

CENTAUR NATURAL RESOURCES BOND
(Segregated Account #1 of Centaur Group Finance Ltd.)

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2016

CENTAUR NATURAL RESOURCES BOND
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For the year ended 31 December 2016

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CENTAUR NATURAL RESOURCES BOND
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OFFICERS AND PROFESSIONAL ADVISORS

<p>Company/Issuer Registrar and Transfer Agent Registered Office</p> <p>Centaur Group Finance Ltd., acting in respect of its Segregated Account #1 “Centaur Natural Resources Bond” Cedar House 41 Cedar Avenue Hamilton, HM12 Bermuda</p>	<p>Directors</p> <p>Daniel James McGowan Akash Garg John Sutherland Hindess All c/o: Cedar House 41 Cedar Avenue Hamilton, HM12 Bermuda</p>
<p>Investment Adviser and Arranger</p> <p>Centaur Asset Management Ltd., Cedar House 41 Cedar Avenue Hamilton, HM12 Bermuda</p>	<p>Custodian</p> <p>Global Custodial Services Limited & Global Currency Exchange Network Limited The Old Barn, Oast Business Park, Red Hill, Wateringbury, Kent, ME18 5NN, United Kingdom</p>
<p>Independent Auditors</p> <p>KPMG Limited 14 Esperidon Street 1087, Nicosia Cyprus</p>	<p>Company Secretary</p> <p>Cohort Limited Cedar House 41 Cedar Avenue Hamilton, HM12 Bermuda</p>
<p>Listing Sponsor</p> <p>Cohort Limited Cedar House 41 Cedar Avenue Hamilton, HM12 Bermuda</p>	<p>Paying Agent</p> <p>Global Custodial Services Limited & Global Currency Exchange Network Limited The Old Barn, Oast Business Park, Red Hill, Wateringbury, Kent, ME18 5NN, United Kingdom</p>

CENTAUR NATURAL RESOURCES BOND
(Segregated Account #1 of Centaur Group Finance Ltd.)

BOARD OF DIRECTORS' REPORT

The Board of Directors of Centaur Group Finance Ltd. (the "Company") presents to the members its annual report together with the audited financial statements of its Segregated Account #1 "Centaur Natural Resources Bond" for the year ended 31 December 2016.

INVESTMENT OBJECTIVES AND PRINCIPAL ACTIVITY

Centaur Natural Resources Bond is the Segregated Account #1 (the "Segregated Account") of Centaur Group Finance Ltd. (the "Company") which is an exempted company with unlimited duration and segregated liability between segregated accounts incorporated with limited liability in Bermuda on 4 December 2014 having registered number 49798 and being registered under the Bermuda Segregated Accounts Companies Act 2000 on 4 December 2014. The registered office of the Company is located at Cedar House, 41 Cedar Avenue, Hamilton HM12, Bermuda.

The principal activity of the Segregated Account is to finance certain business projects in relation to the development of various mining projects in the coal and copper sector predominantly in the United Kingdom, South Africa and Namibia and/or the acquisition of capital equipment to expand current mining operations and/or to finance current sand, gravel and asphalt production for existing projects.

Investment in the Segregated Account #1 may be deemed speculative and involves significant risk factors, and is suitable only for sophisticated investors who have no need for liquidity for their investments and who can accept a high degree of risk in their investments.

The investment activities of the Segregated Account are managed by Centaur Asset Management Ltd., a wholly owned subsidiary of The Centaur Group Limited which in turn is a wholly owned subsidiary of Centaur Holdings Limited, incorporated in Bermuda (the "Investment Adviser") and Paying Agent services of the Segregated Account are delegated to Global Custodial Services Limited & Global Currency Exchange Network Limited.

EXAMINATION OF THE DEVELOPMENT, POSITION AND PERFORMANCE OF THE ACTIVITIES OF THE SEGREGATED ACCOUNT

The results and current financial position as presented in the financial statements are considered satisfactory.

MAIN RISKS AND UNCERTAINTIES

The main risks and uncertainties faced by the Segregated Account and the steps taken to manage these risks, are described in note 15 of the financial statements.

