

4140377

Namibian Resources Plc

Report and Financial Statements

Year Ended

28 February 2003



BDO Stoy Hayward
Chartered Accountants

Namibian Resources Plc

Annual report and financial statements for the year ended 28 February 2003

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Directors

Lord Sheppard - Chairman
P Liebenberg
A C A Carlton
B M Moritz
O J Plummer
J Spurling

Secretary and registered office

Cargil Management Services, 302 High Street, Croydon, Surrey, CR0 1NG.

Company number

4140379

Auditors

BDO Stoy Hayward LLP, 8 Baker Street, London, W1U 3LL.

Solicitors

Stringer Saul, 17 Hanover Square, London, W1R 9AJ.

Namibian Resources Plc

Report of the directors for the year ended 28 February 2003

The directors present their report together with the audited financial statements for the year ended 28 February 2003.

Results and dividends

The consolidated profit and loss account is set out on page 6 and shows the loss for the year.

The directors do not recommend the payment of a dividend.

Principal activities, trading review and future developments

The company has invested in a subsidiary, Sonnberg Diamonds (Namibia) (Pty) Limited, incorporated in Namibia. The subsidiary is currently loss making but has a licence with the Namdeb Diamond Corporation (Pty) Limited to continue operations until 30 April 2012.

The directors believe that the potential for profitable trading exists and will be realised when an upgrading of equipment has been completed to achieve efficient production. The directors intend to apply for a listing on the Alternative Investment Market with a view to a capital raising exercise that will enable the company to fully exploit its concession.

There have been no events since the balance sheet date which materially affect the position of the company.

Directors

The directors' interests in the shares of the company at the beginning and end of the year were:

	Ordinary shares of 10p each	
	2003	2002
A C A Carlton	425,892	300,000
B M Moritz	1,722,386	1,055,719
O J Plummer	156,497	-
	Number of warrants at an exercise price of 10p	
	2003	2002
A C A Carlton	330,000	300,000
B M Moritz	829,730	829,730
O J Plummer	150,000	150,000

The warrants in issue are all exercisable at any time before 31 December 2005.

Lord Sheppard and P Liebenberg were appointed directors on 1 December 2003.

J Spurling was appointed as a director on 12 February 2004.

Namibian Resources Plc

Report of the directors for the year ended 28 February 2003 (Continued)

Creditor payment policy

Creditors are paid at the end of the month following the receipt of an agreed invoice.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

BDO Stoy Hayward LLP were appointed as auditors of the group by the directors following the resignation of Nexia Audit Limited.

A resolution to appoint BDO Stoy Hayward LLP as the group's auditors will be put to the forthcoming annual general meeting.

On behalf of the Board



A C A Carlton

Director

Date 12th Feb 2004.

Namibian Resources Plc

Report of the independent auditors

To the shareholders of Namibian Resources Plc

We have audited the financial statements of Namibian Resources Plc for the year ended 28 February 2003 on pages 6 to 22 which have been prepared under the accounting policies set out on pages 11 and 12.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board except that the scope of our work was limited as explained below. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. However, the evidence available to us was limited in relation to the comparatives in the current period's financial statements which are derived from the financial statements for the year ended 28 February 2002.

Report of the independent auditors (*Continued*)

Basis of audit opinion (Continued)

The report of the auditors on those financial statements included the following explanation of a limitation in the scope of their work:

"However, the information available to us was limited by the following matter:

Tangible fixed assets comprise mining equipment and vehicles, all of which are owned by Sonnberg Diamonds (Namibia) (Proprietary) Limited ("Sonnberg"), the wholly owned subsidiary of Namibian Resources plc. Sonnberg was acquired on 13 March 2001. No physical inspection of these assets was carried out by the company either at the year end or at the date of acquisition. There were no practical auditing procedures we could adopt either to:

- verify the existence, completeness and valuation of these assets included in the balance sheet at £449,886; or*
- confirm the fair value of assets acquired on 13 March 2001 on which goodwill arising and written off in the year of £1,452,358 is based."*

Accordingly, the amount included in the comparative group profit and loss account for depreciation and the carrying value of the fixed assets shown in the comparative group balance sheet may be subject to an unknown adjustment.

