Citizen Entrepreneurial Development Agency (CEDA)

(Registration number CO/2001/2412)

Group Annual Financial Statements for the year ended 31 March 2014

Index

The reports and statements set out below comprise the group annual financial statements presented to the members:

General Information

Country of incorporation and domicile	Botswana
Nature of business and principal activities	The Citizen Entrepreneurial Development Agency ('CEDA") was established by the Government of the Republic of Botswana to provide financial and technical support for business development with the view of promoting viable and sustainable citizen owned business enterprises. CEDA was incorporated as a company limited by guarantee on 12 April 2001 and commenced operations in June 2001. In order to fulfil its objectives, CEDA provides the following services: ◦ Financial assistance to enterprises in the form of loans, which are offered at subsidised interest rates and guarantees issued on behalf of entrepreneurs; ◦ Training and mentoring, providing management and marketing skills to the managers of its customers in order to enhance their opportunities for success; • Provision of loan finance to young farmers; • Provide access to finance for Small, Micro and Medium Enterprises (SMME) and to assist businesses operating in the SMME sector of the economy to fulfil the security requirements of commercial banks and other development financial institutions; and ◦ Provision of risk capital to citizen owned projects and joint ventures between citizens and non-citizens through CEDA Venture Capital Fund.
Registered office	Plot 54350, Four Thirty Square Phillip Matante Road CBD Gaborone
Business address	Plot 54350, Four Thirty Square Phillip Matante Road CBD Gaborone
Postal address	Private Bag 00504 Gaborone

Bankers	Standard Chartered Bank Botswana Limited Barclays Bank of Botswana Limited First National Bank of Botswana Limited Banc ABC Stanbic Bank Botswana Limited Bank Gaborone Limited
Auditors	PricewaterhouseCoopers Certified Auditors
Secretary	Cynthia Sebonego
Company registration number	CO/2001/2412

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act (Chapter 42:01) to maintain adequate accounting records and are responsible for the content and integrity of the group annual financial statements and related financial information included in this report. It is their responsibility to ensure that the group annual financial statements fairly present the state of affairs of the group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretation Committee ('IFRIC") interpretations issued by the International Accounting Standards Board and effective at the time of preparation of these financial statements. The external auditors are engaged to express an independent opinion on the group annual financial statements.

The group annual financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretation Committee ('IFRIC") interpretations issued by the International Accounting Standards Board and effective at the time of preparation of these financial statements and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the directors set standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the group annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the group's cash flow forecast for the year to 31 March 2015 and, in the light of this review and the current financial position, they are satisfied that the group has or has access to adequate resources to continue in operational existence for the foreseeable future.

The group annual financial statements set out on page 9 to 61, which have been prepared on the going concern basis, were approved by the board of directors on 16 JAN 2020 and were signed on its behalf by:

Director

Director

Directors' Report

The directors have pleasure in submitting their report on the group annual financial statements of Citizen Entrepreneurial Development Agency (CEDA) for the year ended 31 March 2014.

1. Nature of business

There have been no material changes to the nature of the group's business from the prior year.

2. Review of financial results and activities

The consolidated group annual financial statements have been prepared in accordance with International Financial Reporting Standards. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the group are set out in these consolidated group annual financial statements.

3. Stated Capital

There were no changes in the stated capital of the company during the year under review.

4. Directors

The directors in office at the date of this report are as follows:

Directors	Nationality	
Dr A Tsheboeng - Chairperson	Motswana	
G K Mosimaneotsile	Motswana	
Dr TS Mampane	Motswana	
D Mading	Motswana	
B Bogopa	Motswana	
W Mosweu	Motswana	
AT Khunwana	Motswana	
G Mmolawa	Motswana	
M Mulalu	Motswana	Resigned 30 November 2018
BM Ditlhabi	Motswana	Resigned 30 November 2016
SM Makosha	Motswana	Resigned 31 January 2019
SM Kaisara	Motswana	Resigned 30 November 2016
C Mokgware	Motswana	Resigned 1 July 2015
S Ramatshaba	Motswana	Resigned 30 August 2015
LB Sebetela	Motswana	Resigned 31 January 2016
ST Morolong	Motswana	Resigned 30 November 2015
Dr LP Gakale	Motswana	Resigned 30 November 2013

5. Fixed assets

There has been no major changes in the nature of the fixed assets of the company and the group during the year under review and the policy relating to their use.

6. Events after the reporting period

Refer to note 34 on the material subsequent events that occurred from reporting date to the date of signature of the annual financial statements.

Directors' Report

7. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of the business.

8. Auditors

PricewaterhouseCoopers are prepared to continue in office in accordance with the Companies Act (Chapter 42:01).

9. Secretary

The company secretary is Cynthia Sebonego.

Postal address	Private Bag 00504 Gaborone

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CITIZEN ENTREPRENEURIAL DEVELOPMENT AGENCY

Report on the financial statements

We have audited the group annual financial statements of Citizen Entrepreneurial Development Agency, which comprise the consolidated statement of financial position as at 31 March 2014, and the consolidated statement of comprehensive income, consolidated statement of changes in capital and funding and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 9 to 61.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

PricewaterhouseCoopers, Plot 50371, Fairground Office Park, Gaborone, P O Box 294, Gaborone, Botswana
T: (267) 395 2011, F: (267) 397 3901, www.pwc.com/bw

Country Senior Partner: B D Phirie
Partners: R Binedell, A S Edirisinghe, L Mahesan, S K K Wijesena

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITIZEN ENTREPRENEURIAL DEVELOPMENT AGENCY (continued)

Opinion

In our opinion, the consolidated financial statements give a true and fair view of, the consolidated financial position of Citizen Entrepreneurial Development Agency as at 31 March 2014, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

Individual practicing member: Rudi Binedell
Registration number: 20040091

Gaborone
24 February 2020

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Citizen Entrepreneurial Development Agency (CEDA)
(Registration number CO/2001/2412)
Group Annual Financial Statements for the year ended 31 March 2014

Statement of Comprehensive Income

		Group	
Figures in Pula	Notes	2014	2013
Revenue	1	146 185 475	223 742 969
Cost of sales	2	(63 999 233)	(117 861 743)
Gross profit		82 186 242	105 881 226
Government grants	3	341 356 179	218 674 600
Other operating Income	4	14 685 013	32 976 162
Textile grant expenses	5	(1 356 760)	(581 322)
Operating expenses	6	(73 701 594)	(82 582 360)
Management fees	7	(4 293 333)	(5 600 000)
Staff expenses	8	(103 401 993)	(99 104 076)
Provision for guarantee claims		(7 476 055)	(3 565 095)
Profit arising on disposal of investments	9	2 350 000	26 265 619
(charge) / release for impairment	10	(157 803 564)	(262 590 832)
Operating (loss)/ profit		92 544 135	(70 226 079)
Share of (loss)/ profits from associates		(3 033 333)	(6 254 604)
Finance cost	12	(4 198 704)	(7 028 240)
Profit/(loss) before taxation		85 312 098	83 508 923
Taxation	13	768 485	311 022
Profit/(loss) for the year		86 080 853	(83 197 901)
Other comprehensive income			
Gain on revaluation of property plant and equipment		-	2 293 829
Impairment on aircrafts		-	(3 943 704)
Total comprehensive income/(loss) for the year		86 080 583	(84 847 776)
Profit/(loss) attributable to :			
Owners of the parent		114 024 773	(69 079 148)
Non-controlling interest		(27 944 190)	(14 118 753)
		86 080 583	(83 197 901)
Total comprehensive income/(loss) attributable to:			
Owners of the parent		114 024 773	(68 717 733)
Non-controlling interest		(27 944 190)	(16 130 042)
		86 080 583	(84 847 776)

Statement of Financial Position as at 31 March 2014

		Group	
Figures in Pula	Notes	2014	2013
Assets			
Cash and cash equivalents	14	246 209 191	98 443 759
Loans and advances	15	797 714 994	808 508 526
Other assets	16	89 380 964	117 730 127
Investments in subsidiaries	17	-	-
Investments in associates	18	52 512 064	43 118 586
Inventories	20	-	22 074 082
Property, plant and equipment	22	13 075 388	49 490 786
Assets held for sale/distribution	19	1	-
Total assets		1 198 892 602	1 139 365 866
Capital, funding and liabilities			
Capital and funding			
Capital reserve		1 252 024 077	1 260 432 519
Revaluation reserve	23	2 292 847	9 121 575
Accumulated losses		(216 942 562)	(336 089 405)
Capital and funding attributable to owners of the parent		1 037 374 362	933 464 689
Non-controlling interest		(34 370 743)	(6 426 553)
Total capital and funding		1 003 003 619	927 038 136
Liabilities			
Bank overdrafts	14	2 681 403	30 167 504
Trade and other payables	24	118 723 567	85 744 431
Finance leases	25	3 435 225	5 552 112
Other financial liabilities	26	71 048 788	86 939 145
Deferred tax liabilities	21	-	911 132
Current tax liabilities	21	-	3 013 406
Total liabilities		195 888 983	212 327 730
Total capital, funding and liabilities		1 198 892 602	1 139 365 866