BOARD OF DIRECTORS

The members of the Board of Directors of the Segregated Account as at 31 December 2016 and as at the date of this report are set out on page 1. There were no significant changes in the assignment of responsibilities and remuneration of the members of the Board of Directors. All the members of the Board will continue in office.

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BOARD OF DIRECTORS' REPORT (continued)

INDEPENDENT AUDITORS

The independent auditors of the Segregated Account, KPMG Limited, have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be submitted at the forthcoming Annual General Meeting.

EVENTS AFTER THE REPORTING PERIOD

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

By order of the Board of Directors,



Daniel James McGowan
Director

19 May 2017



KPMG Limited
Chartered Accountants
14 Esperidon Street, 1087 Nicosia, Cyprus
P.O. Box 21121, 1502 Nicosia, Cyprus
T: +357 22 209000, F: +357 22 678200

Independent Auditors' report

to the Members of Centaur Natural Resources Bond

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Centaur Natural Resources Bond, the Segregated Account #1 of Centaur Group Finance Ltd. (the "Segregated Account"), which are presented on pages 8 to 25 and comprise the statement of financial position as at 31 December 2016, and the statements of comprehensive income, changes in net assets attributable to bondholders and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Segregated Account as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report. We are independent of the Segregated Account in accordance with the *Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA Code)*, and the ethical requirements in Cyprus that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Notes to the financial statements

1. General information
2. Basis of preparation
3. Significant accounting policies
4. Financial position
5. Comprehensive income
6. Cash flows
7. Changes in net assets attributable to bondholders
8. Commitments and contingencies
9. Related party transactions
10. Financial instruments
11. Taxation
12. Dividends
13. Events after the reporting period
14. Subsequent events
15. Comparative figures

Notes to the financial statements

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying amount of loans receivable (US\$4,463,463)

Refer to Note 9 to the financial statements

The key audit matter	How the matter was addressed in our audit
<p>The Segregated Account has a significant loan receivable from a related party, whose main activities are the holding of investments, provision of finance and coal exploration. The loan is due to be received by August 2020. As a result, there is a risk over the recoverability of this loan in the case the related party and its subsidiaries do not manage to secure sufficient revenues from coal extraction and also receive repayments of their underlying loans and other receivables.</p> <p>The identification of impairment events and the determination of any impairment charge require the application of significant judgment, in particular the timing and quantum of future cash flows. There is a risk of failing to identify an impairment event and the assessment made on recognition of an impairment charge or not is incomplete.</p>	<p>Our audit procedures included testing the receipts of cash after the year end; assessing the debtor's ability to repay its debts by obtaining its management accounts and discussing with the Directors of the Segregated Account ("the Directors") their assessment on the recoverability of loans receivable and whether there were any indications for impairment, taking into account our own knowledge on recoverability of such loans in the past and during the year. We have also discussed with the Directors the progress on the underlying coal mining project of the subsidiary of the related party to which the loans were granted and their forecast for commencement of production, based on expert's report they obtained, and which was assessed by us.</p>

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Board of Directors' report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS-EU, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Segregated Account's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to either liquidate the Segregated Account or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Segregated Account's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Segregated Account's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Segregated Account's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Segregated Account to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

Auditors' responsibilities for the audit of the financial statements (continued)

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matter

This report, including the opinion, has been prepared for and only for the Segregated Account's members as a body and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditors' report is Costas A. Kalias.

KPMG Limited

Chartered Accountants
14 Esperidon Street
1087 Nicosia
Cyprus

19 May 2017

CENTAUR NATURAL RESOURCES BOND
(Segregated Account #1 of Centaur Group Finance Ltd.)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	2016 US\$	4/12/2014 – 31/12/2015 US\$
Interest income	4	691,587	204,928
Total revenue		<u>691,587</u>	<u>204,928</u>
Administration fees	5	(15,921)	(13,619)
Other operating expenses	6	(123,241)	(35,186)
Total operating expenses		<u>(139,162)</u>	<u>(48,805)</u>
Operating profit before finance expenses		<u>552,425</u>	<u>156,123</u>
Finance expenses	7	(548,689)	(151,218)
Increase in net assets attributable to bondholders		<u>3,736</u>	<u>4,905</u>

The notes on pages 12 to 25 are an integral part of these financial statements.