In addition it is uncertain as to whether the current year charge for impairment of plant and machinery of £564,370, which reduces the net book value at 28 February 2003 to nil, would need to be adjusted as a result of any adjustment to the comparative figures.

The fair value of assets and liabilities acquired with the purchase of Sonnberg Diamonds (Namibia) (Proprietary) Limited has been revised during the year resulting in a prior year adjustment to the figure which is set out in note 7. However, as noted above, the fair value of plant and machinery acquired could not be verified.

As a result, it is uncertain as to whether the exceptional release of negative goodwill, £506,019, would need to be adjusted as a result of any adjustment to the fair value of assets acquired in the comparative financial statements.

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 of the financial statements concerning the requirement to raise further finance to enable the company to continue as a going concern. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

Namibian Resources Plc

Report of the independent auditors (*Continued*)

Qualified opinion arising from limitation in audit evidence

In our opinion the financial statements give a true and fair view of the state of affairs of the group and the company as at 28 February 2003. Except for any adjustments that might have been found necessary had we been able to obtain sufficient evidence in relation to the tangible fixed assets of Sonnberg Diamonds (Namibia) (Proprietary) Limited at the acquisition date of 13 March 2001 and as at 28 February 2002, in our opinion the financial statements give a true and fair view of the group's loss for the year ended 28 February 2003 and have been properly prepared in accordance with the Companies Act 1985.

In respect alone of the limitation of our work relating to the comparatives we have not obtained all the information and explanations that we consider necessary for the purpose of our audit.

BDO Stoy Hayward LLP

BDO STOY HAYWARD LLP

*Chartered Accountants
and Registered Auditors*
London

Date **12-2-04**

Namibian Resources Plc

Consolidated profit and loss account for the year ended 28 February 2003

	Note	Year ended 28 February 2003 £	Period ended 28 February 2002 Restated £
Turnover	2	69,071	60,170
Cost of sales		(164,619)	(84,727)
Gross loss		(95,548)	(24,557)
Impairment of plant and machinery	9	564,370	-
Release of negative goodwill		(506,019)	-
Other administrative expenses		152,225	190,443
Administrative expenses		(210,576)	(190,443)
Other operating income		-	2,843
Other operating costs		(17,897)	-
Operating loss	4	(324,021)	(212,157)
Other interest receivable and similar income		231	3,139
Loss on ordinary activities before and after taxation		(323,790)	(209,018)

All amounts relate to continuing activities.

The notes on pages 11 to 22 form part of these financial statements.

Namibian Resources Plc

Consolidated statement of total recognised gains and losses for the year ended 28 February 2003

	Year ended 28 February 2003 £	Period ended 28 February 2002 Restated £
Loss for the financial year	(323,790)	(209,018)
Currency translation differences on foreign currency net investments	304,884	(518,160)
	<hr/>	<hr/>
	(18,906)	(727,178)
	<hr/>	<hr/>

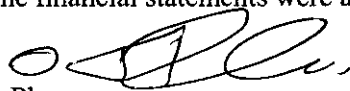
The notes on pages 11 to 22 form part of these financial statements.

Namibian Resources Plc

Consolidated balance sheet at 28 February 2003

	Note	2003 £	2003 £	2002 Restated £	2002 Restated £
Fixed assets					
Intangible assets:	8				
Negative goodwill		-		(506,019)	
Mining rights		810,221		738,128	
			810,221		232,109
Tangible assets	9		-		449,886
			810,221		681,995
Current assets					
Debtors	11	8,356		16,753	
Cash at bank and in hand		250		20,306	
		8,606		37,059	
Creditors: amounts falling due within one year	12	53,438		23,171	
Net current (liabilities)/assets			(44,832)		13,888
Total assets less current liabilities			765,389		695,883
Creditors: amounts falling due after more than one year	13		-		88
			765,389		695,795
Capital and reserves					
Called up share capital	14		1,511,473		1,422,973
Profit and loss account	15		(746,084)		(727,178)
Shareholders' funds – equity			765,389		695,795

The financial statements were approved by the Board on 12 February 2004


O Plummer
Director

The notes on pages 11 to 21 form part of these financial statements.