Statement of Changes in capital and funding for the year ended 31 March 2014

Figures in Pula	Stated capital	Revaluation reserve	Accumulated loss	Total attributable to equity holders of the group	Non-controlling interest	Total equity
Balance at 01 April 2012	1 260 432 519	17 064 019	(268 269 287)	1 009 227 251	2 659 142	1 011 886 393
Loss for the year	-	-	(69 079 148)	(69 079 148)	(14 118 753)	(83 197 901)
Other comprehensive income						
Gain on revaluation of motor vehicles	-	2 293 348				2 293 348
Impairment on revaluation of property, plant and equipment	-	(1 932 415)	-	(1 932 415)	(2 011 289)	(3 943 704)
Transfer from revaluation reserve on disposal of property, plant and equipment	-	(8 513 828)	-	8 513 828	-	-
Transactions with owners						
Dilution of interest due to issue of shares by subsidiaries	-	210 451	(6 407 259)	(6 196 807)	6 196 807	-
Acquisition of non - controlling interest in Delta Dairies Pty) Ltd)	-	-	-	(847 540)	847 540	-
Balance at 31 March 2013	1 260 432 519	9 121 575	(336 089 405)	933 464 689	(6 426 553)	927 038 136

Statement of Changes in capital and funding for the year ended 31 March 2014

Figures in Pula	Stated capital	Revaluation reserve	Accumulated loss	Total attributable to equity holders of the group	Non-controlling interest	Total equity
Balance at 01 April 2013	1 260 432 519	9 121 575	(336 089 405)	933 464 689	(6 426 553)	927 038 136
Profit for the year	-	-	114 024 772	114 024 772	(27 944 190)	86 080 582
Revaluation reserve		2 393 780		2 393 780		2 393 780
Total comprehensive income for the year	-	2 383 780	114 024 772	116 418 552	(27 944 190)	88 474 362
Write off of reserves on account of assets written off		(2 927 429)		(2 927 429)		(2 927 429)
Adjustment of capital	(8 408 442)	-	-	(8 408 442)	-	(8 408 442)
Transfer from revaluation reserve on disposal of property, plant and equipment	-	(5 122 069)	5 122 069	-	-	-
Acquisition of non-controlling interest in PG Industries		(1 173 010)		(1 1763 010)		(1 173 010)
Total contributions and distribution to owners	(8 408 442)	(9 222 508)	5 122 069	(12 8508 881)	-	(12 508 881)
Balance at 31 March 2014	1 252 024 077	2 292 847	(216 942 562)	1 037 374 361	(34 370 743)	1 003 003 617
Note(s)		23				

Citizen Entrepreneurial Development Agency (CEDA)

(Registration number CO/2001/2412)
Group Annual Financial Statements for the year ended 31 March 2014

Statement of Cash Flows

		Group	
Figures in Pula	Notes	2014	2013
Cash flows from operating activities:			
Cash generated from operations		214 339 092	37 009 918
Income tax/ vat paid		(3 013 406)	-
Net cash generated from operating activities	27	211 325 686	37 009 918
Cash flows from investing activities:			
Purchase of property, plant and equipment		(8 158 716)	(7 247 181)
Proceeds on disposal of investment in associates		2 350 000	76 939 400
Investment in associates net of interest capitalised		(26 384 464)	(56 420 066)
Movement in investment in subsidiaries		(6 617 000)	-
Proceeds on disposal of plant and equipment		942 989	26 924 246
Net cash used in investing activities:		(37 867 191)	40 196 399
Cash flows from financing activities			
Interest paid		(4 198 704)	(7 028 240)
Net movement in interest bearing loans		(2 116 887)	(23 708 914)
Net cash used in financing activities		(6 315 591)	(30 737 154)
Net increase/decrease in cash and cash equivalents		167 142 904	46 469 163
Cash at the beginning of the year		68 276 255	21 807 092
Adjustment for Delta Dairies Over draft		8 108 629	-
Adjusted Cash at the beginning of the year		76 384 884	
Total cash at end of the year	14	243 527 788	68 276 255

Accounting Policies

1. Presentation of Group Annual Financial Statements

The annual financial statements of Citizen Entrepreneurial Development Agency ("CEDA") and its subsidiaries ("group") have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretation Committee ('IFRIC") interpretations issued by the International Accounting Standards Board and effective at the time of preparation of these financial statements. The group annual financial statements have been prepared on the historical cost basis as modified by the revaluation of property, plant and equipment, and incorporate the principal accounting policies set out below. They are presented in Botswana Pula.

1.1 Consolidation

Basis of consolidation

The group annual financial statements incorporate the annual financial statements of the company and all investees which are controlled by the group and investees where the group has significant influence.

Investment in subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an 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. 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 group'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 statement of comprehensive income.

The results of the entities acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries and special purpose funds to bring their accounting policies in line with those used by CEDA. All intra-group transactions, balances, income and expenses and unrealised gains/losses on transactions between group companies are eliminated on consolidation. Transactions which result in changes in ownership levels, where the group has control of the subsidiary both before and after the transaction are regarded as equity transaction and are recognised directly in the statement of changes in equity.

Non-controlling interests

The group applies a policy of treating those with non-controlling interest as those with parties internal to the group. Disposal to minority interest results in gains and losses for the group and are recorded in the statement of comprehensive incomes. Purchase from non-controlling interest result in goodwill being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary. Losses of subsidiaries attributable to non-controlling interests are allocated to non-controlling interest even if this results in a debit balance being recognized for non-controlling interest.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the parent.

Accounting Policies

1.1 Consolidation (continued)

Where a subsidiary is disposed of and a non-controlling shareholding is retained, the remaining investment is measured to fair value with the adjustment to fair value recognised in profit or loss as part of the gain or loss on disposal of the controlling interest.

Investment in associates

An associate is an entity over which the group has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

An investment in associate is accounted for using the equity method, except when the investment is classified as held-for-sale in accordance with IFRS 5 Non-current assets held-for-sale and discontinued operations. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost adjusted for post acquisition changes in the group's share of net assets of the associate, less any impairment losses.

Losses in an associate in excess of the group's interest in that associate are recognised only to the extent that the group has incurred a legal or constructive obligation to make payments on behalf of the associate.

Any goodwill on acquisition of an associate is included in the carrying amount of the investment, however, a gain on acquisition is recognised immediately in profit or loss.

Profits or losses on transactions between the group and an associate are eliminated to the extent of the group's interest therein.

When the group reduces its level of significant influence or loses significant influence, the group proportionately reclassifies the related items which were previously accumulated in equity through other comprehensive income to profit or loss as a reclassification adjustment. In such cases, if an investment remains, that investment is measured to fair value, with the fair value adjustment being recognised in profit or loss as part of the gain or loss on disposal.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the group annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the group annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the group annual financial statements. Significant judgements include:

Trade receivables and Loans and receivables

The group assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Impairment testing

Impairment losses on loans and advances

In determining whether an impairment loss should be recorded in the statement of comprehensive income, the group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from an individual loan or a portfolio of loans before the decrease can be identified with an individual loan in that portfolio.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The historical loss experience is based on a 12 month observation period of loans in arrears moving into default, with default defined as loans in arrears greater than 150 days or loans which have been classified as non- performing. Objective evidence of impairment is assumed to be evident once a loan moves to more than 90 days in arrears.

The projected future cash flows of the loans which reflect objective evidence of default are based on the historical recovery experience of a representative sample of non-performing loans. The projected future cash flows are discounted at the ruling contract rate

Recovery rate experience is the average duration that a classified account is expected to be recovered over a specified amount of time. The recovery rate experience is dependent on the nature of security and duration of the original loan granted. The security percentage realisable is calculated using the value as at the reporting date. Where recent valuation is not held, either external data may be used to validate the difference, i.e. movements in the price indices or justification should be provided to demonstrate that the value used is still an accurate reflection of the security value.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operating profit note. During the year write downs amounted to P15 131 681(2013: P2 020 826).

Specific impairment provision considerations

Management periodically evaluate all loans that have been rescheduled on payment terms or moratorium period. These loans are impaired by comparing the holding value to recoverable security values. This is accounted for as a specific provision

Sensitivity analysis on impairment provision as per management's estimates is shown as follows:

31 March 2014	Existing impairment allowance	Impact on changes in Emergence period		Impact on changes in Roll rates	Impact on changes in Roll rates	Impact on changes in Recovery experience	
P'000		(+) 3 months	(-) 3 months	(-)5%	(+)5%	(+)5%	(-)5%
Portfolio provision	755 307	2 165	(2 165)	(46 610)	46 610	(7 941)	7 941
Specific provision	39 637	-	-	-	-	(9 528)	9 528
Total provision	794 944	2 165	(2 165)	(46 610)	46 610	(17 469)	17 469

31 March 2013	Existing impairment allowance	Impact on changes in Emergence period		Impact on changes in Roll rates	Impact on changes in Roll rates	Impact on changes in Recovery experience	
P'000		(+) 3 months	(-) 3 months	(-)5%	(+)5%	(+)5%	(-)5%
Portfolio provision	595 649	(3 324)	3 324	(54 095)	54 095	(41 125)	41 125
Specific provision	90 453	-	-	-	-	(13 537)	14 242
Total provision	686 102	(3 324)	3 324	(54 095)	54 095	(54 662)	55 367

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment losses on investments

At each reporting date, the group reviews the carrying amount of its investments with respect to results of the portfolio investments to determine whether there is any indication that those investments have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, its carrying amount is reduced to its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

Provisions

Provisions are raised when management determine an estimate based on the information available. Provisions for Guarantees as at year end were P33 368 856 (2013: P25 892 802).