CENTAUR NATURAL RESOURCES BOND
(Segregated Account #1 of Centaur Group Finance Ltd.)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	2016 US\$	2015 US\$
Assets			
Loans receivable	9	4,463,463	2,721,077
Other receivables	10	<u>511,121</u>	<u>204,928</u>
Total non-current assets		<u>4,974,584</u>	<u>2,926,005</u>
Cash and cash equivalents	8	59,306	996,475
Other receivables	10	<u>30,526</u>	<u>46,177</u>
Total current assets		<u>89,832</u>	<u>1,042,652</u>
Total assets		<u>5,064,416</u>	<u>3,968,657</u>
Liabilities			
Bonds payable	11	<u>(4,926,508)</u>	<u>(3,806,508)</u>
Total non-current liabilities		<u>(4,926,508)</u>	<u>(3,806,508)</u>
Other payables	12	<u>(129,267)</u>	<u>(157,244)</u>
Total current liabilities		<u>(129,267)</u>	<u>(157,244)</u>
Total liabilities (excluding net assets attributable to bondholders)		<u>(5,055,775)</u>	<u>(3,963,752)</u>
Net assets attributable to bondholders		<u>8,641</u>	<u>4,905</u>

On 19 May 2017 the Board of Directors of Centaur Group Finance Ltd. acting in respect of its Segregated Account #1 the Centaur Natural Resources Bond authorised these financial statements for issue.



.....
Daniel James McGowan
Director

The notes on pages 12 to 25 are an integral part of these financial statements.

CENTAUR NATURAL RESOURCES BOND
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STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO BONDHOLDERS

For the year ended 31 December 2016

	2016 US\$	4/12/2014 – 31/12/2015 US\$
Balance at 1 January 2016/4 December 2014	4,905	-
Increase in net assets attributable to bondholders	3,736	4,905
Balance at 31 December 2016/31 December 2015	<u>8,641</u>	<u>4,905</u>

The notes on pages 12 to 25 are an integral part of these financial statements.

CENTAUR NATURAL RESOURCES BOND
(Segregated Account #1 of Centaur Group Finance Ltd.)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Note	2016 US\$	4/12/2014 – 31/12/2015 US\$
Cash flows from operating activities			
Increase in net assets attributable to bondholders		3,736	4,905
Adjustments for:			
Interest income	4	(691,587)	(204,928)
Interest expense	7	548,689	151,218
		<u>(139,162)</u>	<u>(48,805)</u>
Change in other receivables	10	15,651	(46,177)
Change in other payables	12	(23,160)	152,427
Loans granted	9	(4,888,868)	(2,860,445)
Loans repayments received	9	3,146,483	139,368
Interest received		385,393	-
		<u>(1,503,663)</u>	<u>(2,663,632)</u>
Net cash used in operating activities			
Cash flows from financing activities			
Proceeds from issue of bonds	11	1,120,000	3,806,508
Interest paid		(553,506)	(146,401)
		<u>566,494</u>	<u>3,660,107</u>
Net cash from financing activities			
Net (decrease)/increase in cash and cash equivalents		(937,169)	996,475
Cash and cash equivalents at the beginning of the year/period		<u>996,475</u>	<u>-</u>
Cash and cash equivalents at the end of the year/period		<u>59,306</u>	<u>996,475</u>

The notes on pages 12 to 25 are an integral part of these financial statements.

CENTAUR NATURAL RESOURCES BOND
(Segregated Account #1 of Centaur Group Finance Ltd.)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. INCORPORATION AND PRINCIPAL ACTIVITY

Centaur Natural Resources Bond is the Segregated Account #1 (the "Segregated Account") of Centaur Group Finance Ltd. (the "Company") which is an exempted company with unlimited duration and segregated liability between segregated accounts incorporated with limited liability in Bermuda on 4 December 2014 having registered number 49798 and being registered under the Bermuda Segregated Accounts Companies Act 2000 on 4 December 2014. The registered office of the Company is located at Cedar House, 41 Cedar Avenue, Hamilton HM12, Bermuda.

The principal activity of the Segregated Account is to finance certain business projects in relation to the development of various mining projects in the coal and copper sector predominantly in the United Kingdom, South Africa and Namibia and/or the acquisition of capital equipment to expand current mining operations and/or to finance current sand, gravel and asphalt production for existing projects.

