Citizen Entrepreneurial Development Agency (CEDA)
(Registration number CO/2001/2412)
Group Annual Financial Statements for the year ended 31 March 2015

Index

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

Index

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 fulfill its objectives, CEDA provides the following services: ◦ Financial assistance to enterprises in the form of loans, which are offered at subsidized 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 fulfill 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

General information

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 endeavors to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behavior 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 2016 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 pages 9 - 58, 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) and the group for the year ended 31 March 2015.

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 35 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 realization 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 2015, 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 58.

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.

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 2015, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Individual practicing member: Rudi Binedell
Registration number: 20040091

Gaboronе
24 February 2020

Blank Page

Statement of Comprehensive Income

		Group	
Figures in Pula	Notes	2015	2014
Revenue	1	94 805 557	146 185 475
Cost of sales	2	-	(63 999 233)
Gross profit		94 805 557	82 186 242
Government Grants	3	348 243 234	341 356 179
Other operating income	4	13 026 805	14 685 013
Textile grant expenses	5	(11 262 742)	(1 356 760)
Operating expenses	6	(60 297 005)	(73 701 594)
Management fees	7	-	(4 293 333)
Staff expenses	8	(98 625 459)	(103 401 993)
Provision for guarantee claims		(7 704 999)	(7 476 057)
Profit arising on disposal of investments	9	-	2 350 000
Gain on loss of control of in subsidiary	10	17 655 430	-
Release /(Charge) for impairment	11	55 490 249	(157 803 564)
Operating profit		351 331 071	92 544 135
Share of (loss) /profits from associates		1 009 879	(3 033 333)
Finance cost	13	(216 191)	(4 198 704)
Profit/(loss) before taxation		352 124 759	85 312 098
Taxation	14	-	768 485
Profit/(loss) for the year		352 124 759	86 080 583
Other comprehensive income			
Gain on revaluation of property plant and equipment		4 856 652	-
Total comprehensive income/(loss) for the year		356 981 411	86 080 583
Profit attributable to:			
Owners of the parent		352 124 759	114 024 773
Non-controlling interest		-	(27 944 190)
		352 124 759	86 080 583
Total comprehensive income attributable to:			
Owners of the parent		356 981 411	114 024 773
Non-controlling interest		-	(27 944 190)
		356 981 411	86 080 583

Statement of Financial Position as at 31 March 2015

		Group	
Figures in Pula	Notes	2015	2014
Assets			
Cash and cash equivalents	15	358 721 675	246 209 191
Loans and advances	16	979 744 658	797 714 994
Other assets	17	105 816 059	89 380 963
Investments in subsidiaries	18	-	-
Investments in associates	19	42 452 873	52 512 064
Assets held for sale/distribution	20	-	1
Property, plant and equipment	21	16 697 464	13 075 389
Total assets		1 503 432 728	1 198 892 602
Capital, funding and liabilities			
Capital and funding			
Capital reserve		1 252 024 077	1 252 024 077
Revaluation reserve	22	6 423 564	2 292 847
Accumulated losses		135 908 157	(216 942 564)
Capital and funding attributable to owners of the parent		1 394 355 798	1 037 374 360
Non-controlling interest		(2 194 724)	(34 370 743)
Total capital and funding		1 392 161 074	1 003 003 619
Liabilities			
Bank overdrafts	15	-	2 681 403
Finance leases	24	1 810 328	3 435 225
Trade and other payables	23	79 935 432	118 723 567
Other financial liabilities	25	29 525 894	71 048 788
Total liabilities		111 271 654	195 888 983
Total capital, funding and liabilities		1 503 432 728	1 198 892 602

Statement of Changes in capital and funding for the year ended 31 March 2015

Figures in Pula

	Stated capital	Revaluation reserve	Retained income	Total attributable to equity holders of the group / company	Non-controlling interest	Total equity
Group						
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	-	-	114 024 773	114 024 773	(27 944 190)	86 080 583
Revaluation reserve		2 393 780		2 393 780		2 393 780
Total comprehensive income for the year	-	2 393 780	114 024 772	116 418 552	(27 944 190)	88 474 363
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)		(1 173 010)		(1 173 010)
Total contribution and distribution to owners	(8 408 442)	(9 222 508)	5 122 069	12 504 881		12 504 881
Balance at 31 March 2014	1 252 024 077	2 292 847	(216 942 563)	1 037 374 361	(34 370 743)	1 003 003 618

Statement of Changes in capital and funding for the year ended 31 March 2015

Figures in Pula	Share capital	Revaluation reserve	Retained earnings	Holders of the group / company	Minority interest	Total equity
Balance at 01 April 2014	1 252 024 077	2 292 847	(216 942 564)	1 037 374 360	(34 370 743)	1 003 003 617
Profit for the year	-		352 124 759	352 124 759	-	352 124 759
Revaluation reserve		4 856 679	-	4 856 679	-	4 856 679
Total comprehensive income for the year	-	4 856 679	352 124 759	356 981 438	-	356 981 438
Derecognized NCI relating to disposal of Delta (Pty) Ltd	-		-	-	97 146	97 146
Derecognized NCI relating to PG Industries Ltd	-		-	-	32 078 873	32 078 873
Reserve transfer on account of depreciation	-	(725 962)	725 962	-	-	-
Write off of reserves on account of assets written off						
Total contribution and distribution to owners	-	(725 962)	725 962	-	32 176 019	32 176 019
Balance at 31 March 2015	1 252 024 077	6 423 564	135 908 157	1 394 355 798	(2 194 724)	1 392 161 074
Note(s)			23			

Statement of Cash Flows

		Group	
Figures in Pula	Notes	2015	2014
Cash flows from operating activities			
Cash (used in) generated from operations	26	110 992 222	213 062 589
Tax (paid) received		-	(3 013 406)
Net cash from operating activities		**110 992 222**	**210 049 183**
Purchase of property, plant and equipment	21	(4 310 998)	(8 158 716)
Proceeds on disposal of property, plant and equipment	16	140 439	942 989
Investment in associates net of interest capitalised		10 213 313	(25 107 961)
Movement in investment in subsidiaries		-	(6 617 000)
Proceeds on sale of investment in associates		-	2 350 000
Net cash from investing activities		**6 042 754**	**(36 590 688)**
Cash flows from financing activities			
Interest paid		(216 191)	(4 198 704)
Increase/(decrease) in finance lease obligations		(1 624 897)	(2 116 887)
Net cash from financing activities		**(1 841 088)**	**(6 315 591)**
Net (decrease) / Increase in cash and cash equivalents		115 193 887	167 142 904
Cash at the beginning of the year		243 527 788	76 384 884
Cash at the end of year	15	**358 721 675**	**243 527 788**

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 recognized 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 unrealized 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 recognized 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 recognized 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 recognized 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 that is neither a subsidiary nor an interest in 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.

Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities, and contingent liabilities of the associate arising at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the group's share of the net assets of the associate, less any impairment in the value of individual investments.

Where a group entity transacts with an associate of the group, unrealized profits are eliminated to the extent of the group's interest in the relevant associate.

Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred where necessary to ensure consistency with the policies adopted by the group. Dilution gains and losses in associates are recognized in the statement of comprehensive income.

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:

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

The group reviews individual loans and loan portfolios to assess impairment at least on a monthly basis. 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. 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.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

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 realizable 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.

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.

Accounting Policies

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

31 March 2015	Existing impairment allowance	Impact on changes in Emergence period		Impact on changes in Roll rates	Impact on change in Roll rates	Impact on changes in Recovery experience	
P'000							
		(+) 3 months	(-) 3 months	(-)5%	(+)5%	(+)5%	(-)5%
Portfolio provision	643 129	4 048	(4 048)	45 688	53 218	75 621	(75 621)
Specific provision	82 985	-	-	-	-	206	(206)
Total provision	726 114	4 048	(4 048)	45 688	53 218	75 827	(75 827)

Impairment losses on investments

31 March 2014	Existing impairment allowance	Impact on changes in Emergence period		Impact on changes in Roll rates	Impact on change 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

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 recognized 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 P39 204 031 (2014: P33 368 856).

1.3 Property, plant and equipment

The cost of an item of property, plant and equipment is recognized 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 recognized in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognized.

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 the 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
Motor vehicles	4 years
Office furniture & fittings	10 years
Computer equipment	4 years
Computer software	3 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.

The depreciation charge for each period is recognized 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 derecognized. 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 amortized 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.

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.

Accounting Policies

1.4 Financial instruments (continued)

Initial recognition and measurement

Financial instruments are recognized 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 recognized 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 amortized cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortized 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 recognized 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 recognized in profit or loss as part of other income. Dividends received on available-for-sale equity instruments are recognized 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 analyzed between translation differences resulting from changes in amortized cost and other changes in the carrying amount. Translation differences on monetary items are recognized in profit or loss, while translation differences on non-monetary items are recognized in other comprehensive income and accumulated in equity.

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

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.

Accounting Policies

1.4 Financial instruments (continued)

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 recognized in profit or loss - is removed from equity as a reclassification adjustment to other comprehensive income and recognized in profit or loss.

Impairment losses are recognized 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 recognized, 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 recognized.

Reversals of impairment losses are recognized 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 recognized 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 recognized 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 amortized 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 amortized cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized 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 reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The allowance recognized 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 recognized 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.

Accounting Policies

1.4 Financial instruments (continued)

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortized 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 amortized cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized 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, recognized 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 recognized 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 recognized 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 utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized 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.

Tax expenses

Current and deferred taxes are recognized 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 recognized, 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.

Accounting Policies

1.6 Leases (continued)

Finance leases - lessee

Finance leases are recognized 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 recognized as an expense on a straight-line basis over the lease term.

The difference between the amounts recognized as an expense and the contractual payments are recognized as an operating lease asset. This liability is not discounted.

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

1.7 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.

An asset is not depreciated (or amortized) 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 recognized in profit or loss.

1.8 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.

Accounting Policies

1.8 Impairment of assets (continued)

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 amortization is recognized 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 recognized 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.

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 recognized for the asset in prior periods.

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

1.9 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 recognized in profit or loss on the purchase, sale, issue or cancellation of the group's own equity instruments. Consideration paid or received shall be recognized directly in equity.

1.10 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 recognized in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognized 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 recognized as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the group's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Accounting Policies

1.11 Provisions and contingencies

Provisions are recognized 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 recognized 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 recognized for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognized for future operating losses. If an entity has a contract that is onerous, the present obligation under the contract shall be recognized and measured as a provision.

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 recognized in business combinations that are recognized separately are subsequently measured at the higher of:
- the amount that would be recognized as a provision; and
- the amount initially recognized less cumulative amortization.

Contingent assets and contingent liabilities are not recognized but are disclosed in note 33.

1.12 Government grants

Government grants are recognized 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 recognized 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 recognized 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).

Accounting Policies

1.12 Government grants (continued)

Repayment of a grant related to income is applied first against any un-amortized 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 recognized 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 recognized to date as an expense in the absence of the grant is recognized immediately as an expense.

1.13 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.

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 recognized within 'interest income' in the statement of comprehensive income using the effective interest method.

The effective interest method is a method of calculating the amortized 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 company 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 recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss

Fees and commission income

The agency recognizes fees charged to customers in the statement of comprehensive income on the accruals basis, when a service is rendered and payment is due. Service fees included in the price of the product are recognized as revenue over the period during which the service is performed.
Dividends are recognized, in profit or loss, when the company's right to receive payment has been established.

Service fees

When the outcome of a transaction involving rendering of services can be estimated reliably, revenue associated with the transaction is recognized with reference to stage of completion of the transaction at the reporting date. Income is recognized when

-the amount of revenue can be measured reliably;
-it is probable that economic benefits associated with the transaction will flow to the Agency;
-the stage of completion of the transaction at the reporting date can be measured reliably; and
-the costs incurred for the transaction and costs to completion can be measured reliably.

Service fees included in the price are recognized as revenue over the period during which the service is performed.

Accounting Policies

1.13 Revenue (continued)

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 realized.

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 recognized 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.

Government grants

Grants from the Government are recognized at their fair value where there is reasonable assurance that the grant will be received. Government and other grants are recognized in the Statement of comprehensive income, unless the grant relates to a specific purpose such as acquisition or construction of a capital asset. A government grant utilized towards capital expenditure is amortized and credited to the statement of comprehensive income on a straight line basis over the estimated useful lives of the related assets.

1.14 Borrowing costs

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

1.15 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 recognized in profit or loss in the period in which they arise.

Accounting Policies

1.15 Translation of foreign currencies (continued)

When a gain or loss on a non-monetary item is recognized to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognized to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized 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.

1.16 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 recognizes 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.

1.17 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 recognized 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 amortization calculated to recognize 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 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:
• Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities	01 January 2014	The impact of the amendment is not material.
• Amendment to IAS 32: Offsetting Financial Assets and Financial Liabilities	01 January 2014	The impact of the amendment is not material.
• Amendment to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting	01 January 2014	The impact of the amendment is not material.
• Amendment to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets	01 January 2014	The impact of the amendment is not material.

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 2015 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

Accounting Policies

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected 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 July 2014	Unlikely there will be a material impact
• Amendment to IAS 24: Related Party Disclosures: Annual improvements project	01 July 2014	Unlikely there will be a material impact
• Amendment to IAS 16: Property, Plant and Equipment: Annual improvements project	01 July 2014	Unlikely there will be a material impact
• Amendment to IAS 40: Investment Property: Annual improvements project	01 July 2014	Unlikely there will be a material impact
• Amendment to IAS 19: Defined Benefit Plans: Employee Contributions	01 July 2014	Unlikely there will be a material impact
• Amendment to IFRS 3: Business Combinations: Annual improvements project	01 July 2014	Unlikely there will be a material impact
• Amendment to IFRS 2: Share-based Payment: Annual improvements project	01 July 2014	Unlikely there will be a material impact
• Amendment to IFRS 13: Fair Value Measurement: Annual improvements project	01 July 2014	Unlikely there will be a material impact
• Amendment to IAS 38: Intangible Assets: Annual improvements project	01 July 2014	Unlikely there will be a material impact

Notes to the Group Annual Financial Statements

Figures in Pula	Group 2015	Group 2014
1. Revenue		
Total revenue	94 805 557	146 185 475

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

Interest income (1.1)	86 973 985	59 706 721
Bond fee income	2 268 156	1 158 056
Interest from associates	4 196 817	3 229 783
Gross premiums - Credit Guarantee Scheme	1 366 599	3 014 867
Sale of goods and services		79 076 048
	94 805 557	146 185 475

1.1 Interest income		
Interest on advances	67 974 931	53 575 145
Staff loan interest	2 579 005	332 749
Interest from short term investments	16 420 049	5 798 827
	86 973 985	59 706 721

2. Cost of sales		
Sale of goods and services		
Sale of goods	-	63 999 233

3. Government Grants		
Funds received from Government - CEDA	337 000 000	340 000 000
Funds received from Government - Textile	11 243 234	1 356 179
	348 243 234	341 356 179

4. Other income		
Profit on disposal of plant and Equipment	97 113	280 146
Other income	12 929 692	14 087 850
	13 026 805	14 685 013

5. Textile grant expenses		
Labour grants - Small scale	1 926 903	664 800
Labour grants - Medium scale	840 620	177 280
Textile grant - Medium scale	8 495 219	514 680
	11 262 742	1 356 760

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 utilized 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.

Notes to the Group Annual Financial Statements

	Group	
Figures in Pula	2015	2014
6. Operating expenses		
Auditors' remuneration	1 948 442	2 079 689
Depreciation	5 502 249	8 892 787
Directors' emoluments	150 780	156 303
Mentoring expenses	5 336 432	4 123 115
Consultancy fees	1 858 515	3 107 178
Operating leases	8 401 722	10 835 018
Security expenses	1 048 025	1 947 419
Computer and IT support costs	4 839 933	5 215 536
Legal costs	3 601 205	3 039 802
Public Relations expenses	5 269 155	4 166 806
Training expenses	346 275	193 083
Due diligence consultancies	162 906	115 212
Other administration expenses	21 831 366	29 829 646
	60 297 005	73 701 594
7. Management Fees		
Management fees	-	4 293 333
8. Staff expenses		
Salaries and wages	66 104 584	74 761 964
Leave pay	3 081 462	1 702 211
Gratuity	6 121 714	5 426 608
Pension scheme contributions	6 302 441	5 585 784
Medical aid contributions	3 807 670	3 327 798
Staff training costs	4 817 543	3 324 733
Staff travelling and other expenses	8 390 045	9 272 893
	98 625 459	103 401 993

Notes to the Group Annual Financial Statements

	Group	
Figures in Pula	2015	2014

9. Profit/(loss) arising on disposal of investment

9.1 Latex Medical Products

Cost	-	26 713 661
Accumulated Impairment	-	(26 713 661)
Sale proceeds	-	100 000
	-	100 000

9.2 ZS Botswana (Pty) Ltd

Cost	-	7 551 883
Impairments	-	(7 551 883)
Sale proceeds	-	2 250 000
Profit	-	2 250 000
Total profit arising on disposal of investments	-	2 350 000

10. Gain on loss of control of subsidiary

PG Industries Botswana (Pty) Ltd		
Total Liabilities	51 437 119	-
Related party dividend	(1 702 816)	-
Net liabilities (Note 10.1)	49 734 303	-

10.1 PG Industries deconsolidated net of impairment

	-	-
Net Liabilities	49 734 303	-
Derecognition of non controlling interest on deconsolidation	(32 078 873)	-
Gain on loss of control of subsidiary	17 655 430	-

Notes to the Group Annual Financial Statements

	Group	
Figures in Pula	2015	2014
11. Impairment charge		
Impairment of loans and advances	(67 317 173)	108 841 704
Impairment of investments in subsidiaries	-	-
Impairment charge/(release) on associates (Note 11.1)	5 062 745	14 125 379
Impairment charge on receivables	6 764 179	2 000 000
Impairment loss on property, plant and equipment	-	21 895 961
Impairment charge on assets held for sale	-	(6 308 191)
Bad debts on trade receivables	-	2 117 030
Impairment of inventory	-	15 131 681
	(55 490 249)	157 803 564
11.1 Impairment charge/(release) on associates		
Mobility (Pty) Ltd		
Pula Steel casting and Manufacturing (Pty) Ltd	1 355 939	9 904 051
Hoisting Solutions (Pty) Ltd	(1 287 522)	4 256 416
Ta Shebube (Pty) Ltd	2 933 833	(2 232 859)
Rim Rock (Pty) Ltd	-	2 503 630
Stoffberg Investments (Pty) Ltd	2 060 495	(305 859)
	5 062 745	14 125 379
12. Summarised financial information of associates		
Revenue - post acquisition results	53 505 921	59 761 358
(Loss) /profit after tax - post acquisition results	(12 770 391)	(32 670 981)
Statement of financial position		
Non current assets	248 093 843	104 378 470
Current assets	64 166 789	52 548 905
Total assets	312 260 633	156 927 085
Equity	36 468 516	24 481 470
Total liabilities	275 792 117	132 445 615
Total equity and liabilities	312 260 633	156 927 085
13. Finance costs		
Interest paid	216 191	4 198 704

Notes to the Group Annual Financial Statements

	Group	
Figures in Pula	2015	2014
14. Income tax		
Current	-	768 485
	-	768 485

15. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	13 000	330 690
Bank balances	66 135 761	81 944 241
Short term deposits	292 572 914	163 934 260
	358 721 675	246 209 191

15.1 Cash and cash equivalents		
Cash and cash equivalents	358 721 675	246 209 191
Bank overdraft	-	(2 681 403)
	358 721 675	243 527 788

Short term deposits represent amounts placed with commercial banks bearing interest at rates of 9.04% per annum (2014:6.3%). All deposits are callable within three months. Cash and cash equivalents include the above for the purposes of the statement of cash flows.

16. Loans and advances		
Loans and advances The loans have been advanced for a period up to 180 months. Interest on advances is charged at 5% per annum on loans up to P0.5 million. 7.5% on loans above P0.5 million and prime linked on loans from P4 million up to P30 million. Approximately 75% of the loan book is at the rate of 7.5% (2014:68%)	979 744 658	797 714 994
	979 744 658	797 714 994
16.1 Net Loans and advances		
Gross Loans and advances	1 707 371 298	1 592 658 807
Impairment (Note 16.2)	(727 626 640)	(794 943 813)
	979 744 658	797 714 994
16.2 Impairment of loans and advances		
Opening balance	794 943 813	686 102 109
Provision for impairment for the year	(67 317 173)	108 841 704
Closing balance	727 626 640	794 943 813

17. Other assets		
Staff loans	97 070 657	75 843 184
Prepayments	2 431 699	2 471 729
Deposits	623 985	624 503
Other receivables	5 689 718	13 649 839
Impairment	-	(3 208 292)
	105 816 059	89 380 963

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

Notes to the Group Annual Financial Statements

Figures in Pula

18. Investments in subsidiaries (Continued)

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 2015	% voting power 2014	% voting power 2