espírito Santo Resources Limited, but is not aware of a possible insolvency. Given these major events, together with the resolution taken by 'Banco de Portugal' as at the 2nd August 2014 towards Banco Espírito Santo, the Company doesn't have access to additional funding since July 2014 as the bank borrowings ceased to be renewed. Therefore the Company has been under default ever since in the payment of its financial commitments. The management's decision not to declare the Company's insolvency was based on the expectation that a solution can be achieved through the conclusion of the selling process.

The consolidated financial statements of the Company have been prepared on a going concern basis, implying management expects the Company to continue for the foreseeable future, assuming the conclusion of the selling process. Accordingly, assets are recognized and measured on the basis that the Company expects to recover (through use or realization) the recorded amounts in the normal course of business, and liabilities are recognized and measured on the basis that they will be discharged in the normal course of business.

As at 31 December 2013 the Company incurred a loss of USD 40.7m (after non-controlling interests) and has a negative equity (before non-controlling interests), held by the shareholders, of USD 488.7m (refer Statement of financial performance and Statement of changes in equity).

A significant part of the Company's business relates to projects in a prospecting and predevelopment phase which continue to require large amounts of investment, namely in the sectors of mining, oil & gas, energy, infrastructures and real estate. For an overview of the environment the Company operates in and specific exposures refer to pages .. to .. and pages ... toof the annual report.

These investments are being funded mostly through bank debt, shareholders' funds, or from cash-flows deriving from the real estate business in Angola. Even though the expenses of these projects are being capitalized in accordance with IFRS, the equity has decreased from 2009 partly due to the fact that some of the diamond mining concessions, that were in an exploration and evaluation stage, were declared as impaired and therefore abandoned (refer

note 7, Exploration and evaluation assets, intangible assets and note 8 – Investments in associates). Currently, the Group still holds three diamond mining concessions: the Luó mine, investment already impaired in the books, currently under internal restructuring and also analyzing the possibility of exploring other kimberlite targets within the concession and the Itengo Kimberlite and Tchegi concessions (both Kimberlite and Alluvial) in a prospecting stage. In 2010, these two concessions entered into an advanced stage of exploration, meaning diamonds have already been obtained. Since the projects are already in the advanced exploration phase, we expect to recover all the costs that are currently in intangibles, as we do not have any data at the moment to indicate that this is not the case.

As at the 28th June 2013, Escom Imobiliária and Escom Investimentos e Participações sold, through promise agreements, some of its real estate assets to third parties. The US\$ 335.6 million of cash received, representing the settlement in full of the agreements, allowed the Group to reduce its bank debt in Angola by the end of June 2013 for the total amount of US\$ 333,4 million. The assets sold were as follows: 1) Sky Center: 6 apartments in Sky Residence I + 170 parking places for US\$ 26.3 million; 2) Acquaville: 37 apartments for US\$ 111.1 million; 3) Costa do Sol: assignment of contractual position in the land for US\$ 30.1 million; 4) Talatona 2A: transmission of rights in the land for US\$ 13.2 million; 5) Condomínio Residencial Bela Vista: transmission of 100% of the shares in the company and assignment of credits for US\$ 113.2 million; 6) Imolap: transmission of 33.3% of the shares in the company for US\$ 36.3 million; 7) Zaimob: transmission of 35% of the shares in the company and assignment of credits for US\$ 3.8 million; and 8) Urbizaire: transmission of 35% of the shares in the company for US\$ 1.6 million.

As at the 30th July 2013, Escom Imobiliária agreed with the counterparty the revocation of the agreement referred to above for the transmission of the shares in Imolap, since both parties agreed that the project currently doesn't gather all the conditions for its development, and therefore the reimbursement by Escom Imobiliária was already made in early July 2014.

As at the 26th September 2013, Escom Imobiliária and Escom Investimentos e Participações sold, through promise agreements, some of its remaining real estate assets to third parties. These sales represented a cash inflow of US\$ 158.5 million, for the settlement in full of the signed agreements, allowing the Group to reduce its bank debt in Angola even more by the end of September 2013 for US\$ 126.3 million. The assets comprised in these agreements were as follows: 1) Sky Center: 8 apartments in Sky Residence I for US\$ 22.7 million; 2) Talatona 2B: assignment of contractual position in the land for US\$ 61 million; 3) Condomínio Soyo: transmission of rights in the land and property for US\$ 12 million; 4) Drina, Urbantu and Neoinvest: transmission of 21.25% of the shares in each company for US\$ 14.4 million; 5) Costa do Sol: amendment of the agreement made on June 2013 for US\$ 23.5 million; and 6) Escom building: transmission of all the rights over the units A+B in the 15th floor, units A to D in floor 16 and 92 parking places located in floors -1 and -2, for US\$ 24.9 million.

All of these real estate transactions made in June and September 2013 were duly approved and authorized by the shareholders, under management's request, who considered this as a positive business opportunity, not only in terms of reduction of the Group's bank debt in Angola, but also for its impact in the equity position, taking in consideration the margins to be obtained. Since these transactions were realized through promisory agreements, the Company has been analyzing individually the contractual terms and conditions in order to evaluate whether the revenues should be recognized in 2013 or in the coming years. The 2013 financial statements include the recognition in Escom Imobiliária of the sale of projects "Costa do Sol", "Talatona 2A" and the investment property "Condomínio do Soyo", as well as the stakes in: "Zaimob", "Urbizaire", "Drina", "Urbantu", "Neoinvest".

As at the 20th December 2013 Escom Investimentos e Participações sold its 25% share in "Porto Seco Mulemba, S.A" to "Soportos – Transportes e Descargas, S.A", a third party, for

its nominal value. This selling decision, that was taken unanimously by all the shareholders of "Porto Seco Mulemba, S.A", was mostly sustained by the poor results obtained by the company, and the satisfactory proposal of acquisition, since "Soportos S.A" will support the US\$ 26 million financing loan that the company had towards Banco BAI. Following this, and as considered in the agreement, all the bank guarantees presented by the former shareholders were revoked.

A large part of the investments of the Group has been financed through loans and shareholder's funds. Management assesses estimated liquidity forecasts based on real and projected cash-flows, which take into account a contractual maturity analysis of its financial responsibilities and of the forecasted cash inflows. Management is convinced that as long as some of the current early stage projects enter into a more advanced stage and therefore with more certainty about their viability, or in other cases the developing SPV companies are set up, the Company will more easily set its own funding structure, or even convert most part of its current short term loans.

Despite the delay in the shareholders restructuring process, the company still maintains its main strategic drivers, where it is committed to be the reference investment conglomerate in sub-Saharan Africa, through becoming a relevant player in Natural Resources (Minerals, Oil & Gas), Real Estate, Infrastructures, Energy and Consumer Products & Financial services, and also maintain a leading position in the private investment area in Angola and be a reference in the cross border investments between Angola, South Africa, Mozambique & the Congos. As part of the shareholders restructuring and its negotiation process, we believe, there is still a commitment and involvement from the investors to finance the Company, according to the forecasted investment plan although needing to be rescheduled.

Forecasting the closing of the equity transaction and the engagement of the new investors in the Group's main strategic drivers, management believes the future funding needs will be secured and also the bank debt guaranteed, contributing to strengthening the equity position of the Group. Therefore management decided, although at this moment there is material uncertainty in relation to the Company's ability to continue to support its commitments in the short term and fund its investments program, to still keep its financial statements prepared on a going concern basis. If, for any reason, the Company is not successful in obtaining additional funding, then the preparation of the financial statements on a going concern may not be appropriate, the realizable value of its assets may be less than the book values, and it may not be able to meet its financial obligations.

Therefore, given the insufficient cash-flows generated by the Company and also taking in consideration the financial difficulties of the shareholder Group Espírito Santo, management assumes that the conclusion of the selling process is now essential, not only to guarantee additional funding to continue with the investment plan, as well as to restructure the bank debt, allowing an urgent negotiation with the banks for renewing the loans for longer periods, and also to settle some of the debts that are either in default or already due. In the circumstance that the sale is not concluded until early 2015, a scenario of insolvency is highly probable.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of ESCOM have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and IFRIC Interpretations applicable to companies reporting under IFRS. They have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

Management assumes that some of the estimates and assumptions adopted in the preparation of these consolidated financial statements do have significant risks that may, over the course of the coming financial year, cause material adjustments in the value of the assets and liabilities of the Group, namely in a scenario where the equity transaction is not concluded until early 2015.

2.1.1 Changes in accounting policy and disclosures

a) New and amended standards adopted by the group

The Group has adopted the following new and amended IFRSs as of 1 January 2011:

IFRIC 15 'Agreements for construction of real estate' – effective on or after 1 January 2009. The interpretation was published in July 2008 and provides guidance on revenue recognition for real estate construction agreements. Essentially, the interpretation provides guidance on determining whether an agreement is within the scope of IAS 11, 'Construction contracts', or is for the sale of goods under IAS 18, 'Revenue'. IAS 11 applies when an agreement meets the definition of a construction contract. The interpretation clarifies that when a buyer is able to specify the major structural elements of design, either before or during construction, the agreement meets the definition of a construction contract. IAS 18 applies when the buyer only has limited ability to influence the major structural elements of design, either before or during construction. In this case the agreement is treated as a sale of good. The impact of this standard for the Escom Group was to treat the 2011 and 2012 real estate construction contracts as a sale of good under IAS 18.

b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2011 but not currently relevant to the group (although they may affect the accounting for future transactions and events.)

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but have no impact on the Group:

IFRIC 17 'Distribution of non-cash assets to owners' - effective on or after 1 July 2009.

The interpretation was published in November 2008. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.

IFRIC 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009. This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with on going access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant, and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both).

IFRIC 9, 'Reassessment of embedded derivatives and IAS 39, Financial instruments: Recognition and measurement', effective 1 July 2009. This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative should be separated from a host contract when the entity reclassifies a hybrid financial asset out of the 'fair value through profit or loss' category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. If the entity is unable to make this assessment, the hybrid instrument must remain classified at fair value through profit or loss in its entirety.

IFRIC 16, 'Hedges of a net investment in a foreign operation' effective 1 July 2009. This amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied. In particular, the group should clearly document its hedging strategy because of the possibility of different designations at different levels of the group. IAS 38 (amendment), 'Intangible assets', effective 1 January 2010. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives.

IAS 1 (amendment), 'Presentation of financial statements'. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

IAS 36 (amendment), 'Impairment of assets', effective 1 January 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics).

IFRS 2 (amendments), 'Group cash-settled share-based payment transactions', effective from 1 January 2010. In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', the amendments expand on the guidance

in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation.

IFRS 5 (amendment), Non-current assets held-for-sale and discontinued operations. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 of IAS 1 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1.

c) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not early adopted.

The group's and parent entity's assessment of the impact of these new standards and interpretations is set out below.

IFRS 9, 'Financial instruments', issued in November 2009. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. However, the standard has not yet been endorsed by the EU and is expected to have no impact on the Group.

Revised IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted. However, the standard has not yet been endorsed by the EU.

The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The group applied the revised standard from 1 January 2011. The group and the parent disclosed any transactions between its subsidiaries and its associates.

Classification of rights issues' (amendment to IAS 32), issued in October 2009. The amendment applies to annual periods beginning on or after 1 February 2010. Earlier application is permitted. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors'. The group applied the amended standard from 1 January 2011. The key impact of this standard is that commitments with related parties now also have to be disclosed.

IFRIC 19, 'Extinguishing financial liabilities with equity instruments', effective 1 July 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished.

Prepayments of a minimum funding requirement' (amendments to IFRIC 14). The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a

defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented.

2.2 Consolidation

a) Subsidiaries

Group companies (subsidiaries) are those controlled by ESCOM. There is control when ESCOM has the power to govern the financial and operating policies, generally accompanying a shareholding of more than 50%. Where the shareholding is lower than 50% but ESCOM has the majority of voting rights, the company is still considered to be a subsidiary and fully consolidated.

Group companies are included in the consolidation by the full consolidation method, from the date when control was acquired to the date when it effectively ends.

The purchase method of accounting is used to account for the acquisition of subsidiaries which are not under common control with the acquirer. The cost of the acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. In cases where the share capital of subsidiaries is not held at 100%, a non-controlling interest is recognised relative to the portion of results and net value of assets attributable to third parties. Net asset value is based on the equity value of the subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the company's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

b) Transactions and non-controlling interests

The group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the group. For purchases of non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity. All transactions with non-controlling interests are accounted for in equity and if there is no change in control these transactions will not result in goodwill gains and losses.

When the group ceases to have control or significant influence, any retained interest in the entity is measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any

amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

c) Associates

Associated companies are those over whose financial and operating policy ESCOM exercises significant influence, but no control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

These investments are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognize further losses, unless the Group has incurred obligations or made payments on behalf of the associates.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The carrying amount of associates is tested for impairment in accordance with IAS 36 by comparing its recoverable amount (the higher of its value in use, and the fair value less costs to sell) with its carrying amount.

Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

d) Interests in joint ventures

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it re-sells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

e) Business combinations involving entities under common control

Business combinations in which the same party controls the combining entities are accounted for in accordance with the "predecessor accounting" method. Consequently, the Group incorporates the assets and liabilities at the amounts recorded in the books of the

predecessor owner adjusted only to achieve harmonisation of accounting policies. Any differences between the consideration given and the aggregate book value of the assets and liabilities (as of the date of the transaction) of the acquired entity are included in equity in retained earnings or in a separate reserve. Additionally the consolidated financial statements incorporate the acquired entities' results only from the date on which the control transferred to the group. Consequently, the consolidated financial statements do not reflect the results of the acquired entities for the period before the transaction occurred.

2.3 Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in US dollars, which is the Group's presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings, receivables, payables, cash and cash equivalents as well as other exchange items are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other (losses)/gains – net'.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the available for sale reserve in equity.

c) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- equity balances are translated at the historical rate;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

2.4 Property, plant and equipment

Assets included in property, plant and equipment are recorded at historical cost less depreciation. Historical cost includes expenditures that are directly attributable to the acquisition of the item which may include the cost of employee benefits.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Fixed assets in progress represent fixed assets still at the construction / development stage. They are carried at acquisition cost less accumulated impairment losses. These fixed assets are depreciated as from the moment the underlying assets are available for use and are in required condition, in terms of quality and technical reliability, to operate in accordance with requirements of the Group's board of directors.

Depreciation is calculated after the assets are in a condition to be used and are allocated on a systematic basis over their useful life, which is determined taking into account the expected use of the asset by the Group, the expected natural depletion, the predictable technical obsolescence and the residual value attributable to the asset. The residual value attributable to the asset is estimated on the basis of the useful lives and have operated under conditions similar to those under which the asset is to be used.

	Years
Land	Not depreciated
Buildings	15 – 40
Machinery	3 – 10
Vehicles	4 – 10
Furniture, fittings and equipment and other tangible assets	3 – 10

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in the income statement.

2.5 Intangible assets

Intangible assets acquired by the Group are carried at acquisition cost less accumulated amortisation and any impairment losses and they are recognized only if it is probable that they will generate future benefits for the Group, if their value can be reasonably measured and if the Group has control over them. Research costs are recognised as costs for the year in which they incurred.

Amortizations are recognised in the income statement on a linear basis over the estimated useful life of the intangible assets, except if that life is considered indefinite, under 'Depreciation and amortization'. Amortization of the other intangible assets is calculated by the straight-line method.

2.6 Exploration and evaluation, tangible and intangible assets

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:

- Researching and analyzing historical exploration data;
- Topographical, geological, geochemical and geophysical studies;
- Exploratory drilling, trenching and sampling;
- Determining and examining the volume and grade of the resource; and
- Evaluating the technical feasibility and commercial viability of extracting a mineral resource.

Licence costs paid in connection with a right to explore an area are capitalised (as intangible asset) and amortised over the term of the permit.

Exploration and evaluation expenditure is capitalised under the full cost method and is monitored for indications of impairment. Where a potential impairment is indicated, assessment is performed for each area of interest in conjunction with the group of operating assets (representing a cash generating unit) to which the exploration is attributed. Subsequent expenditure is measured at cost less impairment.

Exploration areas at which reserves have been discovered but that require major capital expenditure before production can begin are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is under way or planned. To the extent that capitalised expenditure is not expected to be recovered it is charged to the income statement.

Cash flows associated with exploration and evaluation expenditure (comprising both amounts expensed and amounts capitalised) are classified as investing activities in the cash flow statement. Once commercial reserves are found, exploration and evaluation assets are tested for impairment and transferred to development tangible and intangible assets. No depreciation and/or amortisation is charged during the exploration and evaluation phase.

When proved reserves are determined and development is sanctioned, capitalised exploration and evaluation expenditure is reclassified as 'Assets under construction', and is disclosed as a component of property, plant and equipment. All subsequent development expenditure is capitalised and classified as 'Assets under construction'.

Exploration and evaluation assets are classified as tangible (e.g. machinery and equipment) or intangible (e.g. licences and studies) according to the nature of the assets acquired.

Development expenditure is net of proceeds from the sale of ore extracted during the development phase. On completion of development, all assets included in 'Assets under construction' are reclassified as either 'Plant and equipment' or 'Other mineral assets'.

2.7 Investment property

Investment properties are recorded at acquisition cost (including transaction costs) net of accumulated depreciation and impairment losses. Depreciation is recognised on a linear basis, under an average useful life of the assets (40 years).

Whenever, as a result of changes in their expected use or conclusion of the construction work, items are transferred from Property, plant and equipment, to Investment properties, the transfer value corresponds to their carrying amount on the date of the transfer.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units).

The value in use of an asset is calculated as the present value of the estimated future cash flows. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the specific risks of the asset in question. The recoverable amount of assets that by them do not generate independent cash flow is determined together with the cash-generating unit to which these assets belong.

Impairment losses are reversed whenever there are changes in the estimates used to determine the respective recoverable amount. Impairment losses are reversed to the extent of the amount (net of amortisation or depreciation) that would have been determined for the asset if no impairment loss was recognised.

2.9 Financial assets

2.9.1 Classification

The Group classifies its financial instruments in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Financial assets at fair value through profit or loss

Financial instruments at fair value through profit or loss are financial assets or liabilities held for trading. A financial instrument is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets and liabilities in this category are classified as current and carried at fair value. Gains and losses arising from changes in the fair value of these instruments are recognised in the income statement in the period in which they arise,

including interest received or paid. Financial assets at fair value through the profit and loss are subsequently carried at fair value.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequently loans and receivables are measured at amortised cost in accordance with the effective interest method. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

2.9.2 Recognition and measurement

Financial assets are recognized in the Group's balance sheet on their trade or contracting date. Financial assets are initially recognized by their fair value plus directly attributable transaction costs, except for assets carried at fair value through profit and loss in which the transaction costs are immediately recognized in the income statement.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have transferred and the Group has transferred substantially all the risks and rewards of ownership. Financial assets at fair value through the profit and loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Financial assets and liabilities are offset and presented by their net value only when the Company has the right to offset the amounts recognized and has the intention to settle on a net basis.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing on trade receivables is described in note 2.14.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.11 Impairment of financial assets

Assets carried at amortised cost.

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (i) Adverse changes in the payment status of borrowers in the portfolio; and
 - (ii) National or local economic conditions that correlate with defaults on the assets in the portfolio.

The group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2.12 Derivative financial instruments and hedging activities

The Group enters into financial derivatives solely for the purpose of hedging interest rate risk, for floating rate borrowings, and foreign exchange risk, for borrowings denominated in Euros. Irrespective of this objective, management has decided not to account for the derivatives as hedging instruments. Consequently, at 31 December 2013, all derivatives are classified as financial instruments at fair value through profit and loss.

2.13 Inventories

Raw materials and consumables

Inventories are valued at the lower of cost or net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, and other direct costs. The net realisable value corresponds to the selling price in the ordinary course of business, less the estimated selling expenses.

Construction work in progress

In the Infrastructures sector, roads and other public works constructed for sale are recognised as part of inventories. Under IAS 11 'Construction contracts' revenue and costs should be recognized in proportion to the stage of completion of contract activity. Where contract costs have been incurred which relate to future activity on the contract these costs are recognized as an asset provided it is probable they will be recovered. Such costs represent an amount due from the customer and are classified as construction work in progress in the financial statements.

The outcome of a construction contract can only be estimated reliably when it is probable that the future economic benefits associated with the contract will flow to the entity. However, when an uncertainty arises about the collectability of an amount already included in the contract revenue, and already recognized in the profit/loss, the uncollectible amount or the amount in respect of which recovery has ceased to be probable is recognized as an expense rather than as an adjustment of the amount of contract revenue.

In the real estate sector, construction projects are also recognized as inventories but follow the accounting guidance prescribed under IAS 18 'Revenue'. Rather than accounting for these projects under the percentage of completion method prescribed in IAS 11 'Construction contracts' these contracts are now accounted for as a sale of good once the risks and rewards of ownership have passed to the buyer.

2.14 Trade receivables

Trade receivables are financial assets categorised and measured as loans and receivables. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Allowances are recorded for impairment losses when there is objective evidence that the Group will not be able to collect all amounts due according with original terms of the receivables. Various indicators are considered when determining the existence of impairment losses, namely default for more than 90 days and financial difficulties of the debtor.

The amount of the impairment allowances is the difference between the asset's carrying amount and the present value of estimated cash-flows, discounted at the original effective interest rate of the asset. The impairment allowance account is presented as a deduction to the assets to which it relates. Changes in the allowance are taken into the income statement. When a trade receivable is uncollectible, it is written-off using the specific allowance account. Subsequent recovery of amounts that had been written-off is credited in the income statement.

2.15 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.16 Share capital

Ordinary shares are classified as equity. Incremental costs attributable to the issue of new shares are directly deducted from equity, net of respective taxes.

2.17 Trade payables

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

2.18 Borrowings

Borrowings are initially recognised at fair value, net of incremental transaction costs incurred. Borrowings are subsequently measured at the amortized cost using the effective interest method. Any difference between the proceeds (net of incremental transaction costs incurred) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current when they are due to be settled within twelve months after the balance sheet date, even if:

- the original term was for a period longer than twelve months; and
- an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the balance sheet date and before the financial statements are authorised for issue.

When the Group has the ability to roll over the payment obligation for at least twelve months after the Balance sheet date it classifies the borrowing as a non-current, even if it could otherwise be classified as current.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset and are therefore capitalised. Other borrowing costs are recognised as an expense.

Capitalisation should commence when expenditures are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress (may include some activities prior to commencement of physical production). Capitalisation will be suspended during periods in which active development is interrupted. Capitalisation will cease when substantially all of the activities necessary to prepare the asset for its intended use or sale are complete. If only minor modifications are outstanding, this indicates that substantially all of the activities are complete.

2.19 Current and deferred income tax

The tax expense for the period comprises current and deferred tax and it is calculated in accordance with tax laws enacted or substantially enacted at balance sheet date. Tax is recognised in the income statement except when relating to items recognised directly in equity, in which case it is also recorded directly in equity.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax basis of assets and liabilities and their respective carrying amounts in the consolidated financial statements. No deferred tax is recognised if it arises from initial recognition of an asset or liability, in a transaction other than a business combination that at the time of the transaction does affect neither the accounting nor taxable profit or loss.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets are revised on an annual basis and reduced when it is no longer probable that they may be used.

2.20 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

The mining, extraction and processing activities of the Group may give rise to obligations for site closure or rehabilitation, and management continually evaluates the existence of a present obligation. Closure and rehabilitation works can include facility decommissioning and dismantling; removal or treatment of waste materials; site and land rehabilitation. The extent of work required and the associated costs are dependent on the requirements of relevant authorities.

Provisions for the cost of each closure and rehabilitation program are recognised at the time that environmental disturbance occurs. When the extent of disturbance increases over the life of an operation, the provision is increased accordingly. Costs included in the provision encompass all closure and rehabilitation activity expected to occur progressively over the life of the operation and at the time of closure in connection with disturbances at the reporting date. Routine operating costs that may impact the ultimate closure and rehabilitation activities, such as waste material handling conducted as an integral part of a mining or production process, are not included in the provision. Costs arising from unforeseen circumstances, such as the contamination caused by unplanned discharges, are recognised as an expense and liability when the event gives rise to an obligation which is probable and capable of reliable estimation.

The timing of the actual closure and rehabilitation expenditure is dependent upon a number of factors such as the life and nature of the asset, the operating licence conditions, and the environment in which the mine operates. The majority of the expenditure is expected to be paid over periods of up to 50 years.

Closure and rehabilitation provisions are measured at the expected value of future cash flows, discounted to their present value and determined according to the probability of alternative estimates of cash flows occurring for each operation.

2.21 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described in more detail below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

a) Sale of goods

Revenue from the sale of goods is recognised in the income statement when the risks and benefits have been transferred to the buyer. Sales are recognised net of sales taxes and discounts and other expenses arising from the sale, and are measured as the fair value of the amount received or receivable.

Real Estate

The Group is developing real estate projects in Angola. Prior to the introduction of IFRIC 15, 'Agreements for construction of real estate', these projects were accounted for under IAS 11 using the percentage of completion method. Due to the impact of IFRIC 15, these projects are now accounted for as sale of goods under IAS 18, and revenues are only recognized once risks and rewards of ownership have been passed to the buyer. According to the Group's business model it is expected that most of the group's real estate construction contracts will fall under the accounting prescribed in IAS 18 as a sale of good. IAS 18 applies when the buyer only has limited ability to influence the major structural elements of design, either before or during construction. In this case the agreement is treated as a sale of good. For the Escom Group all real estate construction contracts have been accounted as a sale of good under IAS 18.

b) Construction contracts

Revenue from services rendered is recognised in the income statement taking into consideration the stage of completion of the transaction at the balance sheet date.

Contract costs are recognised when incurred. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. Variations in contract work, claims and incentive payments are included in contract revenue to the extent that they have been agreed with the customer and are capable of being reliably measured.

The Group uses the 'percentage-of-completion method' to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract.

Relevant costs incurred with real-estate undertakings are calculated taking account the direct cost of construction as well as all costs associated with preparation of plans and with the licensing of the works. Costs attributable to the financing and supervision and inspection of the undertaking are also added to the cost of real-estate undertakings, provided they are under way.

For the purpose of capitalization of financial charges and costs incurred with supervision and inspection of the undertaking, it is considered that the undertaking is underway if a decision of the authorities involved is awaited, or if the undertaking is under construction. Should the undertaking not be in one of the foregoing circumstances, it is considered stopped and capitalisation referred to above is suspended.

The Group presents as an asset (construction in progress) the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus

recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within 'trade and other receivables'.

The Group presents as a liability (advances from customers) the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

Construction

The Group is dedicated to construction projects in Congo-Brazzaville and Angola. Revenue is recognized in accordance with percentage of completion, which is usually determined on a cost-to-cost basis by using the most updated project budgets. Upon physical completion of the project, costs-to-complete are booked and project margin is recognized in full.

Mining

The Group holds participating interests in diamond mining projects in Angola, two of them, Itengo Kimberlite and Tchegi, in an exploration and evaluation phase, and Luó in a production stage. The current revenues obtained from the diamond sales in Luó-SMCC, an associate, are being directly recognized into the income statement in the local accounts, and not any more deducted against the capitalized expenditure, since the Company substantially recognized the impairment on the investment made in 2011.

c) Dividend income

Dividends are recognized as income when the right to receive payment is established.

2.22 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.23 Employee benefits

The cost of the services rendered by the employees during the period are recognised as an expense, unless it is included in the cost of an asset. This amount is considered as a liability at Balance sheet date after deducting any amount paid.

2.24 Finance income and expenses

For all financial instruments measured at amortized cost and interest bearing financial assets classified as available-for-sale, interest income or expense is recorded using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income and interest expense are included in finance income and expenses in the consolidated income statement.

2.25 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3 Financial risk management

3.1 Financial risk factors

The Group's activities with financial instruments expose it to a variety of financial risks: market risk (including currency risk, cash-flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out centrally by the Group's treasury which identify, evaluate and hedge financial risks in close co-operation with individual sub-holdings and companies. The Board has defined general principles for risk management, specifically in terms of foreign exchange risk, interest rate risk and credit risk and the use of derivative financial instruments.

a) Market risk

i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro and the West Africa XAF franc. Foreign exchange risk arises from recognised financial assets, financial liabilities and net investments in foreign operations.

A significant part of borrowings from banks is denominated in US dollars, in order to avoid foreign exchange risk for the Group. This policy permits a natural hedging of the currency risk of the balance sheet arising from financial instruments, since our activities are mainly developed in Angola. Additionally, the Group enters into currency rate swaps to minimize the remaining exchange risk.

The tables below summarises the Group's exposure to foreign currency exchange rate risk at 31 December and includes the Group's financial instruments at carrying amounts, categorised by currency.

As of 31 December 2013	US dollar	Euro	XAF Franc	Other	Total
Assets					
Cash and cash equivalents	6,053	342	42,548	2,544	51,484
Trade and other receivables	121,237	8,795	82,808	9,124	231,964
Total Financial Assets	127,289	9,137	135,353	11,668	283,448
Liabilities					
Borrowings	374,829	34,589	82,993	23,513	515,904
Trade and other payables	909,329	48,171	101,438	14,928	1,074,868
Total Financial liabilities	1,284,158	83,740	184,431	38,441	1,590,770
Net on-balance sheet financial position	-1,156,869	-74,602	-49,078	-26,773	-1,307,322

As of 31 December 2012	US dollar	Euro	XAF Franc	Other	Total
Assets					
Cash and cash equivalents	443	151	36,512	4,079	41,184
Trade and other receivables	143,332	9,925	51,279	32,108	236,644
Total Financial Assets	143,775	10,076	87,792	36,186	277,828
Liabilities					
Borrowings	597,803	33,250	60,803	72,779	764,636
Trade and other payables	569,697	62,025	75,689	34,858	742,269
Total Financial liabilities	1,167,501	95,275	136,492	107,637	1,506,905
Net on-balance sheet financial position	-1,023,726	-85,200	-48,700	-71,451	-1,229,077

If the US dollar had weakened/strengthened by 5% against all other currencies to which the Group is exposed, the profit before tax would have been USD 2.0m lower/higher (2012: USD 911k lower/higher). This estimated variation is consistent with the fact that the XAF Franc has a fixed exchange rate to the Euro and mainly result from foreign exchange gains/losses on translation of trade and other receivables/payables and borrowings.

ii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Group's policy is to maintain a certain level of its financing costs in fixed rates. In order to manage this objective the Group, occasionally, enters into floating-to-fixed interest rate swaps to hedge the cash flow interest rate risk arising from floating rate debt.

The exposure of the Group's borrowing to interest rate changes and the contractual repricing dates (for fixed rate instruments it was considered maturity dates), at 31 December 2013 and 2012, are presented in the tables below:

2013:

	Less than 6 months	6-12 months	1-5 years	More than 5 years	Total
Cash and cash equivalents	3,803	47,881	0	0	51,484
Trade and other receivables	39,707	118,489	36,805	38,983	231,983
	43,510	164,170	36,805	38,983	283,448
Trade payables and other payables	887,828	120,848	67,225	18,989	1,074,889
Borrowings	475,850	77	39,877	0	515,804
	1,343,778	120,925	107,101	18,989	1,590,773
Derivatives	142,926			0	142,926

2012:

	Less than 6 months	6-12 months	1-5 years	More than 5 years	Total
Cash and cash equivalents	4,500	38,670	14	0	41,184
Trade and other receivables	91,950	60,776	52,847	31,070	236,643
	96,450	97,446	52,861	31,070	277,827
Trade payables and other payables	590,831	66,853	79,531	5,254	742,469
Borrowings	574,809	146,819	39,007	10,000	770,635
	1,165,641	213,472	112,538	15,254	1,506,905
Derivatives	142,926				142,926

If interest rates had been 1% higher/lower, post tax profit for the year would have been USD 6.6m lower/higher (2012: USD 9.1m lower/higher). These variations mainly result from borrowings and external financial instruments.

b) Credit risk

Credit risk is managed on group basis, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties. ESCOM policy towards financial operations counterpart risk is based on the assessment of their technical capacity, competitiveness, credit worthiness and counterpart exposure, avoiding hereby significant concentrations of credit risk. As part of these processes the financial viability of all counterparties is regularly monitored and assessed.

The table below summarizes the Group's maximum exposure to credit risk:

	31 Dec 2013	31 Dec 2012
Cash and cash equivalents	51,484	41,184
Trade and other receivables	231,963	236,644
Financial instruments at fair value	-	-
Total	283,448	277,828

The table above represents a worst case scenario of credit risk exposure to the Group at 31 December 2013, without taking into account any collateral held or other credit enhancements attached. The group only has one short term borrowing for USD 16.4m (2012: USD 12.1m) and a revolving facility of USD 37.4m which are covered with a mortgage over land and/or buildings. There are no other collateral requirements for other borrowings.

For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet.

c) Liquidity risk

Cash flow forecasting is performed in the operating entities of the group and aggregated by group finance. Group finance monitors rolling forecasts of the group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (note 23) at all times so that the group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Reference is made to note 34, for more information about the current loan commitments status. Such forecasting takes into consideration the group's debt financing plans, covenant compliance, a contractual maturity analysis of its financial responsibilities, forecasted cash inflows and if applicable, external regulatory or legal requirements – for example, currency restrictions.

The fact that the Company has not been able to generate sufficient cash flows since inception in combination with the financial difficulties, the majority shareholder is faced with, lead to the conclusion that finalisation of the selling process is of vital importance. Management is convinced that as long as some of the current early stage projects enter into a more advanced stage, the Company will generate sufficient cash flows in the future.

The table below analyses the group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

As of 31 December 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Borrowings	475,950	77	39,877	0	515,904
Trading and net settled derivative financial instruments (interest rate)	231	0	-	0	231
Trade and other payables	988,672	88,725	-19,501	18,989	1,074,866
	1,464,853	88,802	20,376	18,989	1,591,001

As of 31 December 2012

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Borrowings	574,809	146,819	33,007	10,000	764,636
Trading and net settled derivative financial instruments (interest rate)	0	0	3,262	0	3,262
Trade and other payables	657,484	86,725	-7,184	5,254	742,289
	1,232,294	233,545	29,075	15,254	1,510,167

The majority of borrowings maturing within 1 year relate to short term revolving financing facilities with related parties of the Group. Management assumes that the Group's ability to renew these financing arrangements for a period larger than the contractual repayment date is largely dependent on the successful closing of the equity transaction.

According to business plans, management expects that the operational cash-flows will increase during the next years as the Groups' activities develop into more advanced stages.

The Group has an amount of USD 15.0m (2012: USD 49.5m) of undrawn facilities and will continue to diversify its sources of funding, both with shareholders and creditors (related and non-related entities).

ESCOM finances its investments mainly through debt and also through shareholders funds. Due to the dynamic nature of some of the underlying businesses, Escom's subsidiaries and associates are able to negotiate and maintain the most efficient funding structure. Management assesses updated forecasts of the Group's liquidity reserve based on real and forecasted cash flows, which takes in account an analysis of the remaining contractual maturity of its financial liabilities and expected date of financial asset inflows.

Up until the present date, in 2014 management was able to fund its activities using operational cash-flows mainly from the real estate activities, and from bank loans (mainly related parties). Due to a substantial change of circumstances in the main shareholder, Group Espírito Santo, management believes that the ability to obtain additional funding will largely depend on the conclusion of the equity transaction.

3.2 Capital risk management

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

The Group 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 consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' (as shown in the consolidated balance sheet) plus net debt.

During 2013, the Group's strategy was to maintain an adequate gearing ratio taking into consideration the level of investments of the Group. The gearing ratios at 31 December 2013 and 2012 were as follows:

Capital risk management

	2013	2012
Borrowings	515,904	764,636
Less: Cash and cash equivalents	51,484	41,184
Net debt	464,420	723,452
Equity	(454,445)	(419,075)
Total capital	9,975	304,376
Gearing	4656%	238%

Despite the delay in the shareholders restructuring process, management still believes there is still a commitment and involvement from the investors to finance the Company in accordance with the forecasted investment plan, although there is a need for rescheduling.

The intended restructuring involves not only increasing the maturity of the debt from short to medium-long term, but also equating debt levels to the current maturity of projects, geographical presence and business segmentation, taking into account the banking conditions presented in each country. Management is also conscientious of the importance to strengthen the equity position of the Group, in order to obtain a more adequate gearing ratio to continue funding the current portfolio of investments.

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

1. Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
2. Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
3. Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the group's assets and liabilities that are measured at fair value through profit and loss, at 31 December 2013.

	Level 1	Level 2	level 3	Total balance
Assets				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	-	-	-
Derivatives used for hedging	-	-	-	-
Total assets	-	-	-	-
Liabilities				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	231	-	231
Derivatives used for hedging	-	-	-	-
Total liabilities	-	231	-	231

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

In order to value financial instruments the fair value of the interest rate swap and currency swap is calculated as the present value of the estimated future cash flows based on observable yield curves. The carrying amount of the group's long term assets and borrowings are a reasonable approximation of fair value.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4.1 Critical accounting estimates and assumptions

a) Estimated impairment of non-financial assets

Each year the Group makes a judgement concerning the economic viability of its mining concessions.

For the two projects: Itengo (Kimberlite) and Tchegi (Kimberlite and Alluvial), the Group is in the advanced stage of exploration. On both projects ESCOM has been successful in obtaining diamonds. Both Itengo and Tchegi have an approved technical programme which is linked to the financial budget figures. Once the technical programme has been completed, the Group will be in a better position to reassess the viability of these concessions. Since these projects are already in the advanced exploration phase, management expects to

recover all costs currently capitalised as intangibles. At this stage we do not have any information to indicate this will not occur.

In Luó mine, although a full evaluation has not yet been completed there were some impairment indications due to lower economic reserves than expected. The Group already decided to fully write-off the investment made in the concession as at the 31 December 2011. There are other kimberlite discoveries within the concession that we still believe to have potential and that may recover the investment made in the future, but we still require the necessary licenses and the full viability studies.

Income taxes

The group is subject to income taxes in numerous jurisdictions. A certain degree of judgment is required in determining current and deferred tax assets and liabilities. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. When the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

b) Revenue recognition

The Group uses the percentage-of-completion method in accounting for its construction contracts in the Congo and Angola. Use of the percentage-of-completion method requires the Group to estimate the services/worked performed to date as a proportion of the total services/work to be performed.

Revenue from services rendered is recognised in the income statement taking into consideration the stage of completion of the transaction at the balance sheet date. In order to determine the stage of completion the Group uses the most up to date project budgets detailing actual and forecast costs and revenues.

c) Mineral reserves estimates

Reserves are estimates of the amount of product that can be economically extracted from the Group's concessions. In order to calculate reserves, estimates and assumptions are required about a range of geological, technical and economic factors. This process may require complex and difficult geological judgements and calculations to interpret the data.

Because the assumptions used to estimate reserves change from period to period, and because additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including the following:

- Asset carrying values may be affected due to changes in estimated future cash flows;
- Depreciation and amortisation charged in the income statement may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change.

If actual reserves will not be sufficient for viable exploration, the total amount recognised as tangible and intangible related to the exploration and development of mineral resources will be written off.

d) Exploration and evaluation expenditure

The Group's accounting policy for exploration and evaluation expenditure results in certain items of expenditure being capitalised for an area of interest where it is considered likely to

be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised the expenditure under the policy, a judgement is made that recovery of the expenditure is unlikely, the relevant capitalised amount will be written off to the income statement.

As stated above, if actual reserves will not be sufficient for viable exploration, the total amount recognised as tangible and intangible related to the exploration and development of mineral resources will be written off.

e) Fair value of derivatives and other financial instruments

As stated in note 3.3 the fair value of financial instruments that are not traded in an active market, including derivatives, is determined by using valuation techniques. These include the use of certain assumptions and judgments by management in relation to counterparty risk, spot and forward interest rates, foreign exchange rates, future cash-flows and other variables. A sensitive analysis of financial instruments is presented in note 3.1.

As stated in note 2.9.2, note 2.11 and note 2.14, the determination of impairment of financial assets requires significant judgement, namely in relation to the credit risk of trade and other receivables.

f) Escom-Alrosa loan transaction

On 30 December 2009 Escom Mining Inc acquired the remaining 44.4% share in the company Escom-Alrosa. Escom-Alrosa holds a 45% share in the Angolan company, Luo Sociedade Mineira do Camatchia Camagico which explores the kimberlite concession of Luo in the province of Lunda North. As part of the acquisition Escom Mining Inc took over loans held by Alrosa amounting to USD 124m, payable on 31 March 2035. The conditions regarding the repayment of this loan to Alrosa are as follows:

- The investment in the principal plant must not exceed USD 200m;
- The project has the capacity to generate cash flow as at 31 December 2012;
- The cash flow generated until 31 December 2034 is sufficient to repay debt including interest.

As the conditions stated above are very unrealistic it is highly improbable that payment will need to be made to Alrosa. As such no loan liability has been recorded in the group's balance sheet.

4.2 Critical judgements in applying the entity's accounting policies

a) Impairment of concessions

Each year the Group makes a judgement concerning the economic viability of its mining concessions.

For the remaining two projects: Itengo and Tchegi, the Group is in the advanced stage of exploration. On both projects Escom has been successful in obtaining diamonds. Both Itengo and Tchegi have an approved technical programme which is linked to the financial budget figures. Once the technical programme has been completed, the Group will be in a better

position to re-assess the viability of these concessions. Since these projects are already in the advanced exploration phase, management expects to recover all costs currently capitalised as intangibles.

5 Property, plant and equipment

	Land and buildings	Vehicles and machinery	Furniture, fittings and equipment	In progress	Total
Opening balance as at 1 January 2013	50,276	33,175	18,597	19,495	121,543
Exchange differences	34	1,209	621	320	2,183
Business combination under common control	-	-	-	-	-
Additions	-	6,017	1,841	2,302	10,161
Disposals	(24,041)	(61)	(373)	-	(24,474)
Impairment	-	56	155	-	210
Capitalised interest	-	-	-	1,076	1,076
Transfers	(9)	409	(380)	1,755	1,775
Depreciation charge	(933)	(12,650)	(3,740)	-	(17,323)
Closing net book amount	25,327	28,155	16,721	24,948	95,151
At 31 December 2013					
Cost or valuation	26,705	97,741	33,546	26,820	184,812
Accumulated depreciation	(1,377)	(69,586)	(16,825)	(1,873)	(89,661)
Net book amount	25,328	28,155	16,721	24,947	95,151

	Land and buildings	Vehicles and machinery	Furniture, fittings and equipment	In progress	Total
Opening balance as at 1 January 2012	3,559	30,563	18,277	19,867	72,267
Exchange differences	32	889	580	279	1,780
Business combination under common control	-	-	-	-	-
Additions	47,728	13,597	2,503	3,593	67,421
Disposals	(52)	(54)	(54)	-	(160)
Impairment	(74)	(166)	(12)	-	(252)
Capitalised interest	-	-	-	841	841
Transfers	(113)	1,117	831	(5,086)	(3,251)
Depreciation charge	(804)	(12,772)	(3,527)	(19)	(17,123)
Closing net book amount	50,276	33,175	18,597	19,495	121,543
At 31 December 2012					
Cost or valuation	51,540	87,585	33,335	21,307	193,767
Accumulated depreciation	(1,263)	(54,410)	(14,739)	(1,813)	(72,225)
Net book amount	50,276	33,175	18,597	19,495	121,543

The most relevant amounts expressed as "In Progress" relate to the following projects:

	2013	2012
Infrastructures	11,995	7,565
Energy - Hidroluapasso project	12,946	11,833
Others	7	98
	24,947	19,496

The net book amount at 31 December per business area can be analysed as follows:

2013:

	Real Estate	Energy	Infrastructures	Other	Total
Land and buildings	(29)	-	2,403	22,953	25,328
Vehicles and machinery	5	48	26,878	1,224	28,155
Furniture, fittings and equipment	495	243	14,529	1,455	16,721
In progress	0	12,946	11,995	6	24,947
	471	13,237	55,804	25,639	95,151

2012:

	Real Estate	Energy	Infrastructures	Other	Total
Land and buildings	(14)	-	2,455	47,835	50,276
Vehicles and machinery	32	123	32,053	966	33,175
Furniture, fittings and equipment	818	414	14,883	2,482	18,597
In progress	82	11,832	7,565	15	19,495
	918	12,369	56,956	51,299	121,542

6 Exploration and evaluation assets – Tangible assets

Tangible assets	Property, plant and Equipment	In progress	Total
Opening balance as at 1 January 2013	1,267	0	1,267
Exchange differences			0
Business combination			0
Additions	53	0	53
Disposals		0	0
Depreciation charge	-464	0	-464
Transfers		0	0
Closing net book amount	856	0	856
At 31 December 2013			
Cost	23,336	0	23,336
Accumulated depreciation	-22,480	0	-22,480
Net book amount	856	0	856

Tangible assets	Property, plant and Equipment	In progress	Total
Opening balance as at 1 January 2012	4,702	0	4,702
Exchange differences			0
Business combination			0
Additions	71	0	71
Disposals	-39	0	-39
Depreciation charge	-2,198	0	-2,198
Transfers	-1,268	0	-1,268
Closing net book amount	1,267	0	1,268
At 31 December 2012			
Cost	23,454	0	23,454
Accumulated depreciation	-22,186	0	-22,186
Net book amount	1,267	0	1,267

7 Exploration and evaluation assets – Intangible assets

	Exploration and evaluation costs	Capitalised Finance costs	Other	Total
Opening balance as at 1 January 2013	130,089	17,700	35,014	182,803
Exchange differences	-	-	35	35
Business combination	-	-	-	-
Additions	10,277	12,539	17,873	40,489
Disposals		3,247		3,247
Impairment charge		(8,322)		(8,322)
Amortisation charge	(14)		(51)	(65)
Transfers			(1,231)	(1,231)
Closing net book amount	140,352	25,164	51,440	216,957
At 31 December 2013				
Cost	187,056	58,105	60,765	305,925
Accumulated amortisation and impairment	(46,704)	(32,940)	(9,324)	(88,968)
Net book amount	140,352	25,164	51,440	216,957

	Exploration and evaluation costs	Capitalised Finance costs	Other	Total
Opening balance as at 1 January 2012	132,827	13,365	145	146,337
Exchange differences	-	-	38	38
Business combination	-	-	(1,728)	(1,728)
Additions	6,298	16,474	20,151	42,923
Impairment charge	12,207	(12,207)		0
Amortisation charge			1,743	1,743
Transfers	(21,243)	68	14,866	(6,509)
Closing net book amount	130,089	17,700	35,014	182,803
At 31 December 2012				
Cost	176,779	42,318	44,329	263,426
Accumulated amortisation and impairment	(46,690)	(24,618)	(9,315)	(80,623)
Net book amount	130,089	17,700	35,013	182,803

As at 31 December this caption has the following composition:

	2013	2012
Luo - Sociedade Mineira do Camatchia-Camagico, SARL		
Mining Concession	169,527	139,070
Natural resources - Oil bloc 18/06	45,495	40,915
Other	1,934	2,818
	216,956	182,803

The USD 169.5 comprises (i) USD 144.4m of capitalized expenditure on the mining concessions of Itengo (Kimberlite) and Tchegi (Kimberlite and Alluvial) and (ii) USD 25.2m of capitalised finance costs relating to those mining concessions.

The USD 45.5m balance relates to capitalized expenditures regarding Oil Block 18/06.

The Group's only binding financial commitment is related with the activity of oil exploration that in accordance with the budget provided by the operator for 2014 amounts to approximately USD 14.4 million. The budget includes drilling and testing, geological and geophysical studies, and administration and service expenses. This commitment corresponds to 6.25% of the overall budget of the project for 2014. These costs are incurred throughout the year and charged to the partners on a monthly basis in advance of the expected monthly expenses, in the portion of their stake in the consortium.

8 Investments in associates

	2013	2012
Opening balance as at 1 January	3,273	4,982
Exchange differences	209	25
Business combination under common control		
Incorporation of associates		
Impairment on associates	(4,981)	(8,582)
Contribution SMCC-Luo	6,630	6,987
Indirect acquisition in SMCC-Luo		
Provided loan to SMCC-Luo		
Capitalised interest on loan to Luo		
Share of loss	(119)	(119)
Closing net book amount	5,012	3,273

	2013	2012
Luo - Sociedade Mineira do Camatchia-Camargico, SARL:		
Share Capital	5,054	5,054
Loans	240,239	233,609
	245,293	238,663
Accumulated losses	(98,046)	(80,280)
	149,247	158,383
Impairment	(149,247)	(158,383)
Investments in associated companies	5,012	3,273
Total	5,012	3,273

The investment made in Luó was fully impaired in 2011 due to lower economic reserves than expected and consequently a shorter mine's useful life.

The results of its principal associates, all of which are unlisted, and its aggregated assets and liabilities, are as follows:

Name of the company	Country of incorporation	Assets	Liabilities	Revenues	(Profit) Loss	% Interest held
Camargo Correa Escom Cement BV	Netherlands	14,431	-7,656	0	35	49.9%
Luó - Sociedade Mineira do Camatchia Camagico SARL	Angola	176,019	-528,656	-31,013	43,065	45.0%
Progest Congo, SARL	Republic ofCongo	705	-1,188	0	3	33.7%
SGA - Soc.de Gestao de Aguas de Angola, SARL	Angola	1,173	-1,086	-447	-52	40.0%
Imolap - Soc. Imobiliária Lar do Patriota, Lda	Angola	21,918	-21,698	0	34	33.3%
Canieres de Brazzaville, SA	Republic ofCongo	13,964	-15,709	-3,019	48	25.5%
Porto Seco Mulemba, SA	Angola	0	0	0	0	25.0%

9 a) Financial instruments by category

	Loans and receivables	Assets at fair value through the profit and loss	Total
31 December 2013			
Derivative financial instruments	0	-	0
Trade and other receivables excluding pre-payments	191,530	-	191,530
Cash and cash equivalents	51,484	-	51,484
Total	243,013	-	243,013

Pre-payments are excluded from the trade and other receivables balance, as this analysis is required only for financial instruments

	Liabilities at fair value through the profit and loss	Other financial liabilities at amortised cost	Total
31 December 2013			
Liabilities as per balance sheet			
Borrowings		515,904	515,904
Derivative financial instruments	231	-	231
Trade and other payables		1,074,867	1,074,867
Total	231	1,590,771	1,591,002

	Loans and receivables	Assets at fair value through the profit and loss	Total
31 December 2012			
Derivative financial instruments	0	-	0
Trade and other receivables excluding pre-payments	194,992	-	194,992
Cash and cash equivalents	41,184	-	41,184
Total	236,176	-	236,176

Pre-payments are excluded from the trade and other receivables balance, as this analysis is required only for financial instruments

	Liabilities at fair value through the profit and loss	Other financial liabilities at amortised cost	Total
31 December 2012			
Liabilities as per balance sheet			
Borrowings		764,636	764,636
Derivative financial instruments	3,262	-	3,262
Trade and other payables		742,269	742,269
Total	3,262	1,506,905	1,510,167

b) Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	2013	2012
Trade receivables		
Counterparties without external credit rating		
Group 1		
Group 2	86,934	55,308
Group 3		
Unrated	86,934	55,308
Cash on hand, at bank and short-term bank deposits		
AA1	1,002	221
Baa Lower medium grade	162	66
Ba/B Non-investment grade speculative to highly speculative	1	1
unrated	49,630	38,646
	50,795	38,934
Derivative financial assets.		
AA1	-	-
Receivables from related parties		
Group 1		
Group 2	52,180	46,451
Group 3		
Unrated	52,180	46,451
Other receivables		
Group 1		
Group 2	92,849	134,788
Group 3		
Unrated	92,849	134,788

- Group 1 – new customers/related parties (less than 6 months)
- Group 2 – existing customers/related parties (more than 6 months) with no defaults in the past
- Group 3 – existing customers/related parties (more than 6 months) with some defaults in the past. All defaults were fully discovered.

10 Investment property

	2013	2012
Opening balance as at 1 Januari	9,543	9,136
Opening balance Fx impact	(95)	63
Acquisitions	1	375
Transfers	(1,506)	181
Disposals	(3,838)	(1)
Depreciation charge	(173)	(211)
Closing net book amount	3,931	9,543
At 31 December		
Cost	4,984	10,423
Accumulated depreciation	(1,053)	(880)
Net book amount	3,931	9,543

These amounts relate to the restaurant located in the Escom Building. The total rental income earned in 2013 is approximately USD 0.4m (2012: USD 2.0m). Expenses incurred are approximately USD 0.2m (2012: USD 0.4m). Depreciation is recorded on a straight line basis.

11 Trade and other receivables and other assets

	2013	2012
Trade receivables	86,934	55,404
Receivables from related parties	67,487	60,644
Other receivables	45,220	44,355
Total receivables	199,641	160,403
Less: provision for impairment of trade and other receivables	(15,307)	(14,193)
Trade and other receivables net of impairment	184,334	146,210
Prepayments	37,193	39,024
Advances to suppliers	10,436	51,410
	231,963	236,644
Less non-current portion:	30,977	56,956
Current portion	200,987	179,688

The non-current portion consists of related party balances of USD 1.2m, prepaid expenses of USD 5.1m as well as other receivables of USD 24.7m.

This caption per business area at 31 December can be analysed as follows:

2013	Real Estate	Mining	Infrastructures	Natural Resources	Other	Total
Trade receivables - net	3,952	138	81,468	-	1,376	86,934
Receivables from related parties	1,204	8	9,497	-	41,472	52,180
Other receivables	6,777	493	11,886	24,118	1,946	45,220
Prepayments and accrued income	26,088	7,489	3,208	-	408	37,183
Advances to suppliers	3,729	740	5,964	-	2	10,436
	41,750	8,868	112,024	24,118	45,204	231,963

2012	Real Estate	Mining	Infrastructures	Natural Resources	Other	Total
Trade receivables - net	3,357	140	50,724	-	1,183	55,404
Receivables from related parties	1,220	8	8,551	-	36,673	46,451
Other receivables	6,021	278	13,848	22,494	1,714	44,355
Prepayments	25,907	10,797	2,029	-	291	39,024
Advances to suppliers	46,846	699	3,808	-	59	51,410
	83,352	11,921	78,957	22,494	39,820	236,544

The major balance in Trade Receivables arises from the infrastructures activity in Congo and Angola regarding the construction activities in construction and public works projects. The amount of other receivables under Natural Resources relates to the financing arranged on behalf of the local partner in the block 18/06 project, an oil exploration project in Angola, in accordance with the agreement.

As of 31 December 2013, trade receivables of USD 144.2m were past due but not impaired and USD 15.3m were due and impaired. The ageing analysis of these trade receivables is as follows:

	2013	2012
Not due	24,818	25,231
Due but not impaired		
0-30 days	2,470	28,569
30-90 days	2,592	27,434
+90 days	139,147	50,784
Total	144,208	106,786
Due and impaired		
180-360 days	60	17
+360 days	15,248	14,175
Total	15,307	14,193
	184,334	146,210

Management is following very closely all the receivable balances, taking the necessary measures to accelerate these cash-inflows, but expects to recover all the receivable amounts as they fall due. Past experience indicates that while balances are outstanding for a period greater than 90 days, this is due to the nature of the terms provided and not due to recoverability issues. As such no impairment charge is required.

Movements on the Group provision for impairment of trade receivables are as follows:

	2013	2012
Opening balance as at 1 January	14,193	3,063
Provision for receivables impairment	1,114	11,130
Receivables written off during the year as uncollectible		
Unused amounts reversed		
At 31 December	15,308	14,193

12 Raw materials and consumables

	2013	2012
Raw materials and consumables	14,687	14,517
Less: provision for impairment		
Total	14,687	14,517

The cost of inventories recognized as expense and included in 'third party costs and services' amounted to USD 5.6m.

13 Construction works in progress

	2013	2012
Construction works in progress Real Estate - Angola	525,549	491,283
Construction works in progress - Angola	-5,173	-9,921
Other	1,258	4,192
Total	521,634	485,554

The group recognised USD 58.3m as construction revenue for the year (note 23) and USD 83.7m as the benefit relating to change in works in progress included in 'third party costs and services' – note 24.

The amount under the caption 'construction work in progress' mainly reflects the investment in Real Estate projects in Angola at 31 December 2013 - "Sky Center" (USD 347.8m) and "Acquaville" (USD 158.4m). The whole amount under this caption may be considered as current in nature. "

The negative amount of USD 5.2m in 'Construction works in progress-Angola' includes USD 3.3m of provisions in Opway Angola for potential loss of some construction projects in progress (mainly 'Aprov. Hid. Rio Luquixe II') and USD 1.8m also in Opway Angola for the net balance between deferred income and accrued income for some projects as per percentage of completion method.

14 Derivative financial instruments

	2013		2012	
	Assets	Liabilities	Assets	Liabilities
Currency interest rate swaps	-	-	-	-
Interest rate swaps	-	231	-	3,262
Total	-	231	0	3,262

Trading derivatives are classified as a current asset or liability.

a. Currency swaps

At 31 December 2013 the Company had no currency swaps.

b. Interest rate swaps

The notional principal amount of outstanding interest rate swap contracts at 31 December 2013 was USD 142.9m (2012: USD 142.9m). At 31 December 2013 the average fixed interest rate is around 6.30% (2012: 6.56%), and the main floating rate is LIBOR. In relation to interest swaps, the currencies involved are US dollar.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the balance sheet.

15 Cash and cash equivalents

	2013	2012
Cash on hand	496	139
Cash on bank and short-term bank deposits	50,987	41,046
Cash and cash equivalents	51,484	41,184
Bank overdrafts	(192)	(2,112)
Cash and cash equivalents in the statement of cash flows	51,292	39,073

16 Share capital and share premium

	Number of shares	Ordinary shares	Share premium	Total
As at 31 December 2008	18	25	39,665	39,690
Contributions from shareholders	-	-	3,872	3,872
At 31 December 2009	18	25	43,537	43,562
Contributions from shareholders	-	-	20,686	20,686
At 31 December 2010	18	25	64,223	64,248
Contributions from shareholders	-	-	119	119
Increase in share of investment	-	-	0	0
At 31 December 2011	18	25	64,342	64,367
Contributions from shareholders	-	-	0	0
Increase in share of investment	-	-	0	0
At 31 December 2012	18	25	64,342	64,367
Contributions from shareholders	-	-	0	0
Increase in share of investment	-	-	0	0
At 31 December 2013	18	25	64,342	64,367

The total authorised number of ordinary shares is 18 shares with a par value of one euro per share. All issued shares are fully paid. During 2013, the shareholders made no contributions to the Group.

17 Accumulated deficit (Retained earnings)

As at 31 December 2008	(9,594)
Loss for the period	(40,007)
Dividends	(3,211)
Amounts arising from business combination	(162)
At 31 December 2009	(52,974)
Loss for the period	(63,118)
Dividends	(2,618)
At 31 December 2010	(118,710)
Loss for the period	(309,790)
Dividends	(2,080)
At 31 December 2011	(430,580)
Loss for the period	(77,849)
Currency translation differences	(242)
Changes in ownership interests which do not result in a loss of control	(1,471)
Dividends	(2,222)
Amounts arising from business combination	
At 31 December 2012	(512,364)
Loss for the period	(32,768)
Currency translation differences	15,116
Changes in ownership interests which do not result in a loss of control	-
Dividends	(1,811)
Amounts arising from business combination	
At 31 December 2013	(531,827)

Foreign currency translation reserve

As at 31 December 2008	24
Currency translation differences	
- Group	(142)
At 31 December 2009	(118)
Currency translation differences	
- Group	(734)
At 31 December 2010	(852)
Currency translation differences	
- Group	(566)
At 31 December 2011	(1,418)
Currency translation differences	
- Group	2,002
At 31 December 2012	584
Currency translation differences	
- Group	(7,767)
At 31 December 2013	(7,183)

18 Other reserves

As at 31 December 2008	-
Currency translation differences	
- Group	-
At 31 December 2009	-
Changes in ownership interests which do not result in a loss of control	(9,360)
At 31 December 2010	(9,360)
Changes in ownership interests which do not result in a loss of control	(4,682)
At 31 December 2011	(14,042)
Changes in ownership interests which do not result in a loss of control	
At 31 December 2012	(14,042)
Changes in ownership interests which do not result in a loss of control	
At 31 December 2013	(14,042)

During the financial years of 2010 and 2011 Escom acquired additional interests in the Acquaville and Sky construction projects. These changes did not result in a change in control and therefore have been accounted for in equity. The opposing side of these transactions is recorded in non-controlling interest.

19 Non-controlling interest

At 31 December 2008	57,132
Profit/(loss) for the period	(4,611)
Currency translation differences	63
Non-controlling interest arising on business combination	184
At 31 December 2009	52,768
Profit/loss for the period	1,120
Currency translation differences	(391)
Dividends	(541)
Changes in ownership interests that do not result in a loss of control	9,360
At 31 December 2010	62,316
Profit/loss for the period	(17,625)
Currency translation differences	(30)
Increase in share of investment	7,165
Non-controlling interest arising on business combination	7,292
Changes in ownership interests that do not result in a loss of control	1,919
At 31 December 2011	61,037
Profit/loss for the period	(16,504)
Currency translation differences	849
Increase in share of investment	
Non-controlling interest arising on business combination	
Changes in ownership interests that do not result in a loss of control	(3,001)
At 31 December 2012	42,381
Profit/loss for the period	(7,978)
Currency translation differences	(163)
Increase in share of investment	
Non-controlling interest arising on business combination	
Changes in ownership interests that do not result in a loss of control	
At 31 December 2013	34,240

The majority of non-controlling interests are held with Escom Mining Inc as described below and Société Congolaise de Construction et Travaux Publics SARL (SCCTP). SCCTP is engaged in the construction of roads and other public works in the Republic of Congo.

In 2013, Escom Mining Inc, paid USD 1.8m (2012: USD 2.2m) dividends to the holders of the preferred non-voting shares, presented in the following table in USD. According to the Information Memorandum of the preference shares series, namely clause (f) that addresses "Voting Rights" issues, it is clear that the issue of non-payment of dividends is possible, and no. (i) of clause (f) stipulates the general rule that Holders of the Preference Shares are not entitled to receive any notice of, or vote in any general meeting of the Shareholders of the Issuer. However, no. (ii) of clause (f), specifies that the Holders of the outstanding Preference Shares are entitled to vote in any general meeting of the Issuer, and elect up to two Directors, if dividends have not been paid by the Issuer for four consecutive Dividend Periods; no. (v) of Clause (f) states that in addition to the voting rights mentioned in (ii), at least 2/3 of the Holders of Preferential Shares also have to vote with the ordinary shareholders in any proposed dissolution or winding-up of the Issuer, for any such resolution to be adopted. These are in essence the two principle effects and rights entitled to the

holders of Preferential Shares regarding the eventual voting rights in case of non-payments of dividends. Although the Company's decision was to reward the holders of these instruments even if the consolidated annual net results were not positive, the fact is that since June 2014 the Group failed to pay these dividends, following the collapse of Espirito Santo Group and the resolution taken for "Banco Espirito Santo" on the 2nd August 2014.

Company	Type	Series	Issue Date	Call Option	31/12/13
ESCOM MINING	Preference Shares	Series B, Non Voting	27/12/01	any payment date falling on or after 27/12/03	-5,000
ESCOM MINING	Preference Shares	Series C, Non Voting	05/12/02	any payment date falling on or after 05/12/05	-15,000
ESCOM MINING	Preference Shares	Series D, Non Voting	02/01/03	any payment date falling on or after 02/07/05	-27,571
ESCOM MINING	Preference Shares	Series E, Non Voting	15/06/05	any payment date falling on or after 15/06/10	-6,888
ESCOM MINING	Preference Shares	Series F, Non Voting	05/06/05	any payment date falling on or after 15/06/10	-12,000
					<u>-66,459</u>

Total Equity

The total equity, held by the shareholders, decreased to a negative position of USD 488,7m in the current year. After the process of shareholders restructuring that is taking place, management is aware of the importance to strengthen in the short-term the equity position of the Group in order to be able to continue financing its investments. The strategic plan 2010-2014 already forecasted the need of equity funds of USD 650m for that period, taking into consideration the current portfolio of investments and not considering any additional debt at the holding level. Although the unexpected delay in the transaction, that will cause the need to reschedule and redefine the strategic plan, management is still confident on the commitment of the new shareholders to develop the Company in accordance with its major strategic guidelines and it is also confident that operational cash-flows will increase during the coming years as its activities develop into more advanced stages.

20 Borrowings

Bank borrowings have the following profile:

	2013	2012
Non-current		
Bank borrowings	39,877	83,377
Bonds	0	86,058
Other loans	77	92
	39,954	169,526
Current		
Bank overdrafts	3,300	64,398
Bank borrowings	452,288	523,635
Bonds	-	-
Other loans	20,361	7,076
	475,950	595,109
Total borrowings	515,904	764,636

Maturity profile:

	2013	2012
6 months or less	243,501	348,810
6-12 months	232,450	246,299
1-5 years	39,954	144,526
Over 5 years	0	25,000
Total	515,904	764,636

Borrowings bear average coupons of 1,98% included in 'Finance costs' in the income statement.

	2013	2012
Long term bonds	0	86,058
Long term loans from banks	39,877	83,377
Long term other loans	77	92
Revolving facilities / bank overdrafts	475,950	595,109
Total	515,904	764,636

The Group has approximately USD 15.0m undrawn facilities mainly related with the facilities of Escom Investimentos e Participações and Escom Mining Development Co.

The table below details the terms and conditions of borrowings:

Short term loans					Book value
	Interest rate	Currency			31/12/13
La Congolaise de Banque	7%	XAF			3,153,341
Banco Espirito Santo Angola	16%	AOA			14,437,888
Banco Espirito Santo Angola	16%	AOA			6,560,975
Banco Espirito Santo Angola	12%	USD			333,333
Banco Millennium Angola	13%	AOA			2,442,389
La Congolaise de Banque	7%	XAF			16,397,371
La Congolaise de Banque	7%	XAF			9,460,022
BGFI Bank	6%	XAF			31,533,406
BESCO-Banque Esp Santo Congo	7%	XAF			1,313,915
Ecobank	6%	XAF			11,562,249
Ecobank	6%	XAF			2,049,671
Moza Banco	22,5%	MZN			71,486
Banco Espirito Santo Angola	12%	USD			37,426,765
Banco Millennium Angola	13,5%	USD			4,676,194
BES SFE	5.50%	USD			18,187,500
BES SFE	5.50%	USD			5,000,000
BES SFE	5.37%	USD			109,579,699
BES SFE	\$ LIBOR 3M + 5%	USD			34,000,000
BES SFE	\$ LIBOR 3M + 8%	USD			44,937,500
Millenium BCP	\$ LIBOR 3M + 8%	USD			44,937,500
BES SFE	\$ LIBOR 3M + 5%	USD			10,000,000
					408,061,205
Medium long term					Book value
	Interest rate	Currency			31/12/13
BMW Financial Services	EUR 3m + 5,1523%	EUR			105,054
Ecobank	6.00%	XAF			2,102,227
Ecobank	6.00%	XAF			3,311,008
					5,518,289
Bonds					Book value
	Issue Date	Maturity Date	Interest rate	Currency	31/12/13
Floating rate notes Escom Mining Inc	6/9/2004	09/06/14	\$ LIBOR 6M + 1,5%	USD	40,000,000
Floating rate notes Escom Mining Inc	6/9/2004	09/06/14	\$ LIBOR 6M + 1,5%	USD	5,000,000
Floating rate notes Escom Mining Inc	12/15/2004	15/12/14	\$ LIBOR 6M + 1,5%	USD	8,050,900
Floating rate notes Escom Mining Inc	3/30/2005	30/03/17	zero coupon	EUR	34,463,744
					87,514,644
Overdrafts					Book value
				Currency	31/12/13
BGFI Bank				XAF	2,109,815
BES SFE				USD	12,699,906
					14,809,721

The short term borrowing of USD 16.4m with La Congolaise de Banque is covered with a mortgage on land and buildings. Additionally, it is also secured by a comfort letter and collaterals of XAF 3.2mio.

The revolving facility of USD 9.5m with La Congolaise de Banque is secured by a comfort letter and collaterals of XAF 3.3mio.

The revolving facility with BGFI Bank of USD 31.5m is secured with a collateral of XAF 9.3mio.

The revolving facility with BESCO of USD 1.3m is secured with a collateral of XAF 0.4mio.

The revolving facility with Ecobank of USD 11.6m is secured with a collateral of XAF 4.0mio.

The revolving facility of USD 37.4m with BESA is covered with a mortgage on building floors 17 and 17G in Escom Building in Luanda.

The revolving facility of USD 14.4m of Opway Angola with BESA is covered with a commercial pledge on equipments and the Term Loan of USD 0.33m, also of Opway Angola, with BESA is secured with a letter of commitment to set up a mortgage on the office building of the company.

The loan of USD 44.9m of Escom Kimberlites with Millennium BCP is covered with a guarantee deposit of EUR 35m from ESFIL, a Group Espirito Santo company (agreement dated 3rd January 2014).

The fair value of current borrowings equals their carrying amount as the impact of discounting is not significant. The fair value of the non-current borrowings are also equal to their carrying amount as these borrowings are at a variable rate and are only payable at the end of the contract period.

Covenants relating to the loan from Banco Espirito Santo SA to Escom Kimberlites are as follows:

- Provide true and fair financial statements for each reporting year .
- Notify if any changes have been made to the audit of the consolidated financial statements
- Provide details of any documents dispatched to creditors
- Details of any material litigation or arbitration or administrative proceedings
- Immediate notification of any default

Please refer to note 34 Events after the balance sheet date for additional and relevant information on 'Borrowings'.

21 Trade and other payables and other liabilities

	2013	2012
Trade payables	97,278	81,732
Amounts due to related parties	58,121	52,832
Social security and other taxes	5,304	8,823
Other payable	165,145	41,066
	325,847	184,452
Advances from customers	726,466	512,827
Accrued expenses	22,553	44,990
Total	1,074,867	742,269
Less non-current portion:	5,695	5,407
Current portion	1,069,171	736,862

The non-current portion of trade and other payables includes amounts owed to related parties of the Group (USD 2.0m)

22 Provisions

	2013	2012
Legal and tax risks	0	0
Risks and other charges	2,718	2,837
Losses in construction contracts	2,400	2,400
Total	5,118	5,237

The movement in provisions since prior year can be disclosed as follows:

Opening balance 1 January	5,237	4,289
Exchange differences	(25)	1
Additions/releases	(81)	1,076
Utilisation	(13)	(128)
Closing balance 31 December	<u>5,118</u>	<u>5,237</u>

23 Revenue and other Income

	2013	2012
Revenue		
Sales of goods	70,485	1,836
Construction revenues	57,506	51,194
Construction Infrastructure		
Mining services		
Others		
Revenues from investment property		1,999
Other revenue	<u>11,395</u>	<u>12,871</u>
	<u>139,387</u>	<u>67,900</u>
Other income		
Profit/(loss) on sale of assets	3,373	304
Negative goodwill	-	-
Others	-	381
	<u>3,373</u>	<u>685</u>

The major part of sales of goods is generated by the sale of real estate in Angola, namely from Escom Imobiliária and related to projects "Costa do Sol" and "Talatona 2A".

Construction revenues are generated by the construction company in the Republic of Congo.

24 Third party costs and services

	2013	2012
Raw materials and consumables used	88,052	30,198
Changes in works in progress	(83,656)	(165,722)
Professional services	79,050	172,410
Housing expenses	9,197	10,913
Travel expenses	3,133	4,384
Marketing and promotional	890	1,120
Administration expenses	14,627	8,649
Impairment receivables		
Other expenses	10,629	12,634
Less:		
Capitalised expenditure	(22,700)	(22,659)
Total	99,221	51,927

The full budgeted audit services rendered to the Group during the period aren't yet available (2012: USD 0.83m).

25 Employee benefit expense

	2013	2012
Wages and salaries, including restructuring costs and other termination benefits	30,325	31,597
Social security costs	1,817	2,198
Other	8,456	8,300
Total	40,597	42,094

In 2013 the Group had 986 employees (2012: 963).

26 Depreciation and amortisation

Depreciation and Amortisation

	2013	2012
Depreciation	17,444	19,006
Amortisation / impairment	13,677	4,276
	31,121	23,282

As at the 31 December 2011 the Group decided to declare the investment made in the Luó mine as impaired.

27 Net financing costs

	2013	2012
Finance income:		
Interest from associates	7,399	7,695
Interest income on bank deposits	3,033	3,791
Sale of stakes in real estate companies and Condominio do Soyo	24,719	0
Finance income	35,150	11,485
Interest expense:		
Bank borrowings	25,703	40,549
Bonds	3,612	3,746
Loans	8,676	11
Impairment loss of available for sale financial assets	1,109	7,833
Bank interests and other charges	4,752	3,683
	43,852	55,822
Net foreign exchange gains on financing activities	3,748	1,085
Finance costs	47,600	56,907
Net finance costs	12,450	45,422

28 Income tax expense

	Tax Rate	Taxable base loss/(profit)	Tax effect
Effective tax rate and current tax	47.0%	40,648	19,087

	2013	2012
Loss before tax	40,648	94,254
Tax calculated at domestic tax rates applicable to profits in the respective	(19,069)	(33,356)
Associates results reported net of tax		40
Income not subject to tax	1,960	(875)
Tax losses for which no deferred tax asset was recognised	12,527	34,005
Non tax deductible expenses	35	285
Changes in estimates	4,770	
Release of deferred tax asset	(19)	
Adjustment in respect of prior years		
Other	(105)	
Tax (benefit)/charge	98	99

29 Share of results of associates

	2013	2012
Profits / (Losses) in associates		
Luó-Sociedade Mineira do Camatchia-Camagico	-	-
New Media Angola	-	-
Progest Congo	-	-
Camargo Correa Escom Cement BV	35	(36)
SGA- Sociedade de Gestão de Águas de Angola SARL	(52)	(26)
Carrieres de Brazzaville	-	-
Kimocode	-	(39)
Others	(1)	(12)
	(18)	(113)

30 Related-party balances

As at the 28 December 2010, the shareholders of the Company, Espírito Santo Resources Limited and Overview Investments S.A.R.L., sold, through signed agreements, their shares in Escom Investments B.V. to Newbrook International Inc., East 53rd Street, Marbella, Swiss Bank Building, 2nd floor, Panama, Republic of Panama, a third party investor. Although the delay, the conclusion of the selling process is still expected, even if possibly through other investors, and is now foreseen for early 2015, allowing the Company to continue as a going concern.

The following related party balances still include the transactions with its previous parent companies, its subsidiaries, associates and joint ventures.

Transactions with these related parties are:

a) Sales of goods and services

	2013	2012
Sales of goods and services		
Associates		
- SMCC-Luo	-	241
- Imolap	-	117
- Other	-	139
	0	497

Goods are sold based on the price lists in force and terms that would be available to third parties. Sales of services are negotiated with related parties on a cost-plus basis, allowing a margin ranging from 5% to 15%.

b) Purchases of goods and services

- Espirito Santo Viagens	-	1,343
- Espirito Santo Investment Bank	550	615
	<u>550</u>	<u>1,958</u>

Goods and services are bought from related parties on normal commercial terms and conditions.

c) Key management compensation

Key management includes members of the Board. The compensation paid or payable to key management for employee services is shown below:

	2013	2012
Key management compensation		
Salaries and other short term employee benefits	3,228	3,336
Post employment benefits		0
	<u>3,228</u>	<u>3,336</u>

d) Year-end balances arising from sales/purchases of goods/services

	2013	2012
Receivables from related parties		
Associates		
Luó - Sociedade Mineira do Camatchia Camagico SARL	14,710	14,245
Carrieres de Brazzaville SA	4,883	513
Imolap - Soc. Imobiliária Lar do Patriota, Lda	760	760
Progest Congo SARL	1,020	976
Palanca Cimentos S.A	5,803	5,821
Networx Renewables	753	-
- Other	257	855
	<u>28,185</u>	<u>23,170</u>

e) Other balances

Deposits

- Banco Espírito Santo Angola	7,758	958
- Banco Espírito Santo	177	95
	<u>7,935</u>	<u>1,053</u>

Other related parties

- BESCO	2,967	-
- BES Investimentos SA	-	9
- Espírito Santo Resources (P)	120	-
- Companhia de seguros Tranquilidade SA	1,094	1,094
- Other	-	152
	<u>4,180</u>	<u>1,255</u>

Payables to related parties

Other related parties

	<u>2013</u>	<u>2012</u>
- Opway Engenharia Portugal	39,339	34,393
- Camargo Correa Escom Cement BV		
- Banco Espírito Santo Angola	917	884
- ESCOM Investment Group Ltd		
- Other		
	<u>40,256</u>	<u>35,277</u>

The receivables from related parties arise mainly from short term loans granted to support the treasury necessities of those entities. The receivables are unsecured in nature and bear no interest. There are no provisions held against receivables from related parties.

The payables to related parties arise mainly from short term loans granted by related parties in connection with specific projects and support of the treasury of the Group

f) Loans from related parties

	<u>2013</u>	<u>2012</u>
- BES SFE	234,212	96,401
- Banco Espirito Santo Angola	58,759	349,834
	<u>292,971</u>	<u>446,235</u>

	2013	2012
Interest earned from related parties		
Associates:		
SMCC-Luo	6,631	6,898
Camargo Correa Escom Cement BV	578	688
	<u>7,209</u>	<u>7,586</u>
Interest charged to related parties		
Associates:		
- BES	-	2,744
	<u>0</u>	<u>2,744</u>
Interest charged from related parties		
Other related parties:		
BESA	15,453	37,690
BES SFE	13,712	17,476
	<u>29,165</u>	<u>55,166</u>

31 Cash generated from operations

	2013	2012
Loss before income tax including discontinued operations	(32,768)	(77,849)
Profit before income tax including discontinued operations		
Adjustments for:		
- Depreciation	17,444	19,006
- Amortisation	14,640	4,554
- Minority interest	(7,978)	(16,504)
- Income tax	97	99
- Non cash employee benefits		
- Non cash consulting expenses		
- (Profit)/loss on disposal of property, plant and equipment	0	254
- Fair value (gains)/losses on financial assets at fair value through profit or loss		
- Percentage of completion revenue adjustment		
- Finance costs - net	32,268	30,464
- Share of loss/(profit) from associates	(652)	113
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
- Inventories	(33,259)	(154,345)
- Trade and other receivables	8,001	26,565
- Trade and other payables	341,521	86,648
- Provisions	(119)	949
Cash generated from operations	<u>339,196</u>	<u>(80,045)</u>

32 Commitments

The Company entered into a seven year rental agreement on 1 March 2008 for the premises in Amsterdam. The related annual rental fee amounts to approximately USD 142k. The agreement was automatically extended for another five year period as from 1 March 2015. At the end of this five year period, the contract can be terminated taking into account a 12 months notification period. Therefore, the corresponding contingent liability amounts to USD 142k.

The Company has a Bank guarantee amounting to approximately USD 42k relating to the Amsterdam rental agreement.

33 Contingencies

Opway Congo

The projects developed by Opway Congo related to construction works, are a combination of projects which are tax exempt and projects which are not tax exempt. All projects in the future will be subject to tax. The exemptions have not been attributed to the company, but were obtained for each project from the DGGT (Direction Générale des Grands Travaux), the public institution responsible for the launching and management of large public works in the Republic of Congo. This institution reports directly to the Presidential regime of the country.

One of the taxes included in this exemption is the TVA – (“Taxe Valeur Ajoutée”, similar to VAT). According to the fiscal authority, in order to have each construction project declared as exempt the contract must be formalized properly with the signature of the Presidency and DGGT. As Opway Congo has not yet obtained these signed contracts, the fiscal entities are not allowing the tax exemptions.

Currently there is one claim pending since 2009, (introduced by DGI – Direction Générale des Impôts), for the payment of the TVA not invoiced in certain contracts of approximately USD 940k. There have been no further developments relating to this claim.

The opinion of local management and the Board is that the risk regarding this claim is low, due to Opway Congo having received letters from the client DGGT formalizing the attribution of the contracts, hereby explicitly confirming that these contracts are exempt from taxes. Currently Opway Congo is in the process of ensuring that all contracts are signed and authorised appropriately. As such management believes there is no reason to provide for this claim in the statutory accounts.

Opway Angola

A bank guarantee was issued to CRL – Comércio Geral Limitada (construction owner) by BNI – Banco de Negócios Internacionais to assure the correct performance of a certain construction by Opway Angola. At some point CRL decided to enforce the bank guarantee however the bank didn't pay because the guarantees expired. CRL then appealed to the court in Luanda with a claim against BNI and Opway Angola. Opway Angola sustains they cannot be held responsible for the fact that the bank didn't pay a guarantee issued by the bank itself having CRL as a beneficiary. The lawyers think this legal action has little risk for Opway Angola however it is difficult to predict an accurate outcome for this legal process.

Luó – Sociedade Mineira Camatchia Camagico

The Group has a contingent liability arising from the environment rehabilitation obligation due to mining activities undertaken by its associate, Luo. At this stage it is not yet possible to identify the extent of this provision, as an appropriate examination regarding the rehabilitation has not yet been made. Luo has only now just commenced a study into this area. The Group believes that this contingency will not have a significant impact on the financial statements as Luo is still in the early phases of exploration.

Escom Imobiliária

In 2013, and in previous years, Escom Imobiliária (mainly) and Escom Investimentos e Participações sold, through promise agreements, some of its real estate assets to third parties. Due to the contractual terms and conditions, and also the accounting guidance prescribed under IAS 18 'Revenues', some of those sales were not yet accounted as

Revenues, and they are still recognized as Inventories since we considered that the risks and rewards of ownership haven't yet been transferred to the buyer. We refer to the following real estate projects: 'Sky Center', 'Acquaville', the stakes in companies "Condominio Residencial da Bela Vista, Lda." and "Urbisoyo, Lda", and also the assignment of contractual position for the acquisition of the land in project 'Talatona 2B'.

Once the revenues are registered, and net profits are calculated, a major 'Income Tax' can be applicable to 'Escom Imobiliária' and 'Escom Investimentos e Participações'. This fiscal 'contingency' is not registered in the accounts.

34 Events after the balance sheet date

Following the signed agreements, dated 28 December 2010, between the shareholders, Espírito Santo Resources Limited and Overview Investments S.A.R.L, and Newbrook International Inc, for the selling of the shares in Escom Investments BV, the Company is now foreseeing, through the information made available, the conclusion of the selling process, albeit if possible through other investors, for early 2015, allowing the Company to continue as a going concern.

The ultimate parent company of both Espírito Santo Resources Limited and Rio Forte Investments S.A is Espírito Santo International S.A., a company which was the major holding company for the financial and non-financial activities of the Espírito Santo Group. The collapse of Espírito Santo Group in the 3rd quarter of 2014, being both Espírito Santo International and Rio Forte Investments S.A. declared insolvent by the authorities in Luxembourg as at the 27 October 2014 and the 8 December 2014, respectively, had a major impact on the Company's activity. Up until this moment, management doesn't have much information about the situation with its major shareholder, Espírito Santo Resources Limited, but is not aware of a possible insolvency. Given these major events, together with the resolution taken by 'Banco de Portugal' as at the 2nd August 2014 towards Banco Espírito Santo, the Company doesn't have access to additional funding since July 2014. The bank borrowings ceased to be renewed, and therefore the Company has been under default ever since in the payment of its financial commitments. The management's decision not to declare the Company's insolvency was based on the expectation that a solution can be achieved through the conclusion of the selling process.

Forecasting the closing of the equity transaction and the engagement of the new investors in the Group's main strategic drivers, management believes the future funding needs will be secured and also the bank debt guaranteed, contributing to strengthening the equity position of the Group. Therefore, management believes that although at this moment there is material uncertainty in relation to the Company's ability to continue to fund its investments program, it decided to still keep the financial statements prepared on a going concern basis. In the circumstance that the sale is not concluded until early 2015, then the preparation of the financial statements on a going concern is probably not appropriate, and a scenario of insolvency is highly probable.

The subsidiary Escom Kimberlites had a credit facility, dated 24 October 2007, of up to US\$ 90 million with a syndicate of banks including "Banco Espírito Santo" and "Banco Millennium BCP". The original agreement had a maturity until 24 October 2013. As at the 3 January 2014, the company entered into a new loan agreement with Millennium BCP of up to € 33.018.002 (corresponding to US\$ 44.937.500), with a guarantee deposit from ESFIL-Espírito Santo Financière S.A., that allowed the company to fully repay its share in the syndicate loan to Millennium BCP. The new bank loan had a maturity for capital plus interests for the 2 January 2015, but given the events occurred with Espírito Santo Group, bank Millennium BCP took the initiative to anticipate the execution of the guarantee by late

August 2014, and therefore Escom Kimberlites now owes the full amount to ESFIL. The facility with "Banco Espirito Santo" was renewed until the 23 October 2014, but is now in default due to the Group's cash flow constraints.

Since June 2014 the Group is already in default in the payment of some of its commitments regarding the redemption of the notes of Escom Mining Inc. that had its maturity as at the 9th June 2014 (US\$ 45 million), as well as the payment of bank loans, interests, coupons, swaps and dividends under the preference shares, as shown in the table below:

Company	Commitments	Maturity date	Amounts (In USD)
Escom Mining Inc.	Redemption notes ISIN code XS0194416441	09-06-2014	40.000.000
Escom Mining Inc.	Interests and fees notes ISIN code XS0194416441	09-06-2014	373.341
Escom Mining Inc.	Redemption notes ISIN code XS0194432133	09-06-2014	5.000.000
Escom Mining Inc.	Interests and fees notes ISIN code XS0194432133	09-06-2014	46.668
Escom Mining Inc.	Swap - IRS 4625 \$5Mo (XS0194432133) - Bes cy	09-06-2014	18.958
Escom Mining Inc.	Swap - IRS 4626 \$40Mo (XS0194416441) - Bes cy	09-06-2014	151.667
Escom Mining Inc.	Interests and fees notes ISIN code XS0208467125	16-06-2014	75.066
Escom Mining Inc.	Swap - IRS 5215 \$8 Mo (XS0208467125) - Bes cy	16-06-2014	30.526
Escom Mining Inc.	Preference Shares F \$12Mio (VGG3120X1252)	16-06-2014	157.409
Escom Mining Inc.	Preference Shares E €5Mio (VGG3120X1179); 66.341,27 €	16-06-2014	91.551
Escom Mining Inc.	Preference Shares B \$5Mio (XS0140791574)	27-06-2014	59.400
Escom Mining Inc.	Preference Shares D €20Mio (VGG3120X1096); 265.421,07 €	02-07-2014	366.281
Escom Mining Inc	ISUC BES SFE ref. Jun'14	05-07-2014	13.600
GTD Inc.	ISUC BES SFE ref. Jun'14	05-07-2014	4.000
Escom Mining Development Co.	ISUC BES SFE ref. Jun'14	05-07-2014	48.603
Escom Real Estate Ltd.	ISUC BES SFE ref. Jun'14	05-07-2014	9.275
Escom Kimberlites Ltd.	ISUC BES SFE ref. Jun'14	05-07-2014	5.080
Escom Kimberlites Ltd.	Cl. synd. loan component BES	24-07-2014	972.091
Escom Inv. e Participações	Interests revolving facility BESA	24-07-2014	1.204.439
Escom Inv. e Participações	Redemption loan BESA; not yet discounted or formally communicated	30-07-2014	131.400.000
Escom Inv. e Participações	Interests on unauthorized balance and Stamp duty tax on credit 31/07	31-07-2014	138.977
Escom Mining Inc	Interests and fees loan BES SFE	03-08-2014	365.637
GTD Inc.	Interests and fees loan BES SFE	03-08-2014	107.540
Escom Mining Development Co.	Interests and fees loan BES SFE	03-08-2014	1.309.623
Escom Real Estate Ltd.	Interests and fees loan BES SFE	03-08-2014	249.359
Escom Kimberlites Ltd.	Interests and fees loan BES SFE	03-08-2014	126.107
Escom Mining Inc	Redemption loan BES SFE	03-08-2014	34.000.000
GTD Inc.	Redemption loan BES SFE	03-08-2014	10.000.000
Escom Mining Development Co.	Redemption loan BES SFE	03-08-2014	121.964.500
Escom Real Estate Ltd.	Redemption loan BES SFE	03-08-2014	23.187.500
Escom Kimberlites Ltd.	Redemption loan BES SFE	03-08-2014	12.700.000
Escom Mining Inc	ISUC BES SFE ref. Jul'14	09-08-2014	14.058
GTD Inc.	ISUC BES SFE ref. Jul'14	09-08-2014	4.135
Escom Mining Development Co.	ISUC BES SFE ref. Jul'14	09-08-2014	50.461
Escom Real Estate Ltd.	ISUC BES SFE ref. Jul'14	09-08-2014	9.587
Escom Kimberlites Ltd.	ISUC BES SFE ref. Jul'14	09-08-2014	5.251
Escom Inv. e Participações	Interests revolving facility BESA	24-08-2014	1.360.516
Escom Inv. e Participações	Interests on unauthorized balance and Stamp duty tax on credit 31/08	31-08-2014	166.513
GTD Inc.	Interests on unauthorized overdrafts (01/08 a 31/08/14)	01-09-2014	1.292
Escom Mining Inc	ISUC BES SFE ref. Aug'14	06-09-2014	14.200
GTD Inc.	ISUC BES SFE ref. Aug'14	06-09-2014	4.176
Escom Mining Development Co.	ISUC BES SFE ref. Aug'14	06-09-2014	50.984
Escom Real Estate Ltd.	ISUC BES SFE ref. Aug'14	06-09-2014	9.684
Escom Kimberlites Ltd.	ISUC BES SFE ref. Aug'14	06-09-2014	5.300
Escom Inv. e Participações	Interests revolving facility BESA	24-09-2014	1.360.516
Escom Kimberlites Ltd.	Redemption loan BES SFE	23-10-2014	44.937.500
Escom Mining Inc.	Redemption notes ISIN code XS0216605583	15-12-2014	8.050.900
Total			440.222.272

The amounts under default are not limited to the amounts expressed above, given the interests, dividends and other expenses that were due from then until the present date. In relation to the borrowings, management got into contact with the banks in order to propose some principles of negotiation for acquiring the debt in the circumstance that the sale process is concluded. The banks didn't take a formal position up until the present date, and the board has been regularly informing them about the developments on the sale process. Regarding the floating rate notes and preference shares that were all issued by Escom Mining Inc., the Company submitted by October 2014, through the 'Agent' bank, an important notice to the holders of the notes and preference shares informing of the impossibility to meet its obligations and perform the relevant payments in reference and that it was evaluating all the options available for the future of the Company and for the safeguard of the interests of all its shareholders and bondholders.

Therefore, under the current circumstances, management assumes that the conclusion of the selling process is essential, not only to guarantee additional funding, but also to have conditions to restructure the bank debt, allowing an urgent negotiation with the banks for renewing the loans for longer periods and improved conditions, and also to settle some of the debts that are either in default or already due.

Following the negotiations occurred in July 2014, during the month of August, Escom Imobiliária concluded the sale of its 30% share in "Urbisoyo Lda.", for US\$ 7.7 million. Also in July 2014, Escom Imobiliária reached an agreement with its partners in "Imolap Lda." for the revocation of the previous partnership. The agreement that is conditioned by the selling of part of the land to reimburse the company's bank debt, foresees that Escom will increase its stake in the company from 33.33% to 60% against the payment by "Imolap, Lda" of US\$ 14.4 million in construction services to the partner "Fundação Lar do Patriota", but also under the condition that the company keeps 30 hectares of land for the development of a real estate project.

As at 1 October 2014, the company Escom Natural Resources BV replaced Escom Mining Inc., in the agreement for the exploration of secondary deposits in the diamond mining project of Tchegi Alluvials, and therefore Escom Natural Resources BV will subscribe 40% of the capital of "Sociedade Mineira do Tchegi Aluviões" once the company will have been incorporated.

As at the 30th June 2014, Mr. Pedro Ferreira Neto announced his resignation from the Board of Directors of Escom Investments BV. Simultaneously, it was submitted for approval to the shareholder - Espírito Santo Resources Ltd., and approved the co-optation of Mr. António Alves Martins (CFO).

Amsterdam, January 30, 2015

Chief Financial Officer

António Alves Martins

The Board of Directors

Helder Bataglia

Luís Horta e Costa

António Alves Martins

Escom Investments BV

COMPANY FINANCIAL STATEMENTS

31 December 2013

DRAFT UNAUDITED

COMPANY STATEMENT OF FINANCIAL POSITION
(Before profit appropriation)

ESCOM INVESTMENTS BV
BALANCE SHEET
FOR THE PERIOD ENDED 31 DECEMBER 2013
(Expressed in thousand of USD)

	Notes	2013	2012
ASSETS			
Non-current assets			
Property, plant and equipment	3	145	260
Intangible assets	4	36	50
Financial fixed assets	5	22,353	15,826
		<u>22,533</u>	<u>16,136</u>
Current			
Trade and other receivables	6	77,398	63,040
Cash and cash equivalents	7	94	79
		<u>77,492</u>	<u>63,118</u>
Total assets		<u>100,024</u>	<u>79,254</u>
EQUITY			
Capital and reserves attributable to equity holders of the company			
Share capital		25	25
Share premium		64,342	64,342
Other reserves		-14,042	-14,042
Foreign currency translation reserve		-7,183	584
Accumulated deficit		-499,059	-434,515
Profit/(Loss) for the period		-32,768	-77,849
Total equity	8	<u>-488,685</u>	<u>-461,455</u>
LIABILITIES			
Non-current liabilities			
Provisions	10	521,043	479,355
		<u>521,043</u>	<u>479,355</u>
Current liabilities			
Trade, other payables and other liabilities	9	67,665	61,353
Total liabilities		<u>588,708</u>	<u>540,708</u>
Total equity and liabilities		<u>100,024</u>	<u>79,254</u>

ESCOM Investments B.V.

Notes to the financial statements as at 31 December 2013
(All amounts in thousand US dollars unless otherwise stated)

COMPANY STATEMENT OF FINANCIAL PERFORMANCE

ESCOM INVESTMENTS BV COMPANY INCOME STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2013 (Expressed in thousand of USD)

		<u>2013</u>	<u>2012</u>
	Notes		
Results of subsidiary companies	8	(31,238)	(76,432)
Other result after taxation	8	<u>(1,529)</u>	<u>(1,417)</u>
(Loss) for the period		(32,768)	(77,849)

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1. General Information

Escom Investments BV (the 'Company') is a company domiciled in the Netherlands. The address of the Company's registered office is Leidsegracht 10, 1016 CK Amsterdam, The Netherlands. The Company was registered under the laws of the Netherlands on 20 March 2008.

The Company is registered under the laws of the Netherlands on 20 March 2008. As at 28 December 2010, the shareholders of the Company, Espírito Santo Resources Limited (66.67%) and Overview Investments S.A.R.L. (33.33%), sold, through signed agreements, their shares in Escom Investments B.V. to Newbrook International Inc., East 53rd Street, Marbella, Swiss Bank Building, 2nd floor, Panama, Republic of Panama, a third party investor. The conclusion of the selling process is still expected, even if possibly through other investors, and is now foreseen for early 2015.

On 31 March 2009, the Company merged with its subsidiary Escom Holdings BV by act of a legal merger. By this merger, which was effective from 1 April 2009, Escom Holdings BV ceased to exist and all the assets and liabilities of this company were acquired by Escom Investments BV under universal title of succession. This legal merger was recorded retrospectively on 31 December 2008. The Company has taken over the financial reporting obligations of Escom Holdings BV as per 5 August 2008. The impact of the legal merger and its effect on the result of the Company was nil.

2. Significant accounting policies

2.1 Principles for presentation of the company accounts

The company accounts have been prepared in accordance with the provisions of Title 9, book 2 of the Netherlands Civil Code. Use has been made of the option provided by article 2:362 paragraph 8 of the Civil Code to apply the accounting principles which are used in the consolidated accounts. Reference is made to the notes of the consolidated financial statements.

In conformity with the exemption provisions of the Guidelines for Annual Reporting in the Netherlands, a cash flow statement is not presented. The consolidated accounts of Escom Investments for the year ended 31 December 2013, which includes a cash flow statement, will be filed at the Commercial Registry in Amsterdam, The Netherlands.

The company profit and loss account has been prepared on the basis of the exemption permitted in article 402 of Part 9, of Book 2 of the Netherlands Civil Code.

2.2 Investments in group companies

Investments in group companies and other entities in which the group either exercises voting control or effective management responsibility are valued at net asset value which is based on the equity value of the subsidiaries. The initial processing in the accounts and valuations at balance sheet date is made at the net asset value. The value is adjusted with the share of the company in the results of the subsidiary, based on the principles for determining results as applied in the consolidated accounts and with the share in the other movements in equity of the subsidiary as from the date of acquisitions, which are attributable to the company. The

ESCOM Investments B.V.

Notes to the financial statements as at 31 December 2013
(All amounts in thousand US dollars unless otherwise stated)

net asset value is determined by valuing assets, provisions and liabilities and by determining results according to the principles which have been used in the consolidated accounts.

2.3 Related parties

All participations mentioned in note 1 (to the consolidated accounts) are considered to be related parties. Although the company is under a selling process, the shareholders of the Company, Espírito Santo Resources Limited and Overview Investments S.A.R.L. still qualify as a related party. Please refer to the related parties note in the consolidated accounts.

2.4 Basis of preparation

The Annual General Meeting of Shareholders has elected to prepare the financial statements in the English language.

3. Tangible fixed assets

The tangible fixed assets are related to the furniture and fixture of the Company's office in Amsterdam.

	2013	2012
Opening balance as at 1 January	260	375
Exchange differences		
Additions		
Disposals		
Depreciation/amortization charge	-115	-115
Closing net book amount	145	260

4. Intangible fixed assets

The intangible fixed assets are related to acquired software of the Company's office in Amsterdam.

	2013	2012
Opening balance as at 1 January	50	65
Exchange differences		
Additions		
Disposals		
Depreciation charge	-15	-15
Closing net book amount	35	50
At 31 December		
Cost or valuation	102	102
Accumulated depreciation	-66	-51
Net book amount	35	50

ESCOM Investments B.V.

Notes to the financial statements as at 31 December 2013
(All amounts in thousand US dollars unless otherwise stated)

5. Financial fixed assets

The following table shows the movement in the financial fixed assets:

	Share of net asset value
Opening balance at 31 December 2008	31,139
Invested in CCEC	4,500
Invested in Escom Energy	45
Dividend to former shareholder	-3,211
Currency translation differences	-141
Profit/(loss) for the period	-37,278
Provisions	45,428
Balance at 31 December 2009	40,482
invested in Escom RDC	150
Dividends paid	-2,618
Currency translation differences	-1,840
Profit/(loss) for the period	-59,395
Provisions	59,638
Balance at 31 December 2010	36,417
Invested in Escom RDC	119
Invested in Escom Global Energy	32
Invested in Kimocode	325
Invested in Escom Capital Development	3,406
Desinvestment Escom Energy	-1,642
Acquisition share Sky Center	-4,682
Dividends paid	-2,080
Currency translation differences	-1,727
Profit/(loss) for the period	-305,997
Provisions	300,973
Balance at 31 December 2011	25,145
Invested in Global Assistance Afrique	1
Invested in Escom Capital Development	2,097
Changes in consolidation scope	-2,194
Dividends paid	-2,222
Currency translation differences	
Profit/(loss) for the period	-76,432
Provisions	69,430
Balance at 31 December 2012	15,826
Changes in consolidation scope	
Dividends paid	-1,811
Currency translation differences	89
Profit/(loss) for the period	25,442
Provisions	-17,192
Balance at 31 December 2013	22,353

ESCOM Investments B.V.

Notes to the financial statements as at 31 December 2013
(All amounts in thousand US dollars unless otherwise stated)

As per 31 December 2013, the Company reported USD 22.4m as financial fixed assets relating to the subsidiaries with a positive net asset value (2012: 14.4m); the subsidiaries with a negative net asset value are reported as long term liabilities amounting to USD 521.0m (2012: 477.9m).

6. Other receivables

Other receivables comprise:

	2013	2012
Receivables on subsidiaries	77,178	62,813
VAT receivable	21	3
Other receivables	199	224
Closing net book amount	77,398	63,040

7. Cash at bank

Cash at bank is at free and unrestricted disposal of the Company except for an amount of USD 46k that is kept as bank guarantee in respect of the rent obligation of the Amsterdam office.

8. Equity

Authorised, issued and paid share capital

The authorized share capital of Escom Investments BV consists of 90 ordinary shares with a par value of EUR 1,000 each, amounting to EUR 90,000.

As at 28 December 2010, the shareholders of the Company, Espirito Santo Resources Limited (66.67%) and Overview Investments S.A.R.L. (33.33%), sold, through signed agreements, their shares in Escom Investments B.V. to Newbrook International Inc., East 53rd Street, Marbella, Swiss Bank Building, 2nd floor, Panama, Republic of Panama, a third party investor. The conclusion of the selling process is still expected, even if possibly through other investors, and is now foreseen for early 2015.

It is worthwhile to mention that as at 27 December 2010, Rio Forte Investments S.A. (located in Luxembourg) sold its share in Escom Investments B.V. to Espirito Santo Resources Limited as part of an internal restructuring. The ultimate parent company of both Espirito Santo Resources Limited and Rio Forte Investments S.A. is Espirito Santo International S.A., which was the major holding Company for the financial and non-financial activities of the Espirito Santo Group. Following the collapse of Espirito Santo Group in the 3rd quarter of 2014, both Espirito Santo International and Rio Forte Investments S.A. were declared insolvent by the authorities in Luxembourg, by the 27 October 2014 and 8 December 2014, respectively.

At 31 December 2013, 18 ordinary shares are issued and fully paid up, amounting to EUR 18,000.

ESCOM Investments B.V.

Notes to the financial statements as at 31 December 2013 (All amounts in thousand US dollars unless otherwise stated)

Movements in equity can be summarized as follows:

**ESCOM INVESTMENTS BV
COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2009
(Expressed in thousand of USD)**

	Attributable to equity holders of the parent						Total
	Share Capital	Share premium	Other reserves	Foreign currency translation reserve	Profit/(Loss) for the period	Accumulated Loss	
Balance at 31 December 2010	25	64,223	(9,360)	(852)	(63,118)	(55,592)	(64,674)
Comprehensive Income							
Appropriation of result					63,118	(63,118)	-
Profit/(loss) for the period					(309,790)		(309,790)
Other comprehensive Income							
Currency translation differences				(566)			(566)
Total comprehensive Income				(566)	(246,672)	(63,118)	(310,356)
Transactions with owners							
Share premium contribution by the shareholders		119					119
Changes in ownership interests which do not result in a loss of control			(4,682)				(4,682)
Dividends						(2,080)	(2,080)
Total transactions with owners		119	(4,682)			(2,080)	(6,643)
Balance at 31 December 2011	25	64,342	(14,042)	(1,418)	(309,790)	(120,790)	(361,673)
Comprehensive Income							
Appropriation of result					309,790	(309,790)	-
Profit/(loss) for the period					(77,849)		(77,849)
Other comprehensive Income							
Currency translation differences				2,002			2,002
Total comprehensive Income				2,002	231,941	(309,790)	(75,847)
Transactions with owners							
Share premium contribution by the shareholders							
Changes in ownership interests which do not result in a loss of control						(1,855)	(1,855)
Dividends						(2,080)	(2,080)
Total transactions with owners						(3,935)	(3,935)
Balance at 31 December 2012	25	64,342	(14,042)	584	(77,849)	(434,515)	(461,455)
Comprehensive Income							
Appropriation of result					77,849	(77,849)	-
Profit/(loss) for the period					(32,768)		(32,768)
Other comprehensive Income							
Currency translation differences				(7,767)			(7,767)
Total comprehensive Income				(7,767)	45,081	(62,733)	(25,419)
Transactions with owners							
Share premium contribution by the shareholders							
Changes in ownership interests which do not result in a loss of control							
Dividends						(1,811)	(1,811)
Total transactions with owners						(1,811)	(1,811)
Balance at 31 December 2013	25	64,342	(14,042)	(7,183)	(32,768)	(499,058)	(488,685)

9. Trade and other payables

	2013	2012
Payables to subsidiaries	51,137	49,764
Payables to related parties	24,322	10,811
Trade payables	257	156
Accrued liabilities	-8,050	622
Closing net book amount	67,665	61,353

All current liabilities are due within twelve months of the balance sheet date. The audit services rendered to the Company during the period amounted to USD 317,2k (2012: USD 438k).

ESCOM Investments B.V.

Notes to the financial statements as at 31 December 2013
(All amounts in thousand US dollars unless otherwise stated)

10. Provisions

	2013	2012
Provisions on subsidiaries	521,043	479,355
	521,043	479,355

11. Directors

The Company had 3 directors, who received the following remuneration;

	2013	2012
Wages & Salaries (in euros)	106	105
Wages & Salaries (in us dollars)	141	137

12. Employees

The Company had 3 employees and hence incurred wages and related social security charges during the period under review.

13. Contingent assets and other contingent liabilities

The Company entered into a seven year rental agreement on 1 March 2008 for the premises in Amsterdam. The related annual rental fee amounts to approximately USD 142k. The agreement was automatically extended for another five year period as from 1 March 2015. At the end of this five year period, the contract can be terminated taking into account a 12 months notification period. Therefore, the corresponding contingent liability amounts to USD 142k.

The Company has a Bank guarantee amounting to approximately USD 42k relating to the Amsterdam rental agreement.

The Company has issued a declaration of joint and several liability as referred to in Section 403, Book 2, of the Netherlands Civil code in respect of the following subsidiaries:

- Escom Natural Resources BV, Amsterdam, the Netherlands
- Escom Global Energy BV, Amsterdam, the Netherlands
- Escom Infrastructures BV, Amsterdam, the Netherlands
- Escom Renewables BV, Amsterdam, the Netherlands
- Escom OPCA Contractors, Amsterdam, the Netherlands

Amsterdam, January 30, 2015

Chief Financial Officer

António Alves Martins

ESCOM Investments B.V.

Notes to the financial statements as at 31 December 2013
(All amounts in thousand US dollars unless otherwise stated)

The Board of Directors

Helder Bataglia

Luís Horta e Costa

António Alves Martins

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ESCOM Investments B.V.

Notes to the financial statements as at 31 December 2013
(All amounts in thousand US dollars unless otherwise stated)

Other Information

Events after balance sheet date

Refer to note 34 of the consolidated financial statements for the listing of the events after balance sheet date

Appropriation of result

Dividends can only be declared with due observance of the Company's articles of association and to the extent that the company's capital exceeds the paid in and called up capital, increased by the reserves that must be maintained in accordance with the law or its articles of association.

Proposed appropriation of results

The result for 2012 is added to the accumulated deficit. The directors propose to add the loss for the year 2013, amounting to USD 32,768k to the accumulated deficit.

Auditor's report

The auditor's report is included in the following two pages.

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