The Bonds issued by Segregated Account #1 are listed on the Bermuda Stock Exchange ("BSX").

The investment activities of the Segregated Account #1 are managed by Centaur Asset Management Ltd., a wholly owned subsidiary of The Centaur Group Limited which in turn is a wholly owned subsidiary of Centaur Holdings Limited, incorporated in Bermuda (the "Investment Adviser") and Paying Agent services of the Segregated Account are delegated to Global Custodial Services Limited & Global Currency Exchange Network Limited.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Segregated Account have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

(b) Basis of measurement

The financial statements have been prepared under the historical cost convention.

(c) Adoption of new and revised International Financial Reporting Standards and Interpretations as adopted by the EU

At the date of approval of these financial statements, standards, revised standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. Some of them were adopted by the EU and others not yet. The Board of Directors expects that the adoption of these financial reporting standards in future periods will not have a material effect on the financial statements of the Segregated Account.

(d) Functional and presentation currency

These financial statements are presented in United States Dollars (US\$), which is the Segregated Account's functional and presentation currency. All financial information presented in United States Dollars has been rounded to the nearest dollar.

CENTAUR NATURAL RESOURCES BOND
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

2. BASIS OF PREPARATION (continued)

(e) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are revised on a continuous basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(f) Changes in accounting policies

There were no changes in the accounting policies of the Segregated Account during the year.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the year/period presented in these financial statements.

(a) Financial assets and financial liabilities

(i) Classification

The Segregated Account classifies all its financial assets and financial liabilities into the amortised cost category.

(ii) Recognition

The Segregated Account recognises financial assets and financial liabilities on the trade date it becomes a party to the contractual provisions of the instrument.

(iii) Measurement

Financial assets classified as loans and receivables are carried at amortised cost using the effective interest rate method, less impairment losses, if any.

Financial liabilities are measured at amortised cost using the effective interest rate.

CENTAUR NATURAL RESOURCES BOND
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Financial assets and financial liabilities (continued)

(iv) Impairment

Financial assets that are stated at cost or amortised cost are reviewed at each statement of financial position date to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised in the statement of comprehensive income as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the impairment, the decrease in impairment is reversed through the statement of comprehensive income.

(v) De-recognition

The Segregated Account derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for de-recognition in accordance with IAS 39.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

(b) Interest income and expense

Interest income and expense is recognised in the statement of comprehensive income as it accrues, using the original effective interest rate of the instrument calculated at the acquisition or origination date. Interest income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount or any interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis. Interest income and expense includes interest on bank, loans receivable and bonds payable.

(c) Loans granted

Loans originated by the Segregated Account by providing money directly to the borrower are categorised as loans and are carried at amortised cost. This is defined as the fair value of cash consideration given to originate those loans as is determined by reference to market prices at origination date. All loans are recognised when cash is advanced to the borrower.

An allowance for loan impairment is established if there is objective evidence that the Segregated Account will not be able to collect all amounts due according to the original contractual terms of loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans.

CENTAUR NATURAL RESOURCES BOND
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Foreign currency translation

Transactions in foreign currencies are translated at the foreign currency exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to US\$ at the foreign currency exchange rate ruling at the statement of financial position date. Foreign currency exchange differences arising on translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in the statement of comprehensive income.

Non-monetary assets and liabilities denominated in foreign currencies which are stated at historical cost are translated at the foreign currency exchange rate ruling at the date of the transaction, or if impaired, at the date of the impairment recognition.

(e) Expenses

All expenses are recognised in the statement of comprehensive income on an accrual basis.

(f) Cash and cash equivalents

Cash comprises current deposits with banks. Cash equivalents are short - term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(g) Taxation

The Company is an exempted company within the meaning of The Companies Act 1981 of Bermuda and as such, under current law, is not liable for any taxes in Bermuda. The Company is required to pay an annual government fee currently US\$1,000.

The Company is not subject to any income, withholding or capital gains taxes in Bermuda.