Namibian Resources Plc

Company balance sheet at 28 February 2003

	Note	2003 £	2002 £	2003 £	2002 £
Fixed assets					
Investments	10		1,329,156		-
Current assets					
Debtors	11	122,751		-	
Cash at bank and in hand		171		20,243	
		<u>122,922</u>		<u>20,243</u>	
Creditors: amounts falling due within one year	12	45,930		16,064	
		<u></u>		<u></u>	
Net current assets			76,992		4,179
			<u></u>		<u></u>
Total assets less current liabilities			1,406,148		4,179
Creditors: amounts falling due after more than one year	13		-		-
			<u></u>		<u></u>
			1,406,148		4,179
			<u></u>		<u></u>
Capital and reserves					
Called up share capital	14		1,511,473		1,422,973
Profit and loss account	15		(105,325)		(1,418,794)
			<u></u>		<u></u>
Shareholders' funds – equity			1,406,148		4,179
			<u></u>		<u></u>

The financial statements were approved by the Board on 12 February 2004



O Plummer
Director

The notes on pages 11 to 22 form part of these financial statements.

Namibian Resources Plc**Consolidated cash flow statement for the year ended 28 February 2003**

	Note	Year ended 28 February 2003 £	Period ended 28 February 2002 £
Net cash outflow from operating activities	17	(107,317)	(171,032)
Returns on investments and servicing of finance			
Interest received		231	3,139
Capital expenditure			
Payments to acquire tangible fixed assets		-	(138,549)
Acquisitions and disposals			
Cash at bank acquired with subsidiary		-	29,504
		<hr/>	<hr/>
Net cash outflow before management of liquid resources and financing		(107,086)	(276,938)
Financing			
Issue of ordinary share capital		88,500	295,638
		<hr/>	<hr/>
(Decrease)/increase in cash in the year	19	(18,586)	18,700
		<hr/>	<hr/>

The notes on pages 11 to 22 form part of these financial statements.

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Going concern

The financial statements have been prepared on a going concern basis in spite of the fact that the operations have not been trading profitably. The directors believe that the potential for profitable trading exists and will be realised when an upgrading of equipment has been completed to achieve efficient production. The directors intend to apply for a listing on the Alternative Investment Market with a view to a capital raising exercise that will enable the company to fully exploit its concession. Whilst the directors are confident that sufficient finance can be raised on flotation they cannot guarantee that this will be achieved. Neither are the directors able to guarantee that the company will be accepted for listing on the Alternative Investment Market. If the company does not raise adequate finance it may not be able to continue as a going concern and to meet its liabilities as they fall due. The financial statements do not include any adjustments should adequate financing not be obtained. Given the uncertainty described above it is not currently possible to quantify any such adjustments but they might include the write down of certain assets and the disclosure of, or provision for, additional liabilities.

Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertaking made up to 28 February 2003. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

Turnover

Turnover represents sales to NAMDEB Diamond Corporation (Proprietary) Limited at invoiced amounts less sales tax and trade discounts.

Goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life, subject to impairment reviews.

Mining rights

Mining rights are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over their estimated useful lives of 10 years.

1 Accounting policies (Continued)

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the costs less the estimated residual value of each asset over its expected useful life, as follows:

Plant and machinery - 10 – 15 years

An impairment review was carried out as at 28 February 2003. This resulted in an exceptional impairment charge in the period.

Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

Investments

Fixed asset investments are stated at cost less provision for diminution in value.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

The results of overseas operations are translated at the closing rates of exchange during the period and the balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of opening assets are reported in the statement of total recognised gains and losses. All other exchange differences are included in the profit and loss account.

2 Turnover

The total turnover of the group for the year has been derived from its principal activity, mining, wholly undertaken by its subsidiary in Namibia, Sonnberg Diamonds (Namibia) (Proprietary) Limited ("Sonnberg"). All sales are made in Namibia and the majority of assets are also located in Namibia.