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

1.3 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, or replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment are depreciated on a straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Accounting Policies

1.3 Property, plant and equipment (continued)

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	Not depreciated
Buildings	40 years
Leasehold property	Lease period
Plant and machinery	6 years
Motor vehicles	4 years
Office furniture & fittings	10 years
Computer equipment	4 years
Computer software	3 years
Aircrafts	20 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.4 Financial instruments

Classification

The group classifies financial assets and financial liabilities into the following categories:
- Financial assets at fair value through profit or loss - held for trading
- Financial assets at fair value through profit or loss - designated
- Held-to-maturity investment
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities at fair value through profit or loss - held for trading
- Financial liabilities at fair value through profit or loss - designated
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

Financial assets classified as at fair value through profit or loss which are no longer held for the purposes of selling or repurchasing in the near term may be reclassified out of that category:
- in rare circumstances
- if the asset met the definition of loans and receivables and the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

Accounting Policies

1.4 Financial instruments (continued)

No other reclassifications may be made into or out of the fair value through profit or loss category. A financial asset classified as available-for-sale that would have met the definition of loans and receivables may be reclassified to loans and receivables if the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

Initial recognition and measurement

Financial instruments are recognised initially when the group becomes a party to the contractual provisions of the instruments.

The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss.

Subsequent measurement

Financial instruments at fair value through profit or loss are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period.

Net gains or losses on the financial instruments at fair value through profit or loss include dividends and interest.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in profit or loss as part of other income. Dividends received on available-for-sale equity instruments are recognised in profit or loss as part of other income when the group's right to receive payment is established.

Changes in fair value of available-for-sale financial assets denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost and other changes in the carrying amount. Translation differences on monetary items are recognised in profit or loss, while translation differences on non-monetary items are recognised in other comprehensive income and accumulated in equity.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

1.4 Financial instruments (continued)

Impairment of financial assets

At each reporting date the group assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the group, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available- for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity as a reclassification adjustment to other comprehensive income and recognised in profit or loss.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Loans to/(from) related parties

These include loans to/(from) entities under the same control and are recognised initially at fair value plus direct transaction costs.

Loans to related parties are classified as loans and advances.

Loans from related parties are classified as financial liabilities measured at amortised cost.

Loans to shareholders, directors, managers and employees

These financial assets are classified as loans and advances.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

Accounting Policies

1.4 Financial instruments (continued)

The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as other assets.

Trade and other payables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs.

1.5 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Accounting Policies

1.5 Tax (continued)

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.7 Inventories

Inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and net realisable value on the first-in-first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Accounting Policies

1.7 Inventories (continued)

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.8 Assets held for sale (and) (disposal groups)

Assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

Asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in profit or loss.

1.9 Impairment of assets

The group assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the group also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

Accounting Policies

1.9 Impairment of assets (continued)

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.10 Stated capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity.

If the group reacquires its own equity instruments, the consideration paid, including any directly attributable incremental costs (net of income taxes) on those instruments are deducted from equity until the shares are cancelled or reissued. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the group's own equity instruments. Consideration paid or received shall be recognised directly in equity.

1.11 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

1.12 Provisions and contingencies

Provisions are recognised when:

- the group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Accounting Policies

1.12 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised but are disclosed in note 32.

1.13 Government grants

Government grants are recognised when there is reasonable assurance that:

- the group will comply with the conditions attaching to them; and
- the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Government grants related to assets, including non-monetary grants at fair value, are presented in the statement of financial position by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Grants related to income are presented as a credit in the profit or loss (separately).

Repayment of a grant related to income is applied first against any un-amortised deferred credit set up in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or where no deferred credit exists, the repayment is recognised immediately as an expense.

Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognised to date as an expense in the absence of the grant is recognised immediately as an expense.

1.14 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business net of discounts and sales related taxes.

Accounting Policies

1.14 Revenue (continued)

Interest income

Interest income for all interest-bearing financial instruments except for those classified as held for trading or designated at fair value through profit or loss are recognised within 'interest income' in the statement of comprehensive income using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or when appropriate a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate the group estimates cash flows considering all contractual terms of the financial instrument (for example prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fees and commission

The company recognises fees charged to customers in the statement of comprehensive income on the accruals basis when a service is rendered and payment is due.

Dividends are recognised in profit or loss when the company's right to receive payment has been established.

The group recognises fees charged to customers in the statement of comprehensive income on the accruals basis when a service is rendered and payment is due.

Salvage and subrogation reimbursements

The group has the right to pursue third parties for payment of some or all of the costs. Salvage income comprise recoveries from the loans in default for which claims by participating banks were already paid. Salvage income is accounted for as and when it is realised.

Recovery of Micro Credit Scheme debts

The group receives from time to time net proceeds from collections relating to the loans advances by the Micro Credit Scheme which were fully provided prior to the winding up of this scheme but are still being pursued by debt collectors. Such proceeds are recognised as other operating income and are credited to the Statement of comprehensive income.

Insurance Premiums

Insurance premiums comprise revenue charged by CEDA Credit Guarantee Scheme ("CCGS") on the balance of the loans guaranteed by CCGS at the beginning of the year at the rate of 1.5% and the period covered is twelve months. Premiums on loans that are guaranteed during the year are charged proportionally over the coverage period up to year end. Premiums are shown in the statement of comprehensive income before any deductions.

Financial Assistance Policy (FAP) grants

The financial statements reflect only approved FAP grants which were disbursed during the year. Amounts refundable for FAP claims made in excess of entitlement and other balances recovered as a result of non-compliance with the FAP agreements are accounted for on the receipts basis.

Accounting Policies

1.15 Cost of sales

When inventories are sold the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories arising from an increase in net realizable value is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

The related cost of providing services recognized as revenue in the current period is included in cost of sales.

1.16 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.17 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Pula, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous group annual financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss. Cash flows arising from transactions in a foreign currency are recorded in Pula by applying to the foreign currency amount the exchange rate between the Pula and the foreign currency at the date of the cash flow.

1.18 Insurance claim expenses

Insurance claims and loss adjustment expenses are charged to the statement of comprehensive income as incurred based on:

(i) The actual claims submitted by the participating banks; and
(ii) Estimated liabilities for compensation to participating banks (as determined in the provision note below)

This includes direct or indirect claim settlement costs and arise from events that have occurred up to the reporting date even if they have not been reported to the group. The group recognises its liability when a loan granted by the participating banks fall in arrears for more than four months and the liability is estimated as the 75% of the outstanding capital plus interest up to a maximum of twelve months on the capital balance.

Accounting Policies

1.19 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the bank's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the statement of comprehensive income the fee income earned on a straight line basis over the life of the guarantee and the best estimate of the expenditure required to settle any financial obligation arising at the reporting date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of management. Any increase in the liability relating to guarantees is taken to the statement of comprehensive income under other operating expenses.

Outstanding claims payable

This is a provision for claims payable for which the participating banks have submitted claims in accordance with the Agency Agreement.

Provision for guaranteed loans in arrears

The Agency Agreement defines that a borrower is deemed to be in default on a loan, if they fail to meet their scheduled payment obligations for four consecutive months before a participating bank can submit a claim under the scheme. Provision for claims comprise the portion of the loss expected to be incurred by the group for the guaranteed loans that are four months or more in arrears but not yet claimed by the bank.

Accounting Policies

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IFRS 1 - Annual Improvements for 2009 - 2011 cycle	01 January 2013	The impact of the amendment is not material.
• Government Loans (Amendment to IFRS 1)	01 January 2013	The impact of the amendment is not material.
• IAS 1 - Annual Improvements for 2009 - 2011 cycle	01 January 2013	The impact of the amendment is not material.
• IAS 16 - Annual Improvements for 2009 - 2011 cycle	01 January 2013	The impact of the amendment is not material.
• IAS 34 - Annual Improvements for 2009 - 2011 cycle	01 January 2013	The impact of the amendment is not material.
• Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance	01 January 2013	The impact of the amendment is not material.
• IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	01 January 2013	The impact of the amendment is not material.
• IAS 27 Separate Financial Statements	01 January 2013	The impact of the amendment is not material.
• IFRS 10 Consolidated Financial Statements	01 January 2013	The impact of the amendment is not material.
• IFRS 11 Joint Arrangements	01 January 2013	The impact of the amendment is not material.
• IAS 19 Employee Benefits Revised	01 January 2013	The impact of the amendment is not material.
• IFRS 12 Disclosure of Interests in Other Entities	01 January 2013	The impact of the amendment is not material.
• Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)	01 January 2013	The impact of the amendment is not material.
• IAS 1 Presentation of Financial Statements	01 January 2013	The impact of the amendment is not material.

Accounting Policies

2.2 Standards and interpretations not yet effective

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 01 April 2014 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IFRS 9 Financial Instruments	01 January 2018	Unlikely there will be a material impact
• IFRS 15 Revenue from Contracts with Customers	01 January 2017	Unlikely there will be a material impact
• Amendment to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations	01 January 2016	Unlikely there will be a material impact
• Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	01 January 2016	Unlikely there will be a material impact
• Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	01 January 2016	Unlikely there will be a material impact
• Amendment to IAS 27: Equity Method in Separate Financial Statements	01 January 2016	Unlikely there will be a material impact
• IFRS 14 Regulatory Deferral Accounts	01 January 2016	Unlikely there will be a material impact
• Amendments to IFRS 10, 12 and IAS 28: Investment Entities. Applying the consolidation exemption	01 January 2016	Unlikely there will be a material impact
• Amendments to IAS 16 and IAS 41: Agriculture: Bearer Plants	01 January 2016	Unlikely there will be a material impact
• Amendment to IFRS 5: Non-current Assets Held for Sale and Discontinued Operations: Annual Improvements project	01 January 2016	Unlikely there will be a material impact
• Amendment to IFRS 7: Financial Instruments: Disclosures: Annual Improvements project	01 January 2016	Unlikely there will be a material impact
• Amendment to IAS 19: Employee Benefits: Annual Improvements project	01 January 2016	Unlikely there will be a material impact
• Disclosure Initiative: Amendment to IAS 1: Presentation of Financial Statements	01 January 2016	Unlikely there will be a material impact
• Amendment to IAS 34: Interim Financial Reporting. Annual Improvements project	01 January 2016	Unlikely there will be a material impact
• Amendment to IFRS 8: Operating Segments: Annual improvements project	01 January 2014	Unlikely there will be a material impact
• Amendment to IAS 24: Related Party Disclosures: Annual improvements project	01 January 2014	Unlikely there will be a material impact
• Amendment to IAS 16: Property, Plant and Equipment: Annual improvements project	01 January 2014	Unlikely there will be a material impact
• Amendment to IAS 40: Investment Property: Annual improvements project	01 January 2014	Unlikely there will be a material impact
• Amendment to IAS 19: Defined Benefit Plans: Employee Contributions	01 January 2014	Unlikely there will be a material impact
• Amendment to IFRS 3: Business Combinations: Annual improvements project	01 January 2014	Unlikely there will be a material impact
• Amendment to IFRS 3: Business Combinations: Annual improvements project	01 January 2014	Unlikely there will be a material impact
• Amendment to IFRS 2: Share-based Payment: Annual improvements project	01 January 2014	Unlikely there will be a material impact

Accounting Policies

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
◦ Amendment to IFRS 13: Fair Value Measurement: Annual improvements project	01 January 2014	Unlikely there will be a material impact
◦ Amendment to IAS 38: Intangible Assets: Annual improvements project	01 January 2014	Unlikely there will be a material impact
◦ Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities	01 January 2014	Unlikely there will be a material impact
◦ Amendment to IAS 32: Offsetting Financial Assets and Financial Liabilities	01 January 2014	Unlikely there will be a material impact
◦ Amendment to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting	01 January 2014	Unlikely there will be a material impact
◦ Amendment to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets	01 January 2014	Unlikely there will be a material impact

Notes to the Group Annual Financial Statements

	Group	
Figures in Pula	2014	2013

1. Revenue

Total revenue	146 185 475	223 742 969

The amount included in revenue arising from exchanges of goods or services included in revenue are as follows:

Interest income (1.1)	59 706 721	63 161 236
Bond fee income	1 158 056	2 914 748
Interest from associates	3 229 783	10 199 490
Gross premiums - Credit Guarantee Scheme	3 014 867	2 736 566
Sale of goods and services	79 076 048	144 730 929
	146 185 475	223 742 969

1.1 Interest income

Interest on loans and advances	53 575 145	57 718 467
Staff loan interest	332 749	3 980 318
Interest from short term investments	5 798 827	1 462 451
	59 706 721	63 161 236

2. Cost of sales

Sale of goods and services

Sale of goods	63 999 233	117 861 743

Funds received from Government - CEDA	340 000 000	218 093 500
Funds received from Government - Textile	1 356 179	581 099
	341 356 179	218 093 599

The Government provides a financial grant for companies involved in Textile & Clothing projects. The subsidy is for citizen unskilled labour only. The government approved P20,539,200 to be disbursed over a period of two years, P10,269,600 to be utilised during the 2013/2014 and the rest for year 2014/2015. The funds were disbursed once in January 2014 to CEDA. Processing of claims and monitoring of projects is done by Ministry of Investment Trade and Industry. A steering Committee chaired by the Deputy Permanent Secretary to the Ministry of Investment Trade and Industry approves the grants to deserving entities.

4. Other income

Profit on sale of property, plant and equipment	280 146	341 912
Other income	14 404 867	32 634 250
	14 685 013	32 976 162

Notes to the Group Annual Financial Statements

Figures in Pula	Group 2014	Group 2013
5. Textile grant expenses		
Labour grants - Small scale	664 800	401 532
Labour grants - Medium scale	177 280	173 170
textile grant - Medium scale	514 680	6 620
	1 356 760	581 322
6. Operating expenses		
Auditors' remuneration	2 079 689	2 387 776
Depreciation	8 892 787	10 452 380
Directors' emoluments	156 303	217 983
Mentoring expenses	4 123 115	4 737 548
Consultancy fees	3 107 178	2 352 974
Operating leases	10 835 018	10 468 661
Security expenses	1 947 419	1 189 734
Computer and IT support costs	5 215 536	5 447 256
Legal costs	3 039 802	3 492 395
Public Relations expenses	4 166 806	3 824 453
Training expenses	193 083	305 537
Due diligence consultancies	115 212	1 642 656
Other administration expenses	29 829 646	36 063 007
	73 701 594	82 582 360
7. Management Fees		
Management fees	4 293 333	5 600 000
8. Staff expenses		
Salaries and wages	74 761 964	74 083 737
Leave pay	1 702 211	1 802 724
Gratuity	5 426 608	5 884 013
Pension scheme contributions	5 585 784	5 438 028
Medical aid contributions	3 327 798	2 886 595
Staff training costs	3 324 733	2 338 547
Staff travelling and other expenses	9 272 893	6 670 432
	103 401 993	99 104 076

Notes to the Group Annual Financial Statements

	Group	
Figures in Pula	2014	2013
9. Profit/(loss) arising on disposal of investments		
9.1. AON Botswana (Pty) Ltd		
Cost		26 553 750
Share of post-acquisition results	-	10 414 393
Net proceeds on disposal	-	(55 087 500)
Profit		18 119 357
9.2. MRI Botswana (Pty) Ltd		
Cost	-	8 918 800
Share of post-acquisition results	-	(2 265 062)
Net proceeds on disposal	-	(14 800 000)
Profit	-	8 146 262
9.3. Hyperbola (Pty) Ltd		
Cost	-	2 603 161
Share of post acquisition results	-	(648 478)
Net proceeds on disposal	-	(1 954 683)
Profit	-	-
9.4. Latex Medical Products (Pty) Ltd		
Cost	26 713 661	-
Accumulated Impairment	(26 713 661)	-
Sale proceeds	100 000	-
Profit	100 000	-
9.5. ZS Botswana (Pty) Ltd		
Cost	7 551 883	-
Accumulated Impairment	(7 551 883)	-
Sale proceeds	2 250 000	-
Profit	2 250 000	-
Total profit arising on disposal of investments	2 350 000	26 265 619

Notes to the Group Annual Financial Statements

	Group	
Figures in Pula	2014	2013
10. Impairment charge		
Impairment of loans and advances	108 841 704	128 327 087
Impairment charge/(release) on associates (Note 10.1)	14 125 379	63 335 896
Impairment charge on receivables	2 000 000	40 264 916
Impairment loss on property, plant and equipment	21 895 961	22 267 218
Impairment charge on assets held for sale	(6 308 191)	6 047 499
Bad debts on trade receivables	2 117 030	2 348 216
Impairment of inventory	15 131 681	-
	157 803 564	262 590 832
10.1 Impairment charge/(release) on associates		
Mobility (Pty) Ltd	-	13 279 611
Pula Steel casting and Manufacturing (Pty) Ltd	9 904 051	-
Pule Modisana Holdings (Pty) Ltd	-	16 840 070
Hoisting Solutions (Pty) Ltd	4 256 416	-
Ta Shebube (Pty) Ltd	(2 232 859)	20 838 163
Rim Rock (Pty) Ltd	2 503 630	12 378 052
Stoffberg Investments (Pty) Ltd	(305 859)	-
	14 125 379	63 335 896
11. Summarised financial information of associates		
Revenue - post acquisition results	59 761 358	56 914 215
(Loss)/profit after tax - post acquisition results	(32 670 981)	(25 186 196)
		-
Statement of financial position		-
Non-current assets	104 378 180	73 405 465
Current assets	52 548 905	67 151 326
Total assets	156 927 085	140 556 791
	-	-
Equity	24 481 470	15 673 141
Total liabilities	132 445 615	124 883 650
Total equity and liabilities	156 927 085	140 556 791
12. Finance costs	4 198 704	7 028 240
13. Income tax (credit)/expense		
Current	768 485	-
Deferred tax	-	311 022
	768 485	311 022

Notes to the Group Annual Financial Statements

	Group	
Figures in Pula	2014	2013

14. Cash and cash equivalents

Cash on hand	330 690	130 718
Bank balances	81 944 241	69 508 525
Short term deposits	163 934 260	28 804 516
	246 209 191	98 443 759
Cash and cash equivalents	246 209 191	98 443 759
Bank overdrafts	(2 681 403)	(30 167 504)
	243 527 788	68 276 255

Short term deposits represent amounts placed with commercial banks bearing interest at rates of 6.3% per annum (2013:6.65%). All deposits are callable within three months. Cash and cash equivalents include the above for the purposes of the statement of cash flows.

15. Loans and advances

The loans have been advanced for a period up to 84 months. Interest on advances is charged at 5% per annum on loans up to P0.5million, 7.5% on loans above P0.5million and prime linked on loans up to P30million	797 714 994	808 508 526
	797 714 994	808 508 526

15.1. Net loans and advances

Loans and advances	1 592 658 807	1 494 610 635
Impairment	(794 943 813)	(686 102 109)
	797 714 994	808 508 526

15.2. Impairment provision of loans and advances

Opening balance	686 102 109	557 775 022
Provision for impairment	108 841 704	128 327 087
Closing balance	794 943 813	686 102 109

Notes to the Group Annual Financial Statements

Figures in Pula	Group 2014	Group 2013

16. Other assets

	2014	2013
Trade receivables	-	14 083 709
Staff loans	75 843 184	77 036 395
Loans to related parties	-	1 051 632
Receivables from related parties	-	10 816 523
Prepayments	2 471 729	3 283 039
Deposits	624 503	928 433
Other receivables	13 649 839	53 195 312
Impairment of receivables	(3 208 292)	(42 664 916)
	89 380 963	117 730 127

The directors consider the carrying amount of trade and other receivables to approximate their fair values.

17. Interests in subsidiaries

The following table lists the entities, which are controlled by the group, either directly or indirectly through subsidiaries.

Name of company	Held by	% voting power 2014	% voting power 2013	% holding 2014	% holding 2013
CEDA Venture Capital Fund	CEDA	100.00 %	100.00%	100.00%	100.00%
PG Industries (Botswana) (Pty) Ltd	CEDA Venture Capital Fund	51.00 %	51.00 %	51.00 %	51.00 %
Phika Entrepreneurs (Pty) Ltd	CEDA Venture Capital Fund	54.00 %	54.00 %	49.00 %	49.00 %
Delta Dairies (Pty) Ltd	CEDA Venture Capital Fund	98.46%	98.46%	98.46%	98.46%
Latex Medical Products (Pty) Ltd	CEDA Venture Capital Fund	-	99.00%	-	99.00%

Notes to the Group Annual Financial Statements

Interests in subsidiaries (continued)

a) PG Industries Botswana (Pty) Ltd

On 31 December 2007, PG Industries Botswana (Pty) Ltd ("PGIB") and Builders Merchants (Botswana) (Pty) Ltd ("BMB") were amalgamated to create a single business called PG Industries Botswana (Pty) Ltd. The amalgamation was by way of issuing shares to the existing shareholders of BMB. In previous periods, the Fund's 400,000 preference shares valued at P4 million were converted into 2,797,203 fully paid up ordinary shares at an issue value of P1.43 per share. This was as a result of the company, PG, undertaking a non underwritten rights issue of shares. Subsequent to this, the group now holds 13,156,236 shares representing 51% shareholding. The company has been consolidated as a subsidiary in the previous years. In the current year, the company the company has been accounted for on a liquidation basis as it was placed under liquidation in February 2015 and the group lost control in the financial year 2014/2015.

b) Phika Entrepreneurs (Pty) Ltd

The interest in Phika Entrepreneurs (Pty) Limited was acquired in November 2004. The group holds a 49% equity interest in this company. The group has subscribed for 226 convertible debentures with a nominal value of P10 000 each. There is therefore a possible conversion of an additional 226 shares, which has the potential to increase the effective holding to 54%. Interest on debentures is charged at prime plus 1% and is payable on a semi-annual basis. These debentures may be convertible to ordinary shares at the rate of one to one. The debentures are secured by deed of hypothecation over all movable assets of the company. The company has been consolidated as a subsidiary in previous years. In the current year the company was accounted for on a break up basis in these consolidated financial statements because it has been making losses for the past six years and its ability to continue as a going concern cannot be fullysupported.

c) Delta Dairies (Pty) Ltd

The interest in Delta Dairies (Pty) Limited was acquired in December 2005. The group increased its shareholding to 82% equity interest on 1 January 2009 in this company.

The company went through a statement of financial position restructuring on 1 January 2009 where P9,431,679 debenture notes and accrued interest of P10,568,321 were converted into ordinary shares by way of the company issuing additional shares.

An additional investment of P8,200,000 was made during the financial year ended 2011 as a shareholder loan. The group also granted shareholder loans of P16,367,900 to Delta Dairies (Pty) Ltd during the year, of which P11,267,900 was unsecured, interest free and convertible to stated capital and P5,100,000 was unsecured, accrued interest at prime plus 3% per annum and convertible to stated capital. P 55,035,034 which represent all outstanding loans together with accrued interest thereon were converted to stated capital by issue of additional shares in the company. This resulted in increase of group's current shareholding in the company to 98.46% of issued stated capital.

The company was treated as a disposal group and its net assets were measured at a consideration of P1.00 in the consolidated annual financial statements for the year ended 31 March 2014.

d) Latex Medical Products (Pty) Ltd

The interest in Latex Medical Products (Pty) Ltd was acquired in May 2007. The company went into creditors liquidation in 2012/2013 year and has been accounted for as a disposal in the prior year. Disposal proceeds amounting to P100,000 were received during the year.

Notes to the Group Annual Financial Statements

18. Investments in associates

18.1. Associates

The following associates are to the group:

	Nature of business	Method	% Ownership Interest 2014	% Ownership Interest 2013
Mobility (Pty) Ltd	Telecommunication and equipment investment	Equity	- %	49 %
Pula Steel Casting and Manufacturing	Steel casting and manufacturing	Equity	35 %	35 %
Pule Modisana Holdings (Pty) Ltd	Funeral and financial services	Equity	40 %	40 %
Hoisting Solutions (Pty) Ltd	Contracting	Equity	49 %	49 %
Rim Rock (Pty) Ltd	Contracting	Equity	40 %	40 %
Ta Shebube (Pty) Ltd	Tourism	Equity	49 %	49 %
United Refineries (Pty) Ltd	Manufacturing	Equity	40 %	- %
Stoffberg Investments (Pty) Ltd	Tourism	Equity	30 %	- %
Biz Capital (Pty) Ltd	Micro lending	Equity	- %	49 %
ZS Botswana (Pty) Ltd	Manufacturing	Equity	- %	49 %

18.2. Equity Investments in associates at cost

	2014	2013
Mobility (Pty) Ltd	-	49
Pula Steel Casting and Manufacturing (Pty) Ltd	7 000 000	5 337 523
Pule Modisana Holdings (Pty) Ltd	40	40
Hoisting Solutions (Pty) Ltd	3 329 587	3 329 587
Rim Rock (Pty) Ltd	2 527 020	2 527 020
Ta Shebube (Pty) Ltd	4 641 461	4 641 461
United Refineries (Pty) Ltd	7 333 333	-
Stoffberg Investments (Pty) Ltd	2 571 429	-
Daintree	-	2 000 000
ZS Botswana (Pty) Ltd	-	1 249 300
Biz Capital (Pty) Ltd	-	1 000 000
	27 402 870	20 084 980

Notes to the Group Annual Financial Statements

	Group	
Figures in Pula	2014	2013

Investments in associates (continued)

18.3. Preference share investments in associates at cost		
Mobility (Pty) Ltd	-	28 500 000
Pule Modisana (Pty) Ltd	16 934 712	16 934 712
Hoisting Solutions (Pty) Ltd	6 306 482	6 306 482
Rim Rock (Pty) Ltd	15 552 650	13 049 020
Ta Shebube (Pty) Ltd	22 471 909	22 471 909
Stoffberg Investments (Pty) Ltd	3 628 571	-
ZS Botswana (Pty) Ltd	-	6 302 583
Biz Capital (Pty) Ltd	-	8 041 283
	64 894 324	101 605 989

18.4. Debenture investments in associates at cost		
Pula Steel Casting and Manufacturing (Pty) Ltd	13 000 000	13 000 000
Hoisting Solutions (Pty) Ltd	10 000 000	10 000 000
United Refineries (Pty) Ltd	11 337 337	-
	34 337 337	23 000 000
	126 634 531	144 690 969

Notes to the Group Annual Financial Statements

Figures in Pula

Investments in associates (continued)

18.5. Summarised financial information of associates

2014

Breakdown of carrying amounts of investments in associates

	Total investments at cost	Share of post acquisition profit/(loss)	Accumulated impairments	Carrying amounts (2014)	Carrying amounts (2013)
Pula Steel Casting and Manufacturing (Pty) Ltd	20 000 000	(3 116 055)	(10 388 524)	6 495 421	16 488 949
Pule Modisana Holdings (Pty) Ltd	16 934 752	(489 516)	(16 445 236)	-	-
Hoisting Solutions (Pty) Ltd	19 636 069	(508 886)	(4 256 417)	14 870 766	17 895 026
Rim Rock (Pty) Ltd	18 079 670	(3 197 988)	(14 881 682)	-	1 043 943
Ta Shebube (Pty) Ltd	27 113 370	(2 232 859)	(18 605 304)	6 275 207	5 690 668
Stoffberg Investments (Pty) Ltd	6 200 000	(305 859)	305 859	6 200 000	-
United Refineries (Pty) Ltd	18 670 670	-	-	18 670 670	-
Daintree	-	-	-	-	2 000 000
	126 634 531	(9 851 163)	(64 271 304)	52 512 064	43 118 586

Notes to the Group Annual Financial Statements

Figures in Pula

2013

Breakdown of carrying amounts of investments in associates	Investments at cost	Share of post acquisition profit/(loss)	Accumulated impairments	Carrying amount (2013)	carrying amount (2012)
Mobility (Pty) Ltd	28 500 049	(4 067 282)	(24 432 767)	-	14 806 069
Pula Steel Casting and Manufacturing (Pty) Ltd	18 337 523	(1 848 574)	-	16 488 949	18 263 924
Pule Modisana Holdings (Pty) Ltd	16 934 752	(489 516)	(16 445 236)	-	16 840 070
Hoisting Solutions (Pty) Ltd	19 636 069	(1 741 043)	-	17 895 026	-
Rim Rock (Pty) Ltd	15 576 040	(2 154 045)	(12 378 052)	1 043 943	-
Ta Shebube (Pty) Ltd	27 113 370	(584 539)	(20 838 163)	5 690 668	-
ZS Botswana (Pty) Ltd	7 551 883	(7 445 860)	(106 023)	-	-
Biz Capital (Pty) Ltd	9 041 283	(2 915 809)	(6 125 474)	-	-
Daintree (Pty) Ltd	2 000 000	-	-	2 000 000	-
	144 690 969	(21 246 781)	(80 325 602)	43 118 586	49 910 063

Notes to the Group Annual Financial Statements

	Group	
Figures in Pula	2014	2013
19. Assets held for distribution/sale		
19.1. Investment in subsidiary held for distribution:		
BIZ Capital (Pty) Ltd		
Cost	9 041 282	9 041 282
Accumulated impairment	(6 125 474)	(6 125 474)
Accumulated share of profit/(loss)	(2 915 808)	(2 915 808)
	-	
Easy Concrete Products (Pty) Ltd		
Cost	21 498 142	21 498 142
Accumulated impairment	(14 430 900)	(14 430 900)
Accumulated share of profit/(loss)	(7 067 242)	(7 067 242)
	-	
Latex Medical Products (Pty) Ltd		
Cost	26 713 661	26 713 661
Accumulated Impairment	(26 713 661)	(26 713 661)
	-	
19.2. Investment in subsidiary held for sale:		
Delta Dairies (Pty) Ltd		
Cost	79 546 436	79 546 436
Accumulated impairment	(79 546 436)	(79 546 436)
Proceeds	1	
	1	-
ZS Botswana (Pty) Ltd		
Cost	7 551 882	-
Impairments	(7 551 882)	-
	-	-
Mobility (Pty) Ltd		
Cost	28 500 049	
Accumulated impairment	(28 500 049)	
	-	
Tannery Industries (Botswana) (Pty) Ltd		
Cost	4 453 931	4 453 931
Accumulated impairment	(4 453 931)	(4 453 931)
	-	-

Notes to the Group Annual Financial Statements

Assets held for distribution/sale (continued)

Biz Capital (Pty) Ltd

Biz Capital (Pty) Ltd went into liquidation on 20 September 2012 and liquidation proceeds of P145,310 were received in October 2015. The investment was accounted for as held for distribution.

Easy Concrete Products (Pty) Ltd

The group holds 49% of the equity in Easy Concrete Products (Pty) Ltd through ordinary shares acquired in July 2008.

The group holds 12,108,591 redeemable, cumulative convertible and non-voting preference shares issued on 23 June 2008. The shares carry a dividend rate equivalent to the prime lending rate plus 0.5% as determined by Barclays Bank of Botswana from time to time applied on an annual basis.

The Easy Concrete Products (Pty) Ltd was placed under provisional liquidation on 30 March 2012 and the final order was granted in June 2012. As of yearend, the management does not expect any liquidation proceeds and hence this investment was classified as assets held for distribution and measured at the lower of its carrying amount and fair value less costs to sell.

Latex Medical Products (Pty) Ltd

The interest in Latex Medical Products (Pty) Ltd was acquired in May 2007. The company went into creditors liquidation in 2012/13 year and has been accounted for as a disposal in current financial statements. As of year end, the management does not expect any liquidation proceeds and hence this investment was classified as assets held for distribution and measured at the lower of its carrying amount and fair value less costs to sell.

Delta Dairies (Pty) Ltd

The interest in Delta Dairies (Pty) Limited was acquired in December 2005. The group increased its shareholding to 82% equity interest on 1 January 2009 in this company.

The company went through a statement of financial position restructuring on 1 January 2009 where P9,431,679 debenture notes and accrued interest of P10,568,321 were converted into ordinary shares by way of the company issuing additional shares.

An additional investment of P8,200,000 was made during the financial year ended 2011 as a shareholder loan. The group also granted shareholder loans of P16,367,900 to Delta Dairies (Pty) Ltd during the year, of which P11,267,900 was unsecured, interest free and convertible to stated capital and P5,100,000 was unsecured, accrued interest at prime plus 3% per annum and convertible to stated capital. P 55,035,034 which represent all outstanding loans together with accrued interest thereon were converted to stated capital by issue of additional shares in the company. This resulted in increase of group's current shareholding in the company to 98.46% of issued stated capital.

The company was classified as held for sale by 31 March 2014. It was treated as a disposal group and its net assets were measured at a consideration of P1.00 in the consolidated annual financial statements for the year ended 31 March 2014.

ZS Botswana (Pty) Ltd

The group currently holds 49% of the equity in ZS Botswana (Proprietary) Limited through ordinary shares acquired in January 2007. The investment in the company has been equity accounted in these group financial statements.

The group holds 3 670 redeemable and cumulative preference shares of P 1 300 per share. The dividend is payable at a coupon rate of 12% annually.

Notes to the Group Annual Financial Statements

	Group	
Figures in Pula	2014	2013

Assets held for distribution/sale (continued)

Preference shares are redeemable in three instalments from the third anniversary of the effective date (January, 2008) or earlier on mutual agreement with the ordinary shareholders, at a premium that will give an internal rate of return (IRR) of 23% to the holder.

The investment in ZS Botswana (Pty) Ltd was disposed of in 2014 for a consideration amounting to P2 250 000.

Mobility (Pty) Ltd
The group holds 49% of the equity in Mobility (Pty) Limited through ordinary shares acquired in April 2011. The investment in the company has been equity accounted in these group financial statements.

The group holds 28,500,000 cumulative preference shares 16,094,954 shares paid in September 2011 and 12,405,046 shares paid in January 2012. The shares carry a cumulative preference dividend calculated at a fixed coupon rate of 13% on an annual basis.

Tannery Industries (Botswana (Pty) Ltd
The interest in Tannery Industries (Botswana) (Pty) Ltd was acquired in June 2005. The company went into creditors liquidation in December 2010 and has been accounted for as a disposal in previous financial statements. The residual amount of P4,453,931 on the final liquidation account has not yet been remitted by the liquidator and this has been accounted for as assets held for distribution after recognition of an impairment charge.

20. Inventories

	2014	2013
Raw materials	-	206 182
Finished goods	-	504 210
Merchandise	-	23 384 516
Inventories (write-downs)	-	(2 020 826)
	-	22 074 082

The inventories were impaired and written off during the year.

21. Deferred tax Deferred tax liability

	2014	2013
Accelerated capital allowances for tax purposes	768 485	(142 647)
Deferred tax liability	768 485	(142 647)
Deferred tax asset	(768 485)	(768 485)
	-	(911 132)

Reconciliation of deferred tax asset/(liability)

	2014	2013
At beginning of year	(911 132)	6 435 403
Originating and reversal of temporary differences on fixed assets	142 647	(916 591)
Tangible fixed assets Derecognised	768 485	(4 607 480)
	-	-

22. Property, plant and equipment

Group

	2014			2013		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land and buildings	-	-	-	5 999 203	(496 215)	5 502 988
Plant and machinery	-	-	-	59 242 341	(35 673 419)	23 568 922
Furniture and fixtures	8 209 749	(3 719 957)	4 489 792	12 103 544	(6 698 832)	5 404 712
Motor vehicles	14 938 764	(11 859 609)	3 079 155	22 186 900	(15 145 587)	7 041 313
Computer equipment and software	21 061 481	(15 555 039)	5 506 442	24 831 622	(16 858 770)	7 972 851
Aircrafts	-	-	-	7 439 044	(7 439 044)	-
Total	44 209 994	(31 134 605)	13 075 389	131 802 654	(82 311 867)	49 490 786

Notes to the Group Annual Financial Statements

Figures in Pula

Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 2014

	Opening balance	Additions	Disposals	Classified as held for sale	Revaluations	Depreciation	Impairment loss	Total
Land and buildings	5 502 988		(549 262)	(7 399 648)	2 393 897	(137 924)	189 949	
Leasehold property	-	1 041 249		(783 337)	-	(257 912)	-	-
Plant and machinery	23 568 922	98 157	(45 073)	(18 399 300)	-	(540 963)	(4 681 743)	-
Furniture and fixtures	5 404 712	1 874 251	(46 428)	(1 557 969)	-	(885 181)	(299 593)	4 489 792
Motor vehicles	7 041 313	3 026 604	(512 928)	(3 129 882)	-	(3 273 593)	(72 359)	3 079 155
Computer equipment and software	7 972 852	2 118 455	(58 414)	(714 257)	-	(3 797 214)	(14 980)	5 506 442
	49 490 787	8 158 716	(1 212 105)	(31 984 393)	2 393 897	(8 892 787)	(4 878 726)	13 075 389

Reconciliation of property, plant and equipment - Group - 2013

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Impairment loss	Total
Land and buildings	29 807 459	795 790	(25 000 000)	-	-	(100 261)	-	5 502 988
Plant and machinery	46 470 329	306 741	(68 351)	(33 225)	-	(2 162 572)	(20 944 000)	23 568 922
Furniture and fixtures	5 267 004	1 120 004	(102 814)	-	-	(879 482)	-	5 404 712
Motor vehicles	7 449 942	1 821 663	(1 307 127)	33 225	2 293 350	(3 249 740)	-	7 041 313
Computer equipment and software	8 584 185	3 202 983	(104 041)	-	-	(3 710 276)	-	7 972 851
Aircrafts	5 616 972	-	-	-	-	(350 050)	(5 266 922)	-
	103 195 891	7 247 181	(26 582 332)	-	2 293 350	(10 452 381)	(26 210 922)	49 490 786

Notes to the Group Annual Financial Statements

	Group	
Figures in Pula	2014	2013

23. Revaluation reserve

Reconciliation

Opening balance	9 121 575	29 065 400
Gain on property revaluation		2 293 348
Write off of reserves on account of written off assets	(1 706 659)	(16 693 781)
Impairment on revaluation of property		(3 943 704)
Attributable to minority		(1 599 688)
Reserve transfer on account of depreciation	(5 122 069)	-
Closing balance	2 292 847	9 121 575

24. Trade and other payables

Trade payables	26 513 582	24 110 997
Deferred income	22 495 761	1 017 299
VAT	571 113	3 967 544
Provisions	33 368 856	25 892 801
Accrued bonus	2 544 103	2 594 647
Other payroll accruals	16 078 647	17 547 192
PAYE accrual	6 752	976 444
Accrued BURS interest & penalties	-	2 574 526
Accrued audit fees	2 433 396	1 940 930
Other payables	14 711 357	5 122 051
	118 723 567	85 744 431

Fair value of trade and other payables

The directors consider the carrying amount of trade and other payables to approximate their fair value.

25. Finance lease obligation

Present value of minimum lease payments due		
- within one year	2 088 783	3 901 407
- in second to fifth year inclusive	1 346 442	1 650 705
	3 435 225	5 552 112

It is group policy to lease certain motor vehicles and equipment under finance leases.

The average lease term was 3-5 years and the average effective borrowing rate was 10% (2013: 11%).

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The group's obligations under finance leases are secured by the lessor's charge over the leased assets.

Notes to the Group Annual Financial Statements

	Group	
Figures in Pula	2014	2013

26. Other financial liabilities

Held at amortised cost:		
Barclays Bank of Botswana Limited The company sold its staff loan scheme to Barclays Bank of Botswana Limited with effect from 1st January 2013. However due to the fact that the company retained the credit risk of these loans. The asset was derecognised and company continues to recognise the staff loans under loans and advances. The amount of proceeds received from the bank is recognised as a financial liability in accordance with IAS39 Financial Instruments: Recognition and measurement:	52 972 031	76 936 304
First National Bank of Botswana Limited The loan was secured by a first covering mortgage bond for P1,200,000 over lot 2716 Selebi Phikwe. It attracted interest at prime minus 1% and was repayable over a period of 120 months. The loan was paid off after year end.	12 527 855	-
Botswana Development Corporation This is short term invoice discounting and letters of credit liabilities due to Botswana Development Corporation under a 90-day facility agreement. The facility is limited to P5m and attracts a discount charge of 13%.	-	5 002 841
Banc ABC This is a short term loan secured by a deed of hypothecation over the group's movable assets including inventory anddebtors.	5 548 902	-
Credit Guarantee Liability This amount relates to a credit guarantee liability that was paid off during the year.		5 000 000
	71 048 788	86 939 145

The directors consider the carrying amount of other financial liabilities to approximate their fair value.

Currencies - At amortised cost
The carrying amounts of financial liabilities at amortised cost are denominated in Pula.

Notes to the Group Annual Financial Statements

Figures in Pula		Group 2014	Group 2013
27. Cash generated from (used in) operations			
Profit before income tax and finance costs		92 544 134	(70 226 079)
Adjustments for:			
Interests from associates		(3 229 783)	(10 199 490)
Profit on disposal of plant and equipment		(280 146)	(341 912)
Profit on disposal of investment in associates		(2 350 000)	(26 265 619)
Depreciation	22	8 892 787	10 452 380
Staff loan benefit charge		2 248 949	-
Charge for impairments	10	157 803 564	262 590 832
Net cash generated from operating activities before changes in operating assets and liabilities		255 629 505	166 010 112
Changes in operating assets and liabilities:			
- Inventories		22 074 082	14 762 699
- Loans and advances	27.1	(98 048 172)	(211 219 258)
- Trade and other payables	27.2	14 839 831	62 020 113
- Other assets	27.3	19 843 846	5 436 252
Cash generated from operations		214 339 092	37 009 918

27.1 Change in loans and advances:	2014	2013
Balance at the beginning of the year	808 508 526	725 616 355
Balance at the end of the year	(797,714,994)	(808 508 526)
Impairment charge	(108,841,704)	(128 327 087)
	(98,048,172)	(211 219 258)

27.2 Change in trade and other payables:	2014	2013
Balance at the beginning of the year	(172,683,576)	(110 663 463)
Balance at the end of the year	189,772,356	172 683 576
Staff loan benefit	(2,248,949)	-
	14 839 831	62 020 113

27.3 Change in other assets:	2014	2013
Balance at the beginning of the year	117,730,127	165 779 511
Balance at the end of the year	(89,380,964)	(117 730 127)
Impairment charge	(8,505,317)	(42 613 132)
	19 843 846	5 436 252

Notes to the Group Annual Financial Statements

28. Related parties

Relationships

Shareholders	Government of the Republic of Botswana
Subsidiaries	CEDA Venture Capital Fund PG Industries (Botswana) (Pty) Ltd Delta Dairies (Pty) Ltd Phika Entrepreneurs (Pty) Ltd Latex Medical Products (Pty) Ltd
Associates	Mobility (Pty) Ltd Pula Steel Casting & Manufacturing (Pty) Ltd Pule Modisana Holdings (Pty) Ltd Hoisting Solutions (Pty) Ltd Ta Shebube (Pty) Ltd Rim Rock (Pty) Ltd Stoffberg Investments (Pty) Ltd United Refineries (Pty) Ltd Daintree (Pty) Ltd ZS Botswana (Pty) Ltd BIZ Capital (Pty) Ltd Easy Concrete Products (Pty) Ltd Tannery Industries (Botswana) (Pty) Ltd

Notes to the Group Annual Financial Statements

29. Key Management's emoluments

The following is the compensation of key management personnel and these are set by the remuneration committee in relation to performance and market trends.

Executive

2014

	Salaries	Housing allowance	Car allowance	Gratuity, medical aids, and other	Non executive directors' fees	Total
For services	5 236 688	1 224 915	912 000	2 920 843	156 303	10 450 749

2013

	Salaries	Housing allowance	Car allowance	Gratuity, medical aids, and other	Non executive directors' fees	Total
For services	5 927 523	1 398 415	1 038 000	3 278 020	217 983	11 859 941

Notes to the Group Annual Financial Statements

30. Risk management

Financial risk management

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to date information systems. The group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by an audit committee under policies approved by the Board of directors. Audit committee identifies, evaluates and minimise financial risks in close co-operation with the group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk and credit risk and investment of excess liquidity.

Liquidity risk

Liquidity risk is the risk of the group's inability to meet its payment obligations associated with its financial liabilities when they fall due. Liquidity risk may arise in situations where there are mismatches between maturities of assets and liabilities. The group's exposure to the risk is managed by the maturity profiles of the assets and liabilities.

The group's liquidity management process, as carried out within the group and monitored by a separate team in the group finance department, includes:

Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they are due towards customers;

- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring statement of financial position liquidity ratios against internal requirements; and
- Managing the concentration and profile of debt maturities.
- Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.
- The Finance department also monitors unmatched medium-term assets, the level and type of undrawn lending commitments and the impact of contingent liabilities such as standby letters of credit and guarantees.
- The table below analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Notes to the Group Annual Financial Statements

Figures in Pula

Group	1-3 Months	3-12 Months	1-5 years	Total
At 31 March 2014				
Trade and other payables	17 151 625	76 532 198	25 039 794	118 723 567
Borrowings and bank overdrafts	6 613 721	5 530 607	65 021 087	77 165 415
At 31 March 2013				
Trade and other payables	47 742 418	28 434 087	9 567 926	85 744 431
Borrowings and bank overdrafts	1 843 535	39 599 518	81 215 708	122 658 761

Interest rate risk

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. Borrowings issued at fixed rates expose the group to fair value interest rate risk. During 2013 and 2014, the group's borrowings at variable rate were denominated in the Pula.

At 31 March 2014, if interest rates on Pula-denominated borrowings had been 1% higher/lower with all other variables held constant, pre-tax profit for the year would have been P 688 115 (2013: P 266 070) (Company: P252,356 (2013: P70,256)) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Credit risk

The group takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the group by failing to discharge an obligation. Credit risk is the most important risk for the group's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities that bring debt securities and other bills into the group's asset portfolio. There is also credit risk in off-statement of financial position financial instruments, such as loan commitments. The credit risk management and control are centralised in credit risk management team of group and reported to the Board of Directors and head of each business unit regularly.

Loans and advances

In measuring credit risk of loan and advances to customers at a counterparty level, the group reflects three components (i) the 'probability of default' by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the group derive the 'exposure at default'; and (iii) the likely recovery ratio on the defaulted obligations (the 'loss given default').

The group assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. They have been developed internally and combine statistical analysis with credit officer judgement. The group's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are kept under review and upgraded as necessary. The group regularly validates the performance of the rating and their predictive power with regard to default events.

Notes to the Group Annual Financial Statements

Figures in Pula	Group 2014	Group 2013
Financial assets exposed to credit risk at year end were as follows:		
Loans and advances		
Performing loans	682 589 424	762 444 867
Loans above 5 months in arrears	724 397 293	546 493 678
Loans which are foreclosed	185 672 090	185 672 090
	1 592 658 807	1 494 610 635

Category	Description	Objective criteria
Performing loans	No evident weakness and performing to contractual terms	Performing according to contractual terms
Non performing loans	Exhibits potential weakness and/or settlement risk	In arrears for more than 150 days
Loans which are foreclosed	Settlement highly improbable	Non performing credit facilities on which any amount due remains unpaid for more than 150 days

Notes to the Group Annual Financial Statements

Figures in Pula

Risk management (continued)

Risk Limit control and mitigation policies

The group manages, limits and controls concentrations of credit risk wherever they are identified - in particular, to individual counterparties and to industries.

The group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower or groups of borrowers. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product are approved quarterly by the Board of Directors.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate.

Some other specific control and mitigation measures are outlined below.

Collateral

The group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is a common practice. The group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:
- Mortgages over residential properties;
- Charges over business assets such as premises, plant and equipment, inventory and accounts receivable.

Impairment and provisioning policies

The internal rating systems focus more on credit-quality mapping from the inception of the lending. In contrast, impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the reporting date based on objective evidence of impairment.

The impairment provision shown in the statement of financial position at year-end is derived from each of the three internal categories. However, the majority of the impairment provision comes from the bottom two grading. The table below shows the percentage of the group's on- and off-statement of financial position items relating to advances and the associated impairment provision for each of the categories:

Analysis - Loans and advances	Loans and advances - 2014	Impairment provision - 2014	Loans and advances - 2013	Impairment provision - 2013
Performing loans	682 589 424	143 484 412	762 444 867	182 014 742
Loans above 5 months in arrears	724 397 293	465 790 089	546 493 678	318 415 278
Loans which are foreclosed	185 672 090	185 669 312	185 672 090	185 672 089
	1 592 658 807	794 943 813	1 494 610 635	686 102 109

Notes to the Group Annual Financial Statements

Figures in Pula	Group 2014	Group 2013

Risk management (continued)

The internal rating tool assists management to determine whether objective evidence of impairment exists under IAS 39, based on the following criteria set out by the group:
Delinquency in contractual payments of principal or interest;
Cash flow difficulties experienced by the borrower (e.g.; equity ratio, net income percentage of sales);

- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral; and
- Downgrading below investment grading level.

The group's policy requires the review of individual financial assets that are significant at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at reporting date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

Collectively assessed impairment allowances are provided for: (i) portfolios of homogenous assets that are individually below materiality thresholds; and (ii) losses that have been incurred but have not yet been identified, by using the available historical experience, experienced judgment and statistical techniques.

Credit risk exposure relating to the assets on the statement of financial position are as follows:

Credit risk exposure

	2014	2013
Cash and cash equivalents	246 209 191	98 443 759
Loans and advances	797 714 994	808 508 526
Other assets	89 380 964	117 730 127
	1 135 462 649	1 024 682 412

Loans and advances

Loans and advances are summarised as follows:

Analysis	2014	2013
Neither past due nor impaired	682 589 424	436 931 229
Past due but not impaired	73 094 289	252 316 000
Impaired over 5 months	836 975 094	805 363 406
Less: Allowance for impairment	(794 943 813)	(686 102 109)
	797 714 994	808 508 526

Notes to the Group Annual Financial Statements

Risk management (continued)

The total impairment provision for loans and advances is P794 943 813 (2013: P686,102,109) of which 87% (2013: 73%) represents loan facilities that have not performed for over 5 months.

Upon initial recognition of loans and advances, the fair value of collateral is based on valuation techniques commonly used for the corresponding assets. In subsequent periods, the fair value is updated by reference to market price or indexes of similar assets.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the group resulting from both its loan and advances portfolio and investments based on the following:

- 47% of the loans and advances portfolio is categorised in the top two grades of the internal rating system (2013: 46%).
- Loan portfolio is backed by collateral.
- The group has introduced a more stringent selection process upon granting loans and advances.

Age analysis of loans and advances

Group	Neither past due nor impaired	1-150 days Past due but not impaired	Over 150 days	Total
Loans at 31 March 2014	682 589 424	73 094 289	836 975 094	1 592 658 807
Loans at 31 March 2013	436 931 229	252 316 000	805 363 406	1 494 610 635

Repossessed collateral

During 2014, the Agency obtained assets by taking possession of collateral held as security which totalled P8 294 743 (2013: P11 889 500). Repossessed assets consist of land and buildings, plant and machinery and equipment. Repossessed properties are sold as soon as practical with the proceeds used to reduce the outstanding indebtedness.

Fair value of financial assets and liabilities

The carrying amounts of financial assets and financial liabilities of the group and company equal their fair value. Assumptions used to determine the fair value;

(i) Loans and advances to customers and other assets
The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

(ii) Financial liabilities
Trade and other payables are of short term in nature and the fair values will approximate its carrying values. Borrowings are financed at market interest rates; therefore, the carrying values approximates fair values. Borrowings are financed at market interest rates; therefore, the carrying values approximates fair values.

Notes to the Group Annual Financial Statements

Figures in Pula

Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

Group - 2014

	Loans and receivables	Total
Cash and cash equivalents	246 209 191	246 209 191
Other assets	89 380 964	89 380 964
Loans and advances	797 714 994	797 714 994
	1 133 305 149	1 133 305 149

Group - 2013

	Loans and receivables	Total
Cash and cash equivalents	98 443 759	98 443 759
Other assets	117 730 127	117 730 127
Loans and advances	808 508 526	808 508 526
	1 024 682 412	1 024 682 412

Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

Group - 2014

	Financial liabilities at amortised cost	Total
Borrowings and bank overdrafts	6 116 628	6 116 628
Trade and other payables	118 723 569	118 723 569
Other financial liabilities	71 048 787	71 048 787
	195 888 984	195 888 984

Group - 2013

	Financial liabilities at amortised cost	Total
Borrowings and bank overdrafts	35 719 616	35 719 616
Trade and other payables	85 744 431	85 744 431
Other financial liabilities	86 939 145	86 939 145
	208 403 192	208 403 192

Notes to the Group Annual Financial Statements

	Group	
Figures in Pula	2014	2013
31. Commitments		
Authorised capital expenditure Already contracted for but not provided for		
◦ Motor vehicles	46 632	3 009 596
◦ Computer hardware	1 052 000	1 052 000
◦ Computer software	200 000	200 000
◦ Computer software	4 944 112	4 944 112

These committed expenditure relates to property, plant and equipment and will be financed by funds internally generated funds.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	5 168 861	6 107 436
- in second year and later	15 315 639	12 087 416
	20 484 500	18 194 852

Lease commitments are standing in respect of lease agreements for properties spread over the country used in respect of carrying out operations of CEDA Group. The commitments will be financed out of internally generated funds.

32. Contingencies

CEDA Credit Guarantee Fund guarantees the net losses incurred by participating financial institutions as a result of their lending to small and medium sized entities under the CEDA Credit Guarantee Scheme. The fund has guaranteed 75% of the net losses incurred by the participating institutions. The total contingent liability as at 31 March 2014 as a result of guarantees issued amount to P83,070,267 (2013: P94,179,676).

CEDA has certain pending litigations as at 31 March 2014. The outcome of these cases is currently unknown Management has estimated a contingent exposure of P38,865.

Unfilled conditions and other contingencies attaching to government grants related to agricultural activity.

33. Going concern

The group annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the group to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors continue to procure funding for the ongoing operations for the group.

Notes to the Group Annual Financial Statements

34. Events after the reporting period

The following material events took place from the reporting date to the date of signature of the group annual financial statements:

Subsidiaries

- PG Industries (Botswana) (Pty) Ltd was placed under liquidation on 14 January 2015.
-Shares held in Phika Entrepreneurs were disposed of in December 2015 and proceeds amounting to P232 044 were received on 8 February 2016.
-Shares in Delta Dairies (Pty) Ltd were disposed of on 9 December 2014 and a consideration of P1.00 was received in February 2015.
-Latex Medical Products (Pty) Ltd was placed under liquidation from December 2012. The liquidation process was finalised in April 2015. No proceeds were received.

Associates

- Biz Capital (Pty) Ltd was in liquidation since September 2012. Interim liquidation proceeds of P145,310 were received in October 2015. The liquidation process was finalised in March 2016 and no final proceeds were received.
- Easy Concrete Products (Pty) Ltd was placed under provisional liquidation on 30 March 2012.
- TIB liquidation was completed in June 2014.
- Hoisting Solutions (Pty) Ltd was exited in April 2017.
- Rim rock (Pty) Ltd was placed under provisional liquidation in December 2015.
- Pula Steel Casting and Manufacturing (Pty) Ltd was placed under liquidation on 15 September 2017. The liquidation process is not complete.
-Ta Shebube (Pty) Ltd was an associate until 2015. It became an 87% owned subsidiary from 2016 to date.
- Mobility (Pty) Ltd was no longer part of the group as from July 2015.
- Pule Modisana (Pty) Ltd was placed under liquidation on 24 October 2018.
- United Refineries (Pty) Ltd was placed under judicial management as from 11 February 2019.

Other Investments

-The Government of Botswana donated 4.5% shareholding in Norsad Finance to CEDA in 2016.