(h) Other payables

Other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

(i) Provisions

A provision is recognised in the statement of financial position when the Segregated Account has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

CENTAUR NATURAL RESOURCES BOND
(Segregated Account #1 of Centaur Group Finance Ltd.)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Operating segments

The Board of Directors of the Segregated Account has considered the requirements of IFRS 8: Operating Segments. The Board of Directors is of the view that the Segregated Account is engaged in a single segment of business, being that of investing in a pool of assets (mainly consisting of loans) for the purpose of meeting the Segregated Account's investment objective in accordance with and pursuant to the relevant Offering Memorandum.

The Board of Directors, as a whole, has been determined as constituting the chief operating decision maker of the Segregated Account. The key measure of performance used by the Board of Directors to assess the Segregated Account's performance and to allocate resources is the total return on the Segregated Account's net asset value, as calculated under IFRS, and therefore no reconciliation is required between the measure of profit or loss used by the Board of Directors and that contained in the financial statements.

Information on interest income, which forms the Segregated Account's core source of revenue, is disclosed in the profit or loss.

4. INTEREST INCOME

	2016	4/12/2014 –
	US\$	31/12/2015
		US\$
Loan interest (Note 14(ii))	691,587	204,928
	691,587	204,928
	691,587	204,928

5. ADMINISTRATION FEES

	2016	4/12/2014 –
	US\$	31/12/2015
		US\$
Government fees	945	3,359
Listing fees	14,976	10,260
	15,921	13,619
	15,921	13,619

CENTAUR NATURAL RESOURCES BOND
(Segregated Account #1 of Centaur Group Finance Ltd.)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

6. OTHER OPERATING EXPENSES

	2016	4/12/2014 –
	US\$	31/12/2015
		US\$
Auditors' remuneration	7,376	6,938
Bank charges	4,140	7,213
Paying Agent fees	10,784	12,437
Registered office and secretary fees	5,343	6,999
Management fees (Note 14(iv))	49,265	-
Directors' fees (Note 14(i))	1,333	-
Segregated account representation fees	-	1,599
Paying Agent implementation fees	45,000	-
	123,241	35,186
	123,241	35,186

Implementation fees relate to fees charged by Global Custodial Services Limited & Global Currency Exchange Network Limited for setting up new bank and custodial accounts of Centaur Natural Resources Bond.

7. FINANCE EXPENSES

	2016	4/12/2014 –
	US\$	31/12/2015
		US\$
Bond interest expense (Note 11)	548,689	151,218
	548,689	151,218
	548,689	151,218

8. CASH AND CASH EQUIVALENTS

	2016	2015
	US\$	US\$
Current deposits with banks	59,306	996,475
	59,306	996,475
	59,306	996,475

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

9. LOANS RECEIVABLE

	2016	2015
	US\$	US\$
Loans receivable from related parties (Note 14(ii))	4,463,463	2,721,077
	4,463,463	2,721,077
The loans are receivable as follows:		
Within five years	4,463,463	2,721,077
	4,463,463	2,721,077

10. OTHER RECEIVABLES

	2016	2015
	US\$	US\$
Prepayments	-	945
Loan interest receivable	511,121	204,928
Amounts due from related parties (Note 14(iii))	30,526	45,232
	541,647	251,105
	541,647	251,105

11. BONDS PAYABLE

	2016	2015
	US\$	US\$
Unsecured 12% coupon bonds	4,926,508	3,806,508
	4,926,508	3,806,508
	4,926,508	3,806,508

All bonds issued the by Segregated Account provide bondholders with 12% coupon interest per annum. Bonds constitute direct, unconditional, unsecured obligation on the assets of the Segregated Account.

During the year an amount of US\$548,689 (2015: US\$151,218) has been recognised as interest expense in profit or loss in respect of the bonds payable (Note 7).

CENTAUR NATURAL RESOURCES BOND
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

12. OTHER PAYABLES

	2016	2015
	US\$	US\$
Auditors' remuneration	6,825	6,938
Paying Agent service fees payable	-	1,500
Corporate secretarial fees	-	3,458
Bonds interest payable	-	4,817
Subscriptions received in advance	-	120,000
Amounts due to related parties (Note 14(iv))	122,442	20,531
	129,267	157,244

Subscriptions received in advance during 2015 related to funds received from bondholders in advance for bonds issued early in 2016.

13. TAXATION

There are no taxes on income or gains in Bermuda.

14. RELATED PARTIES

The Company is a wholly owned subsidiary of The Centaur Group Limited which in turn is a wholly owned subsidiary of Centaur Holdings Limited, incorporated in Bermuda. The Centaur Group Limited directly owns 100% of the Company's shares.

The following related party transactions have occurred during the year/period under review:

(i) Directors' remuneration

	2016	4/12/2014- 31/12/2015
	US\$	US\$
Directors' fees	1,333	-
	1,333	-

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14. RELATED PARTIES (continued)

(ii) Loans receivable from related parties (Note 9)

<u>Name</u>	<u>Nature of transactions</u>	2016 US\$	2015 US\$
Nungu Ltd.	Finance	-	2,096,483
Centaur Ventures Ltd.	Finance	4,463,463	624,594
		<u>4,463,463</u>	<u>2,721,077</u>

The loan receivable from Centaur Ventures Ltd. bears interest at the rate of 18.5% per annum and is repayable on 30 August 2020.

The loan receivable from Nungu Ltd. beared interest at the rate of 18.5% per annum and was settled during the year.

An amount of US\$691,586 (2015: US\$204,928) has been recognised as interest income in profit or loss during the year (Note 4).

(iii) Amounts due from related parties (Note 10)

<u>Name</u>	<u>Nature of transactions</u>	2016 US\$	2015 US\$
Centaur Asset Management Ltd.	Finance	29,581	43,342
Centaur Natural Resources Bond 2	Finance	-	945
Centaur Natural Resources Bond 3	Finance	945	945
		<u>30,526</u>	<u>45,232</u>

Amount due from Centaur Asset Management Ltd., a related party through common ownership, relates to expenses paid by the Segregated Account on behalf of the related party.

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For the year ended 31 December 2016

14. RELATED PARTIES (continued)

(iv) Amounts due to related parties (Note 12)

<u>Name</u>	<u>Nature of transactions</u>	2016 US\$	2015 US\$
Centaur Natural Resources Bond 3	Finance	45,333	-
Centaur Asset Management Ltd.	Finance	77,109	20,531
		<u>122,442</u>	<u>20,531</u>

Amounts due to Centaur Asset Management Ltd. and Centaur Natural Resources Bond 3, both related parties through common ownership, relate to expenses paid by the related parties on behalf of the Segregated Account.

(v) Bonds payable to related parties

During the year, Diversified Fund Platform Ltd. (on behalf of Centaur Natural Resources Bond Tracker Fund), a company related through common director, invested US\$100,000 in the Segregated Account's thirteenth tranche of Bonds. The Bonds bear interest 12% per annum and are payable in 2019.

(vi) Investment Adviser

The Investment Adviser is Centaur Asset Management Ltd., a company incorporated in Bermuda, and has been appointed by the Segregated Account to manage the investments of the Segregated Account in accordance with the relevant Offering Memorandum and the Management Agreement. The Investment Adviser will be paid a management fee equivalent to 1.00% per annum of the aggregate nominal amount of the proceeds from the issue of the Bonds. The fee shall be calculated monthly in arrears and payable monthly on the first business day of each calendar month.

Management fees of US\$49,265 (2015: US\$38,065) have been waived by the Investment Adviser during the year as a gesture of long term relationship.

15. FINANCIAL RISK MANAGEMENT

The Segregated Account's investment activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The most significant types of financial risks to which the Segregated Account is exposed are market risk, credit risk and liquidity risk.

This note presents information about the Segregated Account's exposure to the above risks, accounts objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout these financial statements.

The Directors have overall responsibility for the establishment and oversight of the Segregated Account's risk management framework.

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For the year ended 31 December 2016

15. FINANCIAL RISK MANAGEMENT (continued)

The risk management policies are established to identify and analyse the risks faced by the Segregated Account, to set appropriate risks limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Segregated Account's activities.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect Segregated Account's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Borrowings issued at variable rates expose the Segregated Account to cash flow interest rate risk. Borrowings issued at fixed rates expose the Segregated Account to fair value interest rate risk.

At the reporting date the interest rate profile of interest-bearing financial instruments was:

	2016	2015
	US\$	US\$
<i>Fixed rate instruments</i>		
Financial assets	4,463,463	2,721,077
Financial liabilities	(4,926,508)	(3,806,508)
	<u>(463,045)</u>	<u>(1,085,431)</u>

Sensitivity analysis

Any increase/(decrease) in interest rates will have no effect on results and net assets of the Segregated Account, because, all financial instruments are fixed rated.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Segregated Account's functional currency. The Segregated Account is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Euro. The Segregated Account's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

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15. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

Currency risk (continued)

The Segregated Account's exposure to foreign currency risk was as follows:

	2016	2015
	Net assets/ (liabilities)	Net assets/ (liabilities)
	US\$	US\$
Euro	(6,825)	(6,938)
	<u>(6,825)</u>	<u>(6,938)</u>

Sensitivity analysis

A 10% strengthening of the United States Dollar against the following currency at 31 December 2016 would have increased (decreased) net assets by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 10% weakening of the United States Dollar against the relevant currency, there would be an equal and opposite impact on the net assets.

	2016	2015
	Net assets/ (liabilities)	Net assets/ (liabilities)
	US\$	US\$
Euro	(683)	(694)
	<u>(683)</u>	<u>(694)</u>

(b) Credit risk

Credit risk represents the potential loss that the Segregated Account would incur if counterparties fail to perform pursuant to the terms of their obligations or commitments that they have entered into with the Segregated Account. The Segregated Account limits its credit risk by carrying out transactions through companies with sound financial background.

At the reporting date, the Segregated Account's financial assets exposed to credit risk amounted to the following:

	2016	2015
	US\$	US\$
Cash and cash equivalents	59,306	996,475
Loans receivable	4,463,463	2,721,077
Other receivables	541,647	251,105
	<u>5,064,416</u>	<u>3,968,657</u>

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

15. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Segregated Account will not be able to meet its financial obligations as they fall due. The Segregated Account's and the Investment Adviser's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions.

The table below analyses the Segregated Account's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts in the table are in contractual undiscounted cash flows.

As at 31 December 2016	Carrying amount US\$	Less than 1 year US\$	1-3 years US\$
Bonds payable	(4,926,508)	-	(4,926,508)
Other payables	(129,267)	(129,267)	-
Net assets attributable to bondholders	(8,641)		(8,641)
	<u>(5,064,416)</u>	<u>(129,267)</u>	<u>(4,935,149)</u>
As at 31 December 2015	Carrying amount US\$	Less than 1 year US\$	1-3 years US\$
Bonds payable	(3,806,508)	-	(3,806,508)
Other payables	(157,244)	(157,244)	-
Net assets attributable to bondholders	(4,905)	-	(4,905)
	<u>(3,968,657)</u>	<u>(157,244)</u>	<u>(3,811,413)</u>

CENTAUR NATURAL RESOURCES BOND
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16. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The table below sets out the classifications of the carrying amounts of the Segregated Account's financial assets and financial liabilities into categories of financial instruments.

	Note	Held for trading	Designated as at fair value	Loans and receivables	Other financial liabilities	Total
31 December 2016						
Cash and cash equivalents	8	-	-	59,306	-	59,306
Loans receivable	9	-	-	4,463,463	-	4,463,463
Other receivables	10	-	-	541,647	-	541,647
		-	-	5,064,416	-	5,064,416
Bonds payable	11	-	-	-	4,926,508	4,926,508
Other payables	12	-	-	-	129,267	129,267
Net assets attributable to bondholders		-	-	-	8,641	8,641
		-	-	-	5,064,416	5,064,416
31 December 2015						
Cash and cash equivalents	8	-	-	996,475	-	996,475
Loans receivable	9	-	-	2,721,077	-	2,721,077
Other receivables	10	-	-	251,105	-	251,105
		-	-	3,968,657	-	3,968,657
Bonds payable	11	-	-	-	3,806,508	3,806,508
Other payables	12	-	-	-	157,244	157,244
Net assets attributable to bondholders		-	-	-	4,905	4,905
		-	-	-	3,968,657	3,968,657

17. EVENTS AFTER THE REPORTING PERIOD

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements.