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Escom Investments BV

Consolidated Financial Statements

As at 31 December 2011

DRAFT UNAUDITED

ESCOM INVESTMENTS BV
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDED 31 DECEMBER 2011
(Expressed in thousand of USD)

	Notes	2 011	2010
ASSETS			
Non-current assets			
Property, plant and equipment	5	74,318	37,917
Exploration and evaluation, tangible assets	6	4,702	6,444
Exploration and evaluation, intangible assets	7	171,847	143,266
Intangible fixed assets	8	1,274	333
Investments in associates	9	3,646	177,915
Investment property	11	9,136	7,699
Trade and other receivables	12	73,060	75,783
Construction work in progress	14	210,140	117,858
		548,123	**567,215**
Current			
Raw materials and consumables	13	11,846	3,864
Construction work in progress	14	120,930	90,101
Trade and other receivables	12	198,688	106,190
Derivative financial instruments	15	-	-
Cash and cash equivalents	16	34,691	26,230
		366,155	**226,385**
Total assets		**914,278**	**793,600**
EQUITY			
Capital and reserves attributable to equity holders of the company			
Share capital	17	25	25
Share premium	17	64,341	64,223
Foreign currency translation reserve	19	(1,397)	(852)
Other reserves	20	(9,360)	(9,360)
Unappropriated results	18	(275,622)	(63,118)
Accumulated deficit	18	(120,790)	(55,592)
Total equity attributable to the shareholders		**(342,804)**	**(64,674)**
Non-controlling interest	21	52,818	62,316
Total equity		**(289,985)**	**(2,358)**
LIABILITIES			
Non-current liabilites			
Borrowings	22	184,102	177,033
Trade, other payables and other liabilities	23	31,196	20,648
		215,297	**197,681**
Current liabilities			
Trade, other payables and other liabilities	23	625,879	355,384
Provisions	24	4,289	6,301
Derivative financial instruments	15	6,006	7,970
Borrowings	22	352,793	228,622
Total liabilities		**1,204,264**	**795,958**
Total equity and liabilities		**914,278**	**793,600**

ESCOM INVESTMENTS BV
CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE PERIOD ENDED 31 DECEMBER 2011
(Expressed in thousand of USD)

	Notes	2011	2010
Revenue		41,004	72,818
Other income		1,184	1,717
Total operating income	25	**42,188**	**74,535**
Third party costs and services	26	(56,053)	(50,321)
Wages, salaries and social security charges	27	(43,044)	(38,439)
Depreciation and amortization	28	(194,364)	(35,067)
Operating loss		**(251,273)**	**(49,292)**
Finance income		9,950	7,496
Finance costs		(37,481)	(23,302)
Finance results - net	29	(27,531)	(15,806)
Share of losses of associates	31	(14,307)	(16,360)
Loss before income tax		**(293,111)**	**(81,458)**
Income tax benefit/(expense)	30	(137)	19,460
Loss for the period		**(293,247)**	**(61,998)**
Attributable to:			
Equity holders of the company	18	(275,622)	(63,118)
Non-controlling interest	21	(17,625)	1,120
		(293,247)	(61,998)

ESCOM INVESTMENTS BV
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2011
(Expressed in thousand of USD)

	Notes	2011	2010
Loss for the year		(293,247)	(61,998)
Other comprehensive income:			
Currency translation differences	20	(1,563)	(1,125)
Total comprehensive income for the year		(294,811)	(63,123)
Attributable to:			
Equity holders of the company		(312,436)	(63,852)
Non-controlling interest		17,625	729
Total comprehensive income for the year		(294,811)	(63,123)

ESCOM INVESTMENTS BV
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2011
(Expressed in thousand of USD)

	Note	2011	2010
Cash flows from operating activities			
Cash generated from operations	34	(28,334)	44,020
Interest paid		11,451	(17,459)
Income tax paid		-	-
Net cash generated from operation activities		(16,883)	26,561
Cash flows from investing activities			
Acquisition of subsidiary net of cash		-	-
Purchases of investment property		-	-
Purchases of property, plant and equipment (PPE)	5&6	(39,344)	(26,269)
Proceeds from sale of PPE		2,770	8,415
Purchase of intangible assets	7	(44,868)	(39,791)
Incorporation and acquisition of associates		-	-
Loans granted to associates	9	-	(27,500)
Interest received	29	(579)	633
Dividends received	18	-	-
Net cash used in investing activities		(82,021)	(84,512)
Cash flows from financing activities			
Proceeds from share premium		119	10,764
Proceeds from borrowings		108,664	65,130
Dividends paid to equity holders of the company	18&21	(2,080)	(3,159)
Net cash used in financing activities		106,703	72,735
Net increase/ (decrease) in cash, cash equivalents and bank overdrafts		7,799	14,784
Cash, cash equivalents and bank overdrafts at beginning of year	16&22	25,173	10,389
Cash, cash equivalents and bank overdrafts at end of year	16&22	32,972	25,173

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 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 consolidation method. Where ESCOM has more than 50% investment in a company it is regarded as having control and fully consolidated as a subsidiary. Socamines is an exception to this rule as despite having less than 50% investment, ESCOM has the power to control the voting rights in this company and therefore it is fully consolidated.

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Company	Country of incorporation	Activity	Voting Rights	Consolidated method
Subsidiaries:				
Service providers				
Escom Congo SARL	Republic of Congo	Support services	100%	Fully consolidated
Escom RDC	Republic of Congo	Support services	100%	Fully consolidated
Escom Espírito Santo Commerce SA	Portugal	Support services	98.3%	Fully consolidated
Escom Investimentos e Participações SA	Angola	Support services	96.5%	Fully consolidated
Central purchasing				
GTD Goods Trading & Distribution Inc	BVI	Central purchasing	100%	Fully consolidated
GTD Goods Trading & Distribution South Africa (Proprietary) Ltd	South Africa	Central purchasing	100%	Fully consolidated
GTD Logística e Serviços Lda.	Angola	Central purchasing	100%	Fully consolidated
Real estate				
Condominio Residencial Bela Vista, Lda	Angola	Real estate	70%	Fully consolidated
EGIA - Empresa de Gestão Imobiliária de Angola, SARL	Angola	Real estate	100%	Fully consolidated
Escom Espírito Santo Imobiliária SARL	Angola	Real estate	100%	Fully consolidated
Escom Promoção Imobiliária Lda	Angola	Real estate	100%	Fully consolidated
Escom Real Estate Limited	BVI	Holding	100%	Fully consolidated
Imolab, S.A.	Angola	Real estate	100%	Fully consolidated
SIC Societé Immobilière du Congo SARL	Republic of Congo	Real estate	51%	Fully consolidated
Vértice Serviços Lda	Angola	Real estate	100%	Fully consolidated
Construction and public works				
Escom Infrastructures BV	The Netherlands	Holding	100%	Fully consolidated
Escom Opca Africa Contractors BV	The Netherlands	Holding	75%	Fully consolidated
Escom Gabon SA	Gabon	Construction	80%	Fully consolidated
GPC - Gabon Projets et Construction SA	Gabon	Construction	100%	Fully consolidated
Societé Congolaise de Construction et Travaux Publics SARL	Republic of Congo	Construction	51%	Fully consolidated
Opway Angola SA	Angola	Construction	70%	Fully consolidated
Mining				
Angola Diamonds International Ltd	BVI	Mining	100%	Fully consolidated
Angola Mining Finance	BVI	Mining	100%	Fully consolidated
Angola Mining Services	BVI	Mining	100%	Fully consolidated
Angola Technical Services	BVI	Mining	100%	Fully consolidated
Clear Sky Diamonds Ltd	BVI	Dormant	100%	Fully consolidated
Escom Kimberlites Limited	BVI	Holding	100%	Fully consolidated
Escom Mining Chimbongo Ltd	BVI	Mining	100%	Fully consolidated
Escom Mining Congo	BVI	Holding	100%	Fully consolidated
Escom Mining Development & Corporation Limited	BVI	Holding	100%	Fully consolidated
Escom Mining Inc	BVI	Holding	100%	Fully consolidated
Escom - Alrosa Limited	United Kingdom	Spv	100%	Fully consolidated
Equatorial Diamonds Ltd	BVI	Dormant	100%	Fully consolidated
Helios Diamonds Limited	BVI	Dormant	100%	Fully consolidated
New Horizon Diamonds Ltd	BVI	Dormant	100%	Fully consolidated
Savannah Diamonds Ltd	BVI	Dormant	100%	Fully consolidated
SIM Societé d'Investissement Minier SARL	Republic of Congo	Holding	51%	Fully consolidated
Socamines Societé Congolaise des Carrières et des Mines SARL	Republic of Congo	Gravel extraction	43%	Fully consolidated
Sunrise Diamonds Ltd	BVI	Diamond concession	100%	Fully consolidated
Sunset Diamonds Ltd	BVI	Diamond concession	100%	Fully consolidated

Energy				
Escom Global Energy BV	The Netherlands	Holding	100%	Fully consolidated
Escom Energy Limited	BVI	Energy	100%	Fully consolidated
Escom Renewables BV	The Netherlands	Holding	100%	Fully consolidated
Kimocode (Pty) Ltd	South Africa	Energy	50%	Equity
Natural resources				
Escom Natural Resources BV	The Netherlands	Holding	100%	Fully consolidated
ANR - Africa Natural Resources Ltd	BVI	Natural resources	100%	Fully consolidated
AR - Africa Resources Limited	BVI	Natural resources	100%	Fully consolidated
Others				
Africa Net Oil & Gas (Pty) Ltd	South Africa	Services	49%	Fully consolidated
Escom Capital Development Ltd	BVI	Holding	100%	Fully consolidated
Escom Agro Industries Investments Assets	BVI	Agro Business	100%	Fully consolidated
Networx Investments Ltd	BVI	Services	100%	Fully consolidated
Networx Investments South Africa (Pty) Ltd	South Africa	Services	51%	Fully consolidated
Networx Mozambique Limitada	Mozambique	Services	51%	Fully consolidated
New Media Investments Assets Ltd	BVI	Media	100%	Fully consolidated
Jointly controlled companies:				
HCI Health Care International Ltd	BVI	Health services	50%	Proportionally consolidated
Associates:				
Camargo Correa Escom Cement BV	The Netherlands	Holding	49.9%	Equity
Carrieres de Brazzaville SA	Republic of Congo	Mining	26%	Equity
Imolap - Soc. Imobiliária Lar do Patriota, Lda	Angola	Real Estate	33%	Equity
Luó - Sociedade Mineira do Camatchia Camagico SARL	Angola	Diamond concession	45%	Equity
MCK	Republic of Congo	Natural resources	11%	Cost
New Media Angola SA	Angola	Media	30%	Equity
Progest Congo SARL	Republic of Congo	Consulting	34%	Equity
PromoSoyo, Lda	Angola	Real Estate	35%	Equity
SGA - Sociedade de Gestão de Águas de Angola SARL	Angola	Water treatment	40%	Equity
Turizaire, Lda	Angola	Real Estate	35%	Equity
Urbisoyo, Lda	Angola	Real Estate	35%	Equity
Urbizaire, Lda	Angola	Real Estate	35%	Equity
Zaimob, Lda	Angola	Real Estate	35%	Equity
Habeus Corpus, Lda	Angola	Real Estate	30%	Equity
Porto Seco Mulemba	Angola	Construction	25%	Equity

The Company is not listed at any stock exchange.

Going Concern

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. The conclusion of the selling process, including the settlement in full of the outstanding balance, is currently foreseen for the 1st quarter of 2013, 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. which is the major holding Company for the financial and non-financial activities of the Espírito Santo Group. The financial activities of the Group include banking and insurance and are managed by Espírito Santo Financial Group, S.A.

The consolidated financial statements of the company have been prepared on the going concern basis – meaning management expects the company will continue for the foreseeable future. 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 2011 the company incurred a loss of USD 275.6m (after non-controlling interests) and has a negative equity (before non-controlling interests), held by the shareholders, of USD 342.8m (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 that continue to require large amounts of investment, namely in sectors of mining, oil & gas, energy, infrastructures and real estate.

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 2010 partly due to the fact that one of the diamond mining concessions, that was in an exploration and evaluation stage, was declared as impaired and therefore abandoned (refer note 7, Exploration and evaluation assets, intangible assets and note 9 – Investments in associates). Currently, the Group still holds three diamond mining concessions: the Luó mine, (investment already impaired in the books but still under detailed evaluation), currently under exploitation and which will go into the next phase of production in 2012 and the Itengo and Tchegi concessions 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. For the Luó concession, although currently exploring and still reevaluating the reserves in the licensed area that includes several kimberlites, there were some indications of impairment that lead to a write-off of the investment made by the Group. Nevertheless we are still confident that we can have positive indications from the new kimberlite discoveries within the concession that will allow us to recover the investment made, although in a longer term.

Also in the real estate sector in Angola, the Group successfully sold all the office spaces in the building "Sky Residence I", in December 2010, through a promissory agreement, for the total amount of USD 123.7m, that are already being received on a quarterly basis. None of those revenues have been accounted for as the Group applied IFRIC 15 in 2010, which resulted in its real estate activities in Angola being accounted for under IAS 18 – Revenue, rather than IAS 11 – Construction contracts. Due to the impact of IFRIC 15, the real estate projects are now accounted for as a sale of goods where revenues recognised once the risks and rewards of ownership have passed to the buyer. This differs to the IAS 11 treatment where revenues were recognised on a percentage of completion basis, according to the achievement of certain milestones included in each contract.

A large part of the investments of the Group has been financed through loans and shareholder's funds. Due to the dynamic nature of some of its subjacent businesses, Escom's subsidiaries and the associate companies have the ability to negotiate and maintain the most efficient funding structure. 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 its 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. That is also for instance the current objective for the mining debt, where the completion of the Luó 2nd phase will imply a maturity extension for the majority of the debt.

The company has in place a strategic and investment plan for the period 2010-2014, 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, with a planned five years investment of USD 800m, to be funded. As part of the shareholders restructuring and its negotiation process, the strategic plan was presented to the third party investor and we believe there is a commitment and involvement to finance the company, accordingly to the forecasted investment plan.

The company has strong evidence on the commitment of the banks on rolling over the debt, also due to the historic track record. The short-term debt showed as at 31 December 2011 (refer note 22, Borrowings) is being rolled over for a period between 3 months and 1 year, and the Group is convinced that part of the debt hasn't been negotiated for a longer period due to the current world banking situation as the banks prefer to roll over credits for shorter periods.

Forecasting the successful closing of the equity transaction and the engagement of the new investors in the Group's main strategic drivers, we believe 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 is also comfortable enough to have the financial statements prepared on a going concern basis. If, for any reason that isn't currently foreseen, 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.

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 believes that the estimates and assumptions adopted in the preparation of these consolidated financial statements do not 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.

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 2010:

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 2010 and 2011 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 ongoing 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 form 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 analysing 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 2011, 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 recognised 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, all of them still in an exploration and evaluation phase, or in a pre-production stage. The current revenues obtained from the diamond sales are deducted against the capitalized expenditure.

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.

	US dollar	Euro	XAF Franc	Other	Total
As of 31 December 2011					
Assets					
Cash and cash equivalents	2,095	1,133	30,555	906	34,690
Trade and other receivables	223,433	1,547	44,501	2,267	271,748
Total Financial Assets	225,529 0	2,680 0	75,056	3,173	306,438
Liabilities					
Borrowings	446,673	32,635	36,778	20,807	536,894
Trade and other payables	534,310	36,257	75,076	11,433	657,075
Total Financial liabilites	980,983 0	68,892 0	111,854	32,239	1,193,968
Net on-balance sheet financial position	-755,454	-66,212	-36,798	-29,067	-887,531

	US dollar	Euro	XAF Franc	Other	Total
As of 31 December 2010					
Assets					
Cash and cash equivalents	11,858	565	13,532	275	26,230
Trade and other receivables	107,142	13,838	60,505	488	181,973
Total Financial Assets	119,000	14,403	74,037	763	208,203
Liabilities					
Borrowings	358,401	33,130	14,124	-	405,655
Trade and other payables	305,318	19,595	49,798	1,321	376,032
Total Financial liabilites	663,719	52,725	63,922	1,321	781,687
Net on-balance sheet financial position	(544,719)	(38,322)	10,115	(558)	(573,484)

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 613k lower/higher (2010: USD 481k 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 re-pricing dates (for fixed rate instruments it was considered maturity dates) at 31 December 2011 and 2010, are presented in the tables below:

2011:

	Less than 6 months	6-12 months	1-5 years	More than 5 years	Total
Cash and cash equivalents	34,690	0	0		34,690
Trade and other receivables	23,664	97,247	101,470	49,367	271,748
	58,354 0	97,247 0	101,470	49,367	306,439
Trade payables and other payables	93,370	77,745	471,461	14,499	657,075
Borrowings	148,207	78,647	275,929	34,110	536,893
	241,577 0	156,392 0	747,391	48,609	1,193,969
Derivatives	113,051				113,051

2010:

	Less than 6 months	6-12 months	1-5 years	More than 5 years	Total
Cash and cash equivalents	26,230				26,230
Trade and other receivables	88,893	35,925	57,155		181,973
	115,123 0	35,925 0	57,155	0	208,203
Trade payables and other payables	278,926	75,252	21,854		376,032
Borrowings	90,611	138,011	142,925	34,108	405,655
	369,537 0	213,263 0	164,779	34,108	781,687
Derivatives	113,051				113,051

If interest rates had been 1% higher/lower, post tax profit for the year would have been USD 6.4m lower/higher (2010: USD 3.8m 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 2011	31 Dec 2010
Cash and cash equivalents	34,690	26,230
Trade and other receivables	271,748	199,191
Financial instruments at fair value	-	-
Total	306,439	225,421

The table above represents a worst case scenario of credit risk exposure to the Group at 31 December 2011, without taking into account any collateral held or other credit enhancements attached. The group only has one short term borrowing for USD 4.0m (2010: USD 4.0m) which is covered with a mortgage over land and 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 in 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. Such forecasting takes into consideration the group's debt financing plans, covenant compliance and if applicable, external regulatory or legal requirements – for example, currency restrictions.

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 2011	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Borrowings	226,854 0	122,170 0	153,759	34,110	536,893
Trading and net settled derivative financial instruments (interest rate swaps)	-	-	6,006	-	6,006
Trade and other payables	171,115	86,725	384,736	14,499	657,075
	397,969	208,896	544,502	48,609	1,199,975

As of 31 December 2010	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Borrowings	228,622	-	142,925	34,108	405,655
Trading and net settled derivative financial instruments (interest rate swaps)	-	-	7,970	-	7,970
Trade and other payables	355,384	20,648			376,032
	584,006	20,648	150,895	34,108	789,657

The majority of borrowings maturing within 1 year relate to short term revolving financing facilities with related parties of the Group. Management believes in the Group's ability to renew these financing arrangements for a period larger than the contractual repayment date and consistent with cash-flows expected from operations.

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 29.0m (2010: USD 12.3m) 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.

In 2012 management is confident to fund its activities using operational cash-flows mainly from the real estate activities, and will continue to diversify its sources of funding both with shareholders and financing companies (related and non-related entities).

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 2011, 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 2011 and 2010 were as follows:

	2011	2010
Borrowings	536,894	405,655
Less: Cash and cash equivalents	34,690	26,230
Net debt	502,204	379,425
Equity	(112,521)	(2,358)
Total capital	389,683	377,067
Gearing	129%	101%

Given the current change that is taking place in the shareholder structure of the Group, management has the intention to restructure the level and nature of its bank debt. This 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 2011.

	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	-	6,006	-	6,006
Derivatives used for hedging	-	-	-	-
Total liabilities	-	6,006	-	6,006

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 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 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. Though, 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 in the future the investment made, 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 that to recover all costs currently capitalised as intangibles. At this stage we do not have any information to indicate this will not occur.

b) Recoverability of receivables

At 31 December 2011 the subsidiary Opway Congo had a receivable of USD 9.0 m from the customer "Mairie de Brazzaville", corresponding to public works executed between 2004 and 2006. Since 2007, and corresponding simultaneously to the change in the local management team in Opway Congo, this issue was presented in detail to the customer, and immediately this debt was recognized and pledged to be repaid by Mairie de Brazzaville.

In October 2009, Opway Congo has made a proposal to the Mairie to settle part of the debt (USD 3.9m) in exchange for two land plots in Brazzaville. In December 2009, Opway Congo received the corresponding letter of agreement and in November 2010 Opway Congo was informed that a Municipal Assembly would take place in February 2011 to authorize officially the transmission of the land plots. Opway Congo hasn't yet been formally notified but according to the information received everything is agreed and so the transmission of at least the 1st land plot that settles USD 3.0m will be made very soon.

Although the management is still convinced that the full amount will be recovered, either in cash or through the same procedure as above described, due to the lack of supporting documentation, the Group took the decision to account an impairment of USD 5.1 m as at 31 December 2011.

We'll continue to monitor the situation since according to local management and the board, it is our opinion that despite the time consuming negotiation process, the total amount of the debt will be settled, since both the Maire and the President have always shown a commitment to repay this debt.

5 Property, plant and equipment

	Land and buildings	Vehicles and machinery	Furniture, fittings and equipment	In progress	Total
Opening balance as at 1 January 2011	688	13,178	7,923	16,128	37,917
Exchange differences	(12)	(335)	(182)	(175)	(704)
Business combination under common control	2,614	8,509	406	1,208	12,737
Additions	290	17,925	11,835	7,129	37,179
Disposals		(76)	(246)	(1,010)	(1,332)
Impairment				0	0
Transfers	118	455	3,541	(3,394)	720
Depreciation charge	(138)	(9,093)	(2,969)		(12,199)
Closing net book amount	3,559	30,563	20,309	19,887	74,318
At 31 December 2011					
Cost or valuation	6,061	73,138	34,682	24,822	138,703
Accumulated depreciation	(2,502)	(42,575)	(14,373)	(4,936)	(64,385)
Net book amount	3,559	30,563	20,309	19,887	74,318

	Land and buildings	Vehicles and machinery	Furniture, fittings and equipment	In progress	Total
Opening balance as at 1 January 2010	2,846	17,448	5,322	10,544	36,160
Exchange differences	(42)	(827)	(201)	(427)	(1,497)
Additions		6,468	4,463	6,677	17,608
Disposals	(1,108)	(4,912)	(636)		(6,656)
Transfers	(527)	1,818	1,299	(666)	1,924
Depreciation charge	(481)	(6,817)	(2,324)	-	(9,622)
Closing net book amount	688	13,178	7,923	16,128	37,917
At 31 December 2010					
Cost or valuation	3,052	46,660	19,327	16,128	85,167
Accumulated depreciation	(2,364)	(33,482)	(11,404)	-	(47,250)
Net book amount	688	13,178	7,923	16,128	37,917

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

	2011	2010
Infrastructures	9,364	6,758
Energy - Hidroluapasso project	10,523	8,411
Others	0	960
	19,887	16,129

At 31 December 2011 the net book amount per business area can be analysed as follows:

	Real Estate	Energy	Infrastructures	Other	Total
Land and buildings	114	-	2,582	862	3,559
Vehicles and machinery	84	260	29,694	526	30,563
Furniture, fittings and equipment	2,947	498	14,357	2,507	20,309
In progress	0	10,523	9,364	0	19,887
	3,145	11,280	55,998	3,895	74,318

At 31 December 2010 the net book amount per business area can be analysed as follows:

	Real Estate	Energy	Infrastructures	Other	Total
Land and buildings			10	678	688
Vehicles and machinery	458	-	11,999	721	13,178
Furniture, fittings and equipment	1,015		3,484	3,423	7,922
In progress	960	8,411	6,758	-	16,129
	2,433	8,411	22,251	4,822	37,917

6 Exploration and evaluation assets – Tangible assets

Tangible assets	Property, plant and Equipment	In progress	Total
Opening balance as at 1 January 2011	**5,890**	**554**	**6,444**
Exchange differences	-33		-33
Business combination			0
Additions	1,917	248	2,165
Disposals	-51	-1,474	-1,525
Depreciation charge	-3,021		-3,021
Transfers	0	673	673
			0
Closing net book amount	**4,702**	**0**	**4,702**
At 31 December 2011			
Cost	37,762	0	37,762
Accumulated depreciation	-33,060	0	-33,060
Net book amount	**4,702**	**0**	**4,702**

Tangible assets	Property, plant and Equipment	In progress	Total
Opening balance as at 1 January 2010	**2,104**	**5,042**	**7,146**
Exchange differences	160		160
Additions	5,833	2,828	8,661
Disposals	-89	-66	-155
Depreciation charge	-3,485	-	-3,485
Transfers	1,367	-7,250	-5,883
Closing net book amount	**5,890**	**554**	**6,444**
At 31 December 2010			
Cost	36,335	554	36,889
Accumulated depreciation	-30,445	0	-30,445
Net book amount	**5,890**	**554**	**6,444**

7 Exploration and evaluation assets – Intangible assets

	Exploration and evaluation costs	Capitalised Finance costs	Other	Total
Opening balance as at 1 January 2011	136,111	7,010	145	143,266
Exchange differences	-	-	-	-
Business combination				-
Additions	32,726	11,064	-	43,790
Impairment charge	(10,500)			(10,500)
Amortisation charge		(4,709)		(4,709)
Closing net book amount	158,337	13,365	145	171,847
At 31 December 2011				
Cost	214,255	23,720	145	238,120
Accumulated amortisation and impairment	(55,918)	(10,355)	-	(66,273)
Net book amount	158,337	13,365	145	171,847

	Exploration and evaluation costs	Capitalised Finance costs	Other	Total
Opening balance as at 1 January 2010	126,049	4,409	12	130,470
Exchange differences	-	-	-	-
Additions	39,633	4,685	-	44,318
Impairment charge	(25,420)	(2,084)	-	(27,504)
Amortisation	(4,151)			(4,151)
Transfers	-	-	133	133
Closing net book amount	136,111	7,010	145	143,266
Closing balance at 31 December 2010				
Cost	181,529	12,656	145	194,330
Accumulated amortisation and impairment	(45,418)	(5,646)	-	(51,064)
Net book amount	136,111	7,010	145	143,266

The USD 2.1m amount shown as impairment against capitalised finance costs is recorded as interest expense in the profit/loss.

The USD 4.1m amount shown as amortisation against exploration and evaluation costs is recorded as consulting expense in the profit/loss.

As at 31 December 2011 this caption has the following composition:

	2011	2010
Luo - Sociedade Mineira do Camatchia-Camagico, SARL	-	10,500
Mining Concession	134,634	98,514
Natural resources - Oil bloc 18/06	37,022	34,067
Other	191	185
	171,847	143,266

The USD 10.5m related to expenses incurred with consulting and support services directly related to the acquisition of the Luo mining concession were written-off as at 31 December

2011, after indications of impairment, due to lower economic reserves than previously foreseen.

The USD 134.6m comprises of (i) USD 121.2m of capitalized expenditure on the mining concessions of Itengo and Tchegi, both kimberlite and alluvium and (ii) USD 13.4m of capitalised finance costs relating to those mining concessions.

The USD 37.0m 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 2012 amounts to approximately USD 139 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 2012. 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 Intangible fixed assets

The Intangible fixed assets mainly comprise computer software and licenses (2011: 1.274, 2010: 333).

9 Investments in associates

	2011	2010
Opening balance as at 1 January	177,915	160,537
Exchange differences	609	286
Business combination under common control	6	-
Incorporation of associates	11	-
Impairment on associates	(166,971)	-
Contribution SMCC-Luo	6,593	-
Indirect acquisition in SMCC-Luo	-	-
Provided loan to SMCC-Luo		27,500
Capitalised interest on loan to Luo		5,952
Share of loss	(14,517)	(16,360)
Closing net book amount	3,646	177,915

	2011	2010
Luo - Sociedade Mineira do Camatchia-Camargico,SARL:		
Share Capital	5,054	5,054
Loans	226,425	219,223
	231,479	224,277
Accumulated losses	(64,514)	(51,012)
	166,965	173,265
Impairment	(166,965)	-
Investments in associated companies	3,645	4,650
Total	3,646	177,915

The investment made in Luó was declared as being impaired due to indications of lower economic reserves than expected and consequently a shorter mine's useful life. The full and complete revised business plan is being prepared.

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

Results principal associates

Name of the company	Country of incorporation	Assets	Liabilities	Revenues	Profit/ (Loss)	% interest held
Camargo Correa Escom Cement BV	Netherlands	11,671	6,381	-	(26)	49.9%
Luó - Sociedade Mineira do Camatchia Camagico SARL	Angola	275,882	472,846	36,428	(30,144)	45.0%
New Media Angola, S.A.	Angola	-1,524	3,390	1,014	(893)	30.0%
Progest Congo, SARL	Republic dCongo	656	1,091	-	(6)	33.7%
SGA - Soc.de Gestao de Aguas de Angola, SARL	Angola	977	876	343	(1,156)	40.0%
Imolap - Soc. Imobiliária Lar do Patriota, Lda	Angola	20,513	20,221	42	63	33.3%
Carrieres de Brazzaville, SA	Republic dCongo	9,008	10,237	2,504	(365)	25.5%
Porto Seco Mulemba, SA	Angola	18,935	32,481	3,303	(4,494)	25.0%

ATS-Angola Technical Services, a 100% company owned by Escom, with significant expertise in exploration and evaluation assists Luó and a large working programme was developed during 2010 and 2011. In terms of the geophysical working programme, the ground gravity over the VTEM anomalies was started in February and completed in July 2010. From these anomalies, 16 were drilled and additional kimberlite targets were discovered for further evaluation in the concession area. In relation to the narrow diameter drilling programme, the opening of access to support the drilling was commenced in February 2010 and during the year 46 drill pads were prepared and a total of 70 km of infrastructure was realised during 2010. In addition, 23 exploration holes and 23 pilot holes were completed and a total of 5947.43 meters were drilled in the Luo concession. From 18 anomalies drilled 07 were positive for kimberlites. In terms of the Large Diameter Drilling programme and sample treatment, six holes were concluded and a total of 2,115 meters were drilled generating approximately 780 tonnes of kimberlite sample material bringing the total mass of sample material to 1,050 tonnes collected from the Camatchia kimberlite. In general the drilling was slower than expected due to the hardness of the xenoliths within the PVK breccia. The sampling plant processed a total of 1,212 tons of Kimberlite bulk samples during 2010 from drill-sample material from clusters and treatment started on the samples. ATS didn't carry on any prospecting during 2011.

After the process of sampling and treatment, a complete and updated valuation will be performed in 2012. By then, the full report will also be very important to undertake the decision for the investment in the main plant in terms of capacity of treatment.

10 a) Financial instruments by category

31 December 2011	Loans and receivables	Assets at fair value through the profit and loss	Total
Assets as per balance sheet			
Derivative financial instruments			0
Trade and other receivables excluding pre-payments	253,061	-	253,061
Cash and cash equivalents	34,690	-	34,690
Total	287,751	-	287,751

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

31 December 2011	Liabilities at fair value through the profit and loss	Other financial liabilities at amortised cost	Total
Liabilities as per balance sheet			
Borrowings		536,894	536,894
Derivative financial instruments	6,006		6,006
Trade and other payables		657,075	657,075
Total	6,006	1,193,968	1,199,974

31 December 2010	Loans and receivables	Assets at fair value through the profit and loss	Total
Assets as per balance sheet			
Derivative financial instruments			0
Trade and other receivables excluding pre-payments	211,397	-	211,397
Cash and cash equivalents	26,230	-	26,230
Total	237,627	-	237,627

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

31 December 2010	Liabilities at fair value through the profit and loss	Other financial liabilities at amortised cost	Total
Liabilities as per balance sheet			
Borrowings		405,655	405,655
Derivative financial instruments	7,970	-	7,970
Trade and other payables		421,904	421,904
Total	7,970	827,559	835,529

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:

	2011	2010
Trade receivables		
Counterparties without external credit rating		
Group 1		
Group 2	65,374	52,582
Group 3		
Unrated	65,374	52,582
Cash on hand, at bank and short-term bank deposits		
A/A1	449	1,088
unrated	34,241	25,142
	34,690	26,230
Derivative financial assets.		
A/A1	-	-
Receivables from related parties		
Group 1		
Group 2	16,132	84,776
Group 3		
Unrated	16,132	84,776
Other receivables		
Group 1		
Group 2	121,093	62,282
Group 3		
Unrated	121,093	62,282

- 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.

11 Investment property

	2011	2010
Opening balance as at 1 Januari	7,699	4,177
Transfers	1,587	3,700
Depreciation charge	(150)	(178)
Closing net book amount	**9,136**	**7,699**
At 31 December		
Cost	9,805	8,218
Accumulated depreciation	(669)	(519)
Net book amount	**9,136**	**7,699**

These amounts relate to a condominium located in Soyo, Angola which is rented to a non-related entity as well as the restaurant located in the Escom Building. The total rental income

earned in 2011 is approximately USD 2.0m (2010: USD 1.3m). Expenses incurred are approximately USD 0.3m (2010: USD 0.2m). Depreciation is recorded on a straight line basis.

12 Trade and other receivables and other assets

	2011	2010
Trade receivables	65,360	52,582
Receivables from related parties	40,457	33,613
Other receivables	84,788	67,573
Total receivables	190,605	153,768
Less: provision for impairment of trade and other receivables	(7,998)	(449)
Trade and other receivables net of impairment	**182,607**	**153,319**
Prepayments	18,688	16,448
Advances to suppliers	70,453	12,206
	271,748	**181,973**
Less non-current portion:	73,060	75,783
Current portion	**198,688**	**106,190**

The non-current portion consists of accrued income on the Sky Center project of approximately USD 23.2m, related party balances of USD 13.3m, prepaid expenses of USD 11.2m as well as other receivables of USD 25.4m

At 31 December this caption per business area can be analysed as follows:

2011	Real Estate	Mining	Infrastructures	Natural Resources	Other	Total
Trade receivables - net	11,454	154	47,221	-	5,736	64,565
Receivales from related parties	23,059	4,576	10,781	-	2,042	40,458
Other receivables	29,228	6,719	16,814	24,746	78	77,585
Prepayments	663	14,188	3,480	-	356	18,687
Advances to suppliers	66,077	762	3,478	-	137	70,453
	130,482	26,398	81,774	24,746	8,348	271,748

The major balance in Trade Receivables arises from the real estate activity in Angola regarding the construction activities in business and residential 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 2011, trade receivables of USD 141.3m were past due but not impaired and USD 8,0m were due and impaired. The ageing analysis of these trade receivables is as follows:

	2011	2010
Not due	33,264	10,494
Due but not impaired		
0-30 days	12,833	52,374
30-90 days	98,290	41,467
+90 days	30,222	48,535
Total	**141,345**	**142,376**
Due and impaired		
180-360 days	-	-
+360 days	7,998	449
Total	**7,998**	**449**
	182,607	**153,319**

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:

	2011	2010
Opening balance as at 1 January	**449**	**72**
Provision for receivables impairment	7,555	440
Receivables written off during the year as uncollectible	(6)	(48)
Unused amounts reversed		(15)
At 31 December	**7,998**	**449**

13 Raw materials and consumables

	2011	2010
Raw materials and consumables	15,917	3,864
Less: provision for impairment	-4,071	-
Total	**11,846**	**3,864**

The cost of inventories recognized as expense and included in 'third party costs and services' amounted to USD 34.0m.

14 Construction works in progress

	2011	2010
Construction works in progress Real Estate - Angola	325,941	206,690
Construction works in progress - Republic of Congo	5,129	1,269
Total	**331,070**	**207,959**

The group recognised USD 33.6m as construction revenue for the year (note 25) and USD 121m as the benefit relating to change in works in progress included in 'third party costs and services' – note 26.

The amount under the caption 'construction work in progress' mainly reflects the investment in Real Estate projects in Angola at 31 December 2011 - projects "Acquaville" and "Sky Center". Of the USD 325.9m of construction work in progress in Angola, USD 204.4m is non-current and USD 121.5m is current in nature. Most of the non-current portion (approximately USD 150.4m) relates to the Sky Centre project. The current portion relates to the Acquaville project.

15 Derivative financial instruments

	2011		2010	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Currency interest rate swaps	-	-	-	-
Interest rate swaps	-	6,006	-	7,970
Total	**-**	**6,006**	**0**	**7,970**

Trading derivatives are classified as a current asset or liability.

a. Currency swaps

At 31 December 2011 the company had no currency swaps.

b. Interest rate swaps

The notional principal amount of outstanding interest rate swap contracts at 31 December 2011 was USD 113.1m(2010: USD 113.1m). At 31 December 2011 the average fixed interest rate is around 3.83% (2010: 3.73%), 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.

16 Cash and cash equivalents

	2011	2010
Cash on hand	261	445
Cash on bank and short-term bank deposits	34,429	25,785
Cash and cash equivalents	34,690	26,230
Bank overdrafts	(1,718)	(1,057)
Cash and cash equivalents in the statement of cash flows	32,972	25,173

17 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	64,341	64,366

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 2011, the shareholders made contributions to the Group for USD 119K.

18 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	(275,622)
Dividends	(2,080)
At 31 December 2011	**(396,412)**

19 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	(545)
At 31 December 2011	**(1,397)**

20 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	-
At 31 December 2011	**9,360**

During the 2010 financial year 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.

21 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	2,482
Non-controlling interest arising on business combination	3,755
Changes in ownership interests that do not result in a loss of control	1,919
At 31 December 2011	**52,818**

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

In 2011, Escom Mining Inc, paid USD 2.1m 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. It is the company's decision to reward the holders of these instruments and the Group has never failed to pay these dividends on due time, even if the consolidated annual net results are not positive.

Company	Type	Series	Issue Date	Call Option	31/12/11
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 02/0705	-25,913
ESCOM MINING	Preference Shares	Series E, Non Voting	15/06/05	any payment date falling on or after 15/06/10	-6,478
ESCOM MINING	Preference Shares	Series F, Non Voting	05/06/05	any payment date falling on or after 15/06/10	-12,000
					-64,392

Total Equity

The total equity, held by the shareholders, decreased to a negative position of USD 342.8m 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 approved, already forecasted the need of equity funds of USD 650m in the coming four years, taking into consideration the current portfolio of investments and not considering any additional debt at the holding level. The group also remains confident that operational cash-flows will increase during the coming years as its activities develop into more advanced stages.

22 Borrowings

Bank borrowings have the following profile:

	2011	2010
Non-current		
Bank borrowings	91,831	90,852
Bonds	85,443	86,181
Other loans	6,828	-
	184,102	**177,033**
Current		
Bank overdrafts	1,718	1,057
Bank borrowings	347,306	227,565
Bonds	-	-
Other loans	3,768	-
	352,792	**228,622**
Total borrowings	**536,894**	**405,655**

Maturity profile:

	2011	2010
6 months or less	259,047	90,611
6-12 months	93,745	138,011
1-5 years	184,102	142,925
Over 5 years	-	34,108
Total	**536,894**	**405,655**

Borrowings bear average coupons of 7.9% included in 'Finance costs' in the income statement.

Notes to the financial statements as at 31 December 2011
(All amounts in thousands US dollars unless otherwise stated)

	2011	2010
Long term bonds	85,443	86,181
Long term loans from banks	91,831	90,852
Long term other loans	6,828	-
Revolving facilities / bank overdrafts	352,792	228,622
Total	**536,894**	**405,655**

The Group has approximately USD 29.0m undrawn facilities mainly related with the facilities of, Escom Mining Development, Opway Angola, SCCTP and SIC.

The table below details the terms and conditions of borrowings:

Short term loans	Interest rate	Currency	Book value 31/12/11
Banco de Negócios Internacional	5%	USD	8
Banco de Negócios Internacional	16%	USD	29
Banco de Poupanca e Credito	14%	AOA	1,624
Banco Espirito Santo Angola	10,5%	USD	5,250
Banco Espirito Santo Angola	10,5%	USD	11,935
Banco Espirito Santo Angola	12%	USD	14,000
Banco Espirito Santo Angola	12%	USD	10,000
Banco Espirito Santo Angola	13%	USD	35,000
Banco Espirito Santo Angola	12%	USD	10,000
Banco Espirito Santo Angola	13%	USD	35,000
Banco Espirito Santo Angola	10% - fixed rate	USD	30,000
Banco Espirito Santo Angola	12%	USD	6,200
Banco Espirito Santo Angola	13%	USD	6,500
Banco Espirito Santo Angola	12%	USD	583
Banco Espirito Santo Angola	10.5%	USD	10,300
Banco Espirito Santo Angola	Fixed rate(10,5%)	USD	5,014
Banco Espirito Santo Angola	Fixed rate (10,5%)	USD	8,900
Banco Millennium Angola	13%	USD	2,500
Banco Millennium Angola	20%	AOA	236
Banco Millennium Angola	12%	USD	303
Banco Millennium Angola	Fixed rate(13,5%)	USD	5,000
BES SFE	$Libor 3m + 5%	USD	18,188
BES SFE	$Libor 3m + 5%	USD	5,000
BES SFE	$ Libor 3m + 5%	USD	31,104
BES SFE	$ LIBOR 3M + 5%	USD	34,000
BES SFE	$ LIBOR 3M + 5%	USD	12,699
BES SFE	$ LIBOR 3M + 5%	USD	10,000
BESA Leasing	16%	USD	44
BFA	12%	USD	1,845
BGFI Bank	6%	XAF	22,965
La Congolaise de Banque	7,5%	XAF	2,435
La Congolaise de Banque	7%	XAF	5,806
La Congolaise de Banque	7%	XAF	3,791
La Congolaise de Banque	7%	XAF	1,049
Other			3,768
			351,074

Medium long term	Interest rate	Currency	Book value 31/12/11
Banco Espirito Santo Angola	12%	USD	833
Banco Millennium Angola	12%	USD	152
BES SFE	$ LIBOR 3M + 8%	USD	44,938
Credibom	EUR 3m + 5,088%	EUR	163
Credibom	EUR 3m + 4,565%	EUR	75
La Congolaise de Banque	7%	XAF	733
Millenium BCP	$ LIBOR 3M + 8%	USD	44,938
Other			6,828
			98,659

Bonds	Issue Date	Maturity Date	Interest rate	Currency	Book value 31/12/11
Floating rate notes Escom Mining Inc	6/9/2004	09/06/14	$ LIBOR 6M + 1,5%	USD	40,000
Floating rate notes Escom Mining Inc	6/9/2004	09/06/14	$ LIBOR 6M + 1,5%	USD	5,000
Floating rate notes Escom Mining Inc	12/15/2004	15/12/14	$ LIBOR 6M + 1,5%	USD	8,051
Floating rate notes Escom Mining Inc	3/30/2005	30/03/17	zero coupon	EUR	32,392
					85,443

Overdrafts	Currency	Book value 31/12/11
Overdrafts	XAF	17
Overdrafts	USD	1,701
		1,718

The short term borrowing of USD 5.8m with La Congolaise de Banque is covered with a mortgage on land and buildings.

The revolving facilities of USD 3.8m and USD 1.0m with La Congolaise de Banque are secured by a Comfort letters and collaterals of XAF 3.2mio and XAF 3.3mio respectively.

The revolving facility with BGFI Bank of USD 22.9m is secured with a collateral of XAF 9m.

Revolving facilities with BPC and BFA of USD 3.6m in total , are secured with treasury bonds.

The medium/longterm loan of USD 0.7m with La Congolaise de Banque is covered with a mortgage on land.

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 Espirto 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

23 Trade and other payables and other liabilities

	2011	2010
Trade payables	92,054	22,369
Amounts due to related parties	28,091	11,201
Social security and other taxes	9,021	2,969
Other payable	41,034	13,284
	170,200	49,823
Advances from customers	411,278	270,661
Accrued expenses	75,596	55,548
Total	**657,074**	**376,032**
Less non-current portion:	31,196	20,648
Current portion	**625,879**	**355,384**

The non-current portion of trade and other payables relates to amounts owed to related parties of the Group.

24 Provisions

	2011	2010
Legal and tax risks	4,017	6,087
Risks and other charges	272	214
Losses in construction contracts		0
Total	**4,289**	**6,301**

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

Opening balance 1 January 2011	6,301	5,785
Exchange differences	-1	
Additions/releases	690	2,241
Utilisation	(2,701)	(1,725)
Closing balance 31 December 2011	4,289	6,301

25 Revenue and other Income

	2011	2010
Revenue		
Sales of goods	2,139	19,592
Construction revenues	33,648	51,981
Revenues from investment property	1,980	1,245
Other revenue	3,238	
	41,004	72,818
Other income		
Profit/(loss) on sale of assets	3	(123)
Negative goodwill	-	-
Others	1,181	1,840
	1,184	1,717

26 Third party costs and services

	2011	2010
Raw materials and consumables used	38,112	36,801
Changes in works in progress	(121,035)	(100,181)
Professional services	129,208	108,021
Housing expenses	14,961	12,589
Travel expenses	5,006	4,535
Marketing and promotional	2,508	3,035
Administration expenses	9,884	7,605
Other expenses	7,812	7,825
Less:		
Capitalised expenditure	(30,404)	(29,909)
Total	56,053	50,321

The audit services rendered to the Group during the period amounted to USD 0,85m (2010: USD 1m).

27 Employee benefit expense

	2011	2010
Wages and salaries, including restructuring costs and other termination benefits	32,320	28,620
Social security costs	2,207	1,803
Other	8,517	8,016
Total	**43,044**	**38,439**

In 2011 the Group had 1050 employees (2010: 721).

28 Depreciation and amortisation

Depreciation and Amortisation

	2011	2010
Depreciation	14,803	9,568
Amortisation / impairment	179,561	25,499
	194,364	35,067

As at the 31 December 2011 the Group decided to declare the investment made in the Luó mine as impaired. The amount of USD 179.6m expressed above includes USD 177,5m relating to the impairment of the investment in Luó.

29 Net financing costs

	2011	2010
Finance income:		
Interest from associates	6,918	5,982
Interest income on bank deposits	856	1,289
Other	2,177	225
Finance income	**9,950**	**7,496**
Interest expense:		
Bank borrowings	27,912	15,301
Bonds	3,583	3,676
Loans	-	1,028
Bank interests and other charges	4,497	1,741
	35,992	21,746
Net foreign exchange gains on financing activities	1,489	1,556
Finance costs	**37,481**	**23,302**
Net finance costs	**27,531**	**15,806**

30 Income tax expense

	Tax Rate	Taxable base loss/(profit)	Tax effect
Effective rate and current income tax	35.4%	293,111	103,732
Effective tax rate and current tax	35.4%	293,111	103,732

	2011	2010
Loss before tax	293,111	81,458
Tax calculated at domestic tax rates applicable to profits in the respective countries	(103,732)	(28,836)
Associates results reported net of tax	5,063	5,791
Income not subject to tax	(4,917)	(3,096)
Tax losses for which no deferred tax asset was recognised	103,722	25,740
Release of deferred tax asset		(19,460)
Adjustment in respect of prior years		401
Tax (benefit)/charge	137	-19,460

31 Share of losses of associates

	2011	2010
Profits / (Losses) in associates		
Luó-Sociedade Mineira do Camatchia-Camagico	(13,564)	(15,651)
New Media Angola	(268)	(410)
Progest Congo	(2)	-
Camargo Correa Escom Cement BV	(13)	(26)
SGA - Sociedade de Gestão de Águas de Angola SARL	(462)	44
Carrieres de Brazzaville	(93)	(317)
Others	95	-
	(14,307)	**(16,360)**

32 Interest in joint venture

As at 31 December 2011 the only joint venture in the Group was HCI Health Care International Ltd. The value of Escom's share in the net assets in this joint venture were negative USD 35k (2010:USD 32k).

33 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. Currently, the agreement and signed addenda dated 9 May 2011, foresee the conclusion of the selling

process, including the settlement in full of the outstanding balance, for the 1st quarter of 2013.

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

Transactions with these related parties are:

a) Sales of goods and services

	2011	2010
Sales of goods and services		
Associates		
- SMCC-Luo	569	8,239
- Other	380	-
	949	8,239
Other related parties		
- Multiples		-
- Other		1,469
	0	1,469

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

	2011	2010
Purchases of goods and services		
Other related parties		
- Espirito Santo Viagens	1,358	2,015
- Espirito Santo Investment Bank	757	68
- Multiples	-	954
- Other	974	155
	3,089	3,192

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:

	2011	2010
Key management compensation		
Salaries and other short term employee benefits	3,450	2,921
Post employment benefits	0	0
	3,450	2,921

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

	2011	2010
Receivables from related parties		
Associates		
- SMCC-Luo	9,851	8,872
- Carrieres de Brazzaville	1,201	830
- New Media Angola	590	501
- Imolap	585	201
- Progest Congo	555	730
- Other	286	267
	13,069	11,401
Other related parties		
- Other	29	
	29	0
Payables to related parties		
Associates		
- Other	16	643
	16	643
Other related parties		
- Espírito Santo Resources (P)	5,068	
- TA Turismo (ES Viagens e Turismo, Lda)	1,826	
- Other		517
	6,894	517
Advances from related parties		
- BESA	66,048	
	66,048	0

e) Other balances

	2011	2010
Deposits		
Other related parties		
- Banco Espírito Santo Angola	1,179	712
- Banco Espírito Santo	1,022	7,362
	2,201	8,074

Receivables from related parties	2011	2010
Associates		
- Camargo Correa Escom Cement BV	4,525	4,553
- SMCC-Luo	3,675	3,767
	8,200	8,320
Other related parties		
- Multiples	12,557	12,815
- BESCO	2,619	
- BESA Património - Fundo Investimento Imobiliário	285	
- BES Investimentos SA	272	485
- NEA Renewables	160	
- Networx S28 Energy	98	
- Networx Mozambique		900
- Other	5	178
	15,995	14,378

Payables to related parties	2011	2010
Other related parties		
- Opway Engenharia Portugal	22,402	
- Camargo Correa Escom Cement BV	4,470	4,483
- ES Property		4,806
- ESCOM Investment Group Ltd		45
- Other	137	-
	27,010	9,334

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

	2011	2010
- BES SFE	165,302	131,556
- Banco Espirito Santo Angola	258,351	122,798
	423,653	254,354

	2011	2010
Interest earned from related parties		
Associates:		
SMCC-Luo	6,320	5,427
Camargo Correa Escom Cement BV	598	554
	6,918	5,981
Interest charged to related parties		
Associates:		
Camargo Correa Escom Cement BV	592	551
	592	551
Interest charged from related parties		
Other related parties:		
BESA	21,039	6,942
BES SFE	8,439	8,902
BES	12	9
	29,490	15,853

34 Cash generated from operations

	2011	2010
Loss before income tax including discontinued operations	(275,622)	(63,118)
Profit before income tax including discontinued operations		
Adjustments for:		
– Depreciation	14,803	9,648
– Amortisation	179,561	25,420
– Minority interest	(17,625)	1,120
– Income tax	137	(19,459)
– Non cash employee benefits	0	831
– Non cash consulting expenses		4,252
– (Profit)/loss on disposal of property, plant and equipment	(3)	142
– Fair value (gains)/losses on financial assets at fair value through profit or loss		-
– Percentage of completion revenue adjustment		-
– Finance costs – net	27,531	15,807
– Share of loss/(profit) from associates	14,307	16,360
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
– Inventories	(126,070)	(88,038)
– Trade and other receivables	(42,305)	(19,868)
– Trade and other payables	203,105	160,407
– Provisions	(6,153)	516

35 Commitments

At 1 March 2008 the Company entered into a seven year rental agreement for the premises in Amsterdam. The related annual rental fee amounts to approximately USD 142k. During this seven year period, the contract can be terminated taking a 12 month notification period into account. Therefore, the corresponding contingent liability amounts to USD 142k.

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

36 Contingencies

Opway Congo

The projects developed by Opway Congo related to construction works till the end of 2011, are a combination of projects which are tax exempt and projects which are not tax exempt. In future all projects 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.

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.

37 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, including the settlement in full of the outstanding balance, for the 1st quarter of 2013, allowing the company to continue as a going concern.

Forecasting the successful 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 is also comfortable enough to have the financial statements prepared on a going concern basis.

The short-term borrowings of the Group are being re-financed for a further period between three and twelve months. Compared to 31/12/11, the short term loans of the subsidiaries increased from USD 352.793 thousand to USD 477.810 thousand as at 31/12/12. Approximately 85 % (USD 406.619 thousand) of the short term loans as at 31/12/12 had a maturity date exceeding three months, i.e 31/03/13 or beyond, and management believes that the remaining will be rolled over once the submission for renewal is submitted. The company has strong evidence on the commitment of the banks on rolling over the debt, also due to the historic track record. The Group is also convinced that part of the debt hasn't been negotiated for a longer period due to the current world banking situation and the banks preference to roll over credits for shorter periods.

As at the 15th May 2012, Escom Investimentos e Participações, S.A acquired to Saimo (third party) the rights over the following 14 future autonomous units in the Escom building in Luanda: Units A & B in the 15th floor, Units A to D in floors 16, 17 and 17G, and also 92 parking places located in floors -1 and -2 in the referred building. With exception to the parking places that are being commercially explored, the remaining units are being used as offices by companies belonging to the Group. The price for this transaction was US$ 47,7 million, fully paid through the structuring with Banco Espirito Santo Angola of a 7 year term loan, for the total amount of US$ 50 million, where all the units were taken as a mortgage to the bank.

As at the 13th August 2012, it was formalized the agreement for the exploration of the alluvium concession of Tchegi between Escom Mining Inc., Endiama Mining Lda, and other Angolan partners ("Contrato de Investimento Mineiro para Exploração de Depósitos

Secundários"). This contract, follows the agreement made in June 2011 to exercise the mining rights of prospection, research and recognition of diamond secondary deposits, and with this exploration agreement it ceases the prospection phase, and a new phase follows with the incorporation of a new company named "Sociedade Mineira do Tchegi Lda." that will hold the mining rights for the exploration, trading and marketing of the diamond secondary deposits within the concession, where Escom Mining Inc. holds a stake of 40 per cent, and the remaining 60 per cent are held by Endiama Mining Lda. (25%), Consórcio Mineiro do Tchegi (16%) and other Angolan partners (19%).

In September 2011, in the Republic of Angola, the Ministry of Energy and Water launched a tender for the building of seven small hydro plants, which correspond to a total installed power capacity of around twenty MW, under the BOT (Build-operate-transfer) model. Through the Ecoenergia consortium, that was formalized in October 2011, Escom has a stake of 35%, Griner 35%, Opway Angola 15%, and Novinvest 15% on the future project SPV's. In January 2013, Ecoenergia was announced to be in 1st place in two of the seven small hydro plants initially at tender: 1) M'Bridge project, located in Serra da Canda in Zaire province, about 12 km northeast of the village of Cuimba, dominating a watershed of about 80 km2 and a water fall in the order of 400meters. M'Bridge small hydro will involve an investment up to US $60 million which will correspond to a total installed power capacity of 16,7 MW; and 2) Cuemba project, located on the parallel 12 ° 09 '28 "and meridian 18 ° 05 '52 ", the Southeast and the Village Cuemba few 500 meters from the boundary urban village, dominating a watershed of about 2230 km2 and a water fall of around 50 meters. Cuemba small hydro will involve an investment up to US$ 30 million which will correspond to a total installed power capacity of 8 MW.

In South Africa, the renewable energy sector became the major focus of the Group. The incorporation of an independent structure, Networx Renewables which was formed by Escom, as the management and financial driven partner, Networx Empowement Holdings, as the local partner with strong local capacity, relevant experience, deep insight and reach into the local commercial and regulatory environments, and Enersis, the technical and know how partner, allowed for the creation of a significant portfolio of 13 projects, totaling 1.675 MW. These projects were developed under different partnerships with three local developers: i) Astrum Energy (Pty) Limited and EAB Energy (Pty) Limited. A joint ownership of three wind energy projects that originated the incorporation as at 24/02/12 of NEA Renewables (Pty)Limited, where Networx Renewables holds a 60 per cent stake; ii) Prana Energy (Pty) Limited. A joint ownership of three wind energy projects (and potentially three solar PV projects at the same sites) that originated the incorporation as at 14/11/11 of Networx Eolos Renewables (Pty) Limited, where Networx Renewables holds a stake of 90% ; iii) S28 Energy (Pty) Limited. A joint ownership of three solar energy projects that originated the incorporation as at 24/02/12 of Networx S28 Energy (Pty) Limited, where Networx Renewables holds a stake of 90%. As at the 28/12/12, Escom Global Energy BV acquired 6.250 shares of Escom Renewables BV to Coimbra Holdings BV, corresponding to a stake of 25%, but simultaneously Escom Renewables BV reduced its stake in Networx Renewables BV in 15,34%, to 35,66%, through a share capital increase only subscribed by Coimbra Holdings BV, a third party partner.

Escom Investments BV

COMPANY FINANCIAL STATEMENTS

31 December 2011

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COMPANY STATEMENT OF FINANCIAL POSITION
(Before profit appropriation)

ESCOM INVESTMENTS BV
BALANCE SHEET
FOR THE PERIOD ENDED 31 DECEMBER 2011
(Expressed in thousand of USD)

	Notes	2011	2010
ASSETS			
Non-current assets			
Property, plant and equipment	3	375	2,329
Intangible assets	4	65	49
Financial fixed assets	5	26,077	36,417
		26,518	**38,795**
Current			
Trade and other receivables	6	25,518	22,244
Cash and cash equivalents	7	83	132
		25,601	**22,376**
Total assets		**52,118**	**61,171**
EQUITY			
Capital and reserves attributable to equity holders of the company			
Share capital		25	25
Share premium		64,342	64,223
Other reserves		(9,360)	-9,360
Foreign currency translation reserve		(1,323)	(852)
Accumulated deficit		(120,790)	(55,592)
Profit/(Loss) for the period		(275,622)	(63,118)
Total equity	8	**(342,729)**	**(64,674)**
LIABILITIES			
Non-current liabilites			
Provisions	10	369,066	107,534
		369,066	**107,534**
Current liabilities			
Trade, other payables and other liabilities	9	25,780	18,311
Total liabilities		**394,847**	**125,845**
Total equity and liabilities		**52,118**	**61,171**

COMPANY STATEMENT OF FINANCIAL PERFORMANCE

ESCOM INVESTMENTS BV
CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD ENDED 31 DECEMBER 2011
(Expressed in thousand of USD)

	Notes	2011	2010
Results of subsidiary companies	8	(271,829)	(59,395)
Other result after taxation	8	(3,793)	(3,723)
(Loss) for the period		**(275,622)**	**(63,118)**

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2. 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, including the settlement in full of the outstanding balance, is currently foreseen for the 1st quarter of 2013

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.

3. 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 2011, 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 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 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.

		2,011	2,010
Opening balance as at 1 January		2,329	722
Exchange differences		-50	-54
Additions		0	1,806
Disposals		-3	0
Depreciation/amortization charge		-1,902	-145
Closing net book amount		**375**	**2,329**
	check	0	
At 31 December			
Cost or valuation		1,180	2,599
Accumulated depreciation		-805	-270
Net book amount		**375**	**2,329**

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4. INTANGIBLE FIXED ASSETS

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

Intangible Fixed assets

	2,011	2,010
Opening balance as at 1 January	49	17
Exchange differences	-	-
Additions	37	42
Disposals		
Depreciation charge	-20	-10
Closing net book amount	65	49
At 31 December		
Cost or valuation	102	66
Accumulated depreciation	-36	-17
Net book amount	65	49

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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 Global Energy	32
Invested in Kimocode	325
Invested in Escom Capital Development	3,406
Dividends paid	-2,080
Currency translation differences	-1,727
Profit/(loss) for the period	-271,829
Provisions	261,532
Balance at 31 December 2011	**26,077**

As per 31 December 2011, the Company reported USD 26.1m as financial fixed assets relating to subsidiaries with a positive net asset value (2010: 36.4m); the subsidiaries with a negative net asset value are reported as long term liabilities amounting to USD 369.1m(2010: 107.5m).

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6. OTHER RECEIVABLES

Other receivables comprise:

	2,011	2,010
Receivables on subsidiaries	25,492	22,052
VAT receivable	26	38
Other receivables	-	154
Closing net book amount	**25,518**	**22,244**

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, 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, including the settlement in full of the outstanding balance, is currently foreseen for the 1st quarter of 2013.

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 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., which is the major holding Company for the financial and non-financial activities of the Espírito Santo Group.

At 31 December 2011, 18 ordinary shares are issued and fully paid up, amounting to EUR 18,000.

Movements in equity can be summarized as follows:

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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						
		Share Capital	Share premium	Other reserves	Foreign currency translation reserve	Profit/(Loss) for the period	Accumulated Loss	Total
Opening balance as at 31 December 2008	Notes	25	39,665	-	24	(1,234)	(8,360)	30,120
Comprehensive income								
Appropriation of result						1,234	(1,234)	-
Profit/(loss) for the period						(40 007)		(40,007)
Other comprehensive income								
Currency translation differences					(142)			(142)
Total comprehensive income		-	-	-	(142)	(38,773)	(1,234)	(40,149)
Transactions with owners								
Share premium contribution by the shareholders			3,872					3,872
Amounts arising from business combination							(162)	(162)
Dividends							(3,211)	(3,211)
Total transactions with owners		-	3,872	-	-	-	(3,373)	499
Balance at 31 December 2009		25	43,537	-	(118)	(40,007)	(12,967)	(9,530)
Comprehensive income								
Appropriation of result						40,007	(40,007)	-
Profit/(loss) for the period		-	-		-	(63,118) .		(63,118)
Other comprehensive income								
Currency translation differences		-	-		(734)			(734)
Total comprehensive income		-	-		(734)	(23,111)	(40,007)	(63,852)
Transactions with owners								
Share premium contribution by the shareholders		-	20 686		-	-		20,686
Changes in ownership interests which do not result in a loss of control				(9,360)				(9,360)
Dividends		-	-		-		(2,618)	(2,618)
Total transactions with owners		-	20,686	(9,360)	-	-	(2,618)	8,708
Balance at 31 December 2010		25	64,223	(9,360)	(852)	(63,118)	(65,592)	(64,674)
Comprehensive income								
Appropriation of result						63,118	(63,118)	-
Profit/(loss) for the period		-	-		-	(275,622) .		(275,622)
Other comprehensive income								
Currency translation differences		-	-		(471)			(471)
Total comprehensive income		-	-		(471)	(212,504)	(63,118)	(276,093)
Transactions with owners								
Share premium contribution by the shareholders		-	119		-	-		119
Changes in ownership interests which do not result in a loss of control								-
Dividends		-	-				(2,080)	(2,080)
Total transactions with owners		-	119	-	-	-	(2,080)	(1,961)
Balance at 31 December 2011		25	64,342	(9,360)	(1,323)	(275,622)	(120,790) -	(342,729)

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9. TRADE AND OTHER PAYABLES

	2,011	2,010
Payables to subsidiaries	23,552	11,371
Payables to related parties	1,473	5,374
Trade payables	273	939
Accrued liabilities	482	627
Closing net book amount	**25,780**	**18,311**

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 438k (2009: USD 508k).

10. PROVISIONS

	2,011	2,010
Provisions on subsidiaries	369,066	107,534
	369,066	**107,534**

11. DIRECTORS

The Company has 3 directors, who received no emoluments.

12. EMPLOYEES

The Company had 4 employees and hence incurred wages and related social security charges during the period under review.

13. CONTINGENT ASSETS AND OTHER CONTINGENT LIABILITIES

The Company has a Bank guarantee amounting of USD 46k relating to the Amsterdam office rent agreement.

At 1 March 2008 the Company entered into a seven year rental agreement for the premises in Amsterdam. The related annual rental fee amounts to approximately USD 142k. During this seven year period, the contract can be terminated taking a 12 month notification period into account. Therefore, the corresponding contingent liability amounts to USD 142k.

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

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Amsterdam, January 28, 2013

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Other Information

Events after balance sheet date

Refer to note 37 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 2010 is added to the accumulated deficit. The directors propose to add the loss for the year 2011, amounting to USD 275,622, to the accumulated deficit.

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