Namibian Resources Plc

Notes forming part of the financial statements for the year ended 28 February 2003 (Continued)

3 Employees

	Year ended 28 February 2003 £	Period ended 28 February 2002 (restated) £
Staff costs consist of:		
Wages and salaries	72,864	59,510
	<u> </u>	<u> </u>
The average monthly number of employees, (including directors), during the year was:	Number	Number
Staff of subsidiary	14	14
Directors	3	3
	<u> </u>	<u> </u>
	17	17
	<u> </u>	<u> </u>

4 Operating loss

	Year ended 28 February 2003 £	Period ended 28 February 2002 Restated £
This has been arrived at after charging/(crediting):		
Operating lease rentals	1,429	1,228
Auditors' remuneration		
(company £2,518 (2002 - £9,400)) - audit	8,638	9,669
- other services	-	5,669
	<u> </u>	<u> </u>

5 Taxation on profit from ordinary activities

There has been no tax payable in this or the previous year due to the availability of losses.

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	Year ended 28 February 2003 £	Period ended 28 February 2002 Restated £
Loss on ordinary activities before tax	(323,790)	(209,018)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30% (2002 – 30%)	(97,137)	(62,705)
Effects of:		
Non taxable credit	(151,805)	-
Tax losses not giving rise to a current year liability	248,942	62,705
Current tax charge for year	-	-

A deferred tax asset of £832,281 (2002 - £716,171) relating to losses in the subsidiary undertaking has not been recognised due to uncertainty regarding the availability of suitable taxable profits against which the losses can be recovered.

6 Profit for the financial period

As permitted by Section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements. The profit for the financial year is made up as follows:

	Year ended 28 February 2003 £	Period ended 28 February 2002 £
Holding company's profit/(loss) for the financial year	1,313,469	(1,418,794)

Namibian Resources Plc

Notes forming part of the financial statements for the year ended 28 February 2003 (Continued)

7 Prior year adjustment

During the year the group reviewed the accounting treatment for the acquisition of its subsidiary, Sonnberg, and identified an error in the fair value of a liability owed to Namibian Resources Plc and the consequential recognition of a capital reserve. The adjustment made can be summarised as follows:

Account	Fair value as previously stated £	Adjustments £	Fair value as restated £
Purchase of subsidiary undertakings:			
Net cash acquired with subsidiary	29,504	-	29,504
Debtors	12,137	-	12,137
Creditors	(8,611)	-	(8,611)
Long term creditors	(2,141,936)	2,014,601	(127,335)
Tangible fixed assets	521,790	-	521,790
Intangible assets – mining rights	1,134,758	-	1,134,758
	<u>(452,358)</u>	<u>2,014,601</u>	<u>1,562,243</u>
Consideration (settled by issue of shares)			<u>(1,000,000)</u>
Negative goodwill			<u>562,243</u>
Adjusted as:			
Adjustment to reserves			2,014,601
Restatement of negative goodwill			(562,243)
Negative goodwill amortisation			56,224
Credit to profit and loss reserve			<u>1,508,582</u>

Namibian Resources Plc

Notes forming part of the financial statements for the year ended 28 February 2003 (*Continued*)

8 Intangible fixed assets

Group	Mining rights £	Negative goodwill Restated £	Total Restated £
<i>Cost</i>			
At 28 February 2002	872,334	(562,243)	310,091
Exchange differences	221,991	-	221,991
	<hr/>	<hr/>	<hr/>
At 28 February 2003	1,094,325	(562,243)	532,082
	<hr/>	<hr/>	<hr/>
<i>Amortisation</i>			
At 28 February 2002	134,206	(56,224)	77,982
Amortisation	115,746	(506,019)	(390,273)
Exchange differences	34,152	-	34,152
	<hr/>	<hr/>	<hr/>
At 28 February 2003	284,104	(562,243)	(278,139)
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 28 February 2003	810,221	-	810,221
	<hr/>	<hr/>	<hr/>
At 28 February 2002	738,128	(506,019)	232,109
	<hr/>	<hr/>	<hr/>

All negative goodwill has been released during the year following the impairment of the tangible fixed assets acquired with Sonnberg.

Goodwill and negative goodwill	£
Goodwill as previously stated	1,452,358
Prior year adjustment	(2,014,601)
	<hr/>
As restated (see above)	(562,243)
	<hr/>

Namibian Resources Plc

Notes forming part of the financial statements for the year ended 28 February 2003 (Continued)

9 Tangible fixed assets

	Plant and machinery £
Group	
<i>Cost</i>	
At 28 February 2002	656,439
Exchange differences	167,050
	<hr/>
At 28 February 2003	823,489
	<hr/>
<i>Depreciation</i>	
At 28 February 2002	206,553
Exchange differences	52,566
Impairment charge for the period	564,370
	<hr/>
At 28 February 2003	823,489
	<hr/>
<i>Net book value</i>	
At 28 February 2003	-
	<hr/>
At 28 February 2002	449,886
	<hr/>

Following an impairment review, the value of plant and machinery has been written down to £Nil.

Namibian Resources Plc

Notes forming part of the financial statements for the year ended 28 February 2003 (*Continued*)

10 Fixed asset investments

Company	Unlisted investments £	Loans to group undertakings £	Total £
<i>Cost</i>			
At 28 February 2002	1,000,000	329,156	1,329,156
Additions	628,536	-	628,536
	<hr/>	<hr/>	<hr/>
At 28 February 2003	1,628,536	329,156	1,957,692
	<hr/>	<hr/>	<hr/>
<i>Provisions for diminution in value</i>			
At 28 February 2002	1,000,000	329,156	1,329,156
Write back of prior year provision	(371,464)	(329,156)	(700,620)
	<hr/>	<hr/>	<hr/>
At 28 February 2003	628,536	-	628,536
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 28 February 2003	1,000,000	329,156	1,329,156
	<hr/>	<hr/>	<hr/>
At 28 February 2002	-	-	-
	<hr/>	<hr/>	<hr/>

Unlisted investments represents the 100% holding in Sonnberg Diamonds (Namibia) (Proprietary) Limited, a mining company incorporated in Namibia.

11 Debtors

	Group 2003 £	Group 2002 £	Company 2003 £	Company 2002 £
Trade debtors	8,356	7,843	-	-
Other debtors	-	8,910	-	-
Amounts due from subsidiary undertakings	-	-	122,751	-
	<hr/>	<hr/>	<hr/>	<hr/>
	8,356	16,753	122,751	-
	<hr/>	<hr/>	<hr/>	<hr/>

Namibian Resources Plc

Notes forming part of the financial statements for the year ended 28 February 2003 (Continued)

12 Creditors: amounts falling due within one year

	Group 2003 £	Group 2002 £	Company 2003 £	Company 2002 £
Bank loans and overdrafts	136	1,606	-	-
Trade creditors	22,684	5,501	15,312	-
Directors loans	20,618	1,015	20,618	1,015
Accruals and deferred income	10,000	15,049	10,000	15,049
	<u>53,438</u>	<u>23,171</u>	<u>45,930</u>	<u>16,064</u>

13 Creditors: amounts falling due after more than one year

	Group 2003 £	Group 2002 £	Company 2003 £	Company 2002 £
Director's loan	-	88	-	-
	<u>-</u>	<u>88</u>	<u>-</u>	<u>-</u>

14 Share capital

	2003 £	2002 £
<i>Authorised</i>		
500,000,000 ordinary shares of 10p each	<u>50,000,000</u>	<u>50,000,000</u>
<i>Allotted, called up and fully paid</i>		
15,114,730 ordinary shares of 10p each	<u>1,511,473</u>	<u>1,422,973</u>

During the year 885,000 ordinary shares of 10p each were allotted and fully paid at par. The issue was made to the directors, existing shareholders and new subscribers.

Warrants

The company has issued the following warrants to subscribe for ordinary shares:

	Number at 10p
At 28 February 2002 and 28 February 2003	<u>2,009,730</u>

The warrants in issue are all exercisable at any time before 31 December 2005.

Namibian Resources Plc

Notes forming part of the financial statements for the year ended 28 February 2003 (Continued)

15 Reserves

	Capital reserve Restated £	Profit and loss account Restated £
Group		
At 28 February 2002 as previously stated	2,014,601	(2,235,760)
Prior year adjustment (note 7)	(2,014,601)	1,508,582
At 28 February 2002	-	(727,178)
Retained loss for the year	-	(323,790)
Foreign currency translation differences	-	304,884
At 28 February 2003	-	(746,084)
Company		Profit and loss account £
At 28 February 2002		(1,418,794)
Retained profit for the year		1,313,469
At 28 February 2003		(105,325)

16 Reconciliation of movements in shareholders' funds

	2003 £	2002 Restated £
Group		
Loss for the financial year	(323,790)	(209,018)
Other recognised gains and losses	304,884	(518,160)
Proceeds from issue of shares	88,500	1,422,973
Net addition to shareholders' funds	69,594	695,795
Opening shareholders' funds (originally £1,201,814 before deducting prior year adjustment of £506,019)	695,795	-
Closing shareholders' funds	765,389	695,795

Namibian Resources Plc

Notes forming part of the financial statements for the year ended 28 February 2003 (Continued)

16 Reconciliation of movements in shareholders' funds (Continued)

Company	2003 £	2002 £
Profit/(loss) for the financial year	1,313,469	(1,418,794)
Proceeds from issue of shares	88,500	1,422,973
	<hr/>	<hr/>
Net addition to shareholders' funds	1,401,969	4,179
Opening shareholders' funds	4,179	-
	<hr/>	<hr/>
Closing shareholders' funds	1,406,148	4,179
	<hr/>	<hr/>

17 Reconciliation of operating loss to net cash outflow from operating activities

	2003 £	2002 £
Operating loss	(324,021)	(212,157)
Depreciation of tangible assets	564,370	58,930
Amortisation of intangible assets	115,746	67,103
Release of negative goodwill	(506,019)	(56,224)
Decrease/(increase) in debtors	8,397	(4,616)
Increase in creditors	30,043	13,042
Net effect of foreign exchange differences	4,167	(37,110)
	<hr/>	<hr/>
Net cash outflow from operating activities	(107,317)	(171,032)
	<hr/>	<hr/>

18 Analysis of net debt

	At 28 February 2002 £	Cash flow £	At 28 February 2003 £
Net cash:			
Cash at bank and in hand	20,306	(20,056)	250
Bank overdrafts	(1,606)	1,470	(136)
	<hr/>	<hr/>	<hr/>
	18,700	(18,586)	114
	<hr/>	<hr/>	<hr/>

Namibian Resources Plc

Notes forming part of the financial statements for the year ended 28 February 2003 *(Continued)*

19 Reconciliation of net cash flow to movement in net funds

	2003 £	2002 £
(Decrease)/increase in cash for the year	(20,056)	18,700
Movement in net funds in the year	1,470	18,700
Opening net funds	18,700	-
Closing net funds	114	18,700

20 Related party transactions

During the year, the group entered into the following arrangements in which directors and shareholders had an interest.

- a) Mr A C A Carlton, a director of the company and Sonnberg loaned the company £12,000 (2002 - £690). This amount was outstanding at the year end.
- b) Mr O Plummer, a director of the company and Sonnberg loaned the company £8,618 (2002 - £413). This amount was outstanding at the year end (note 12).

21 Contingent liabilities

The mining contract undertaken by the group requires the subsidiary, Sonnberg, to remove all equipment and installations and to rehabilitate all disturbed areas once mining activities have ceased.

Sonnberg pay 1% of sales to a fund held by NAMDEB Diamond Corporation (Proprietary) Limited, to provide for the costs of environmental rehabilitation. The ultimate costs of rehabilitation cannot be accurately quantified but the directors do not believe the group will incur a liability in excess of amounts contributed to the fund. Accordingly no provision has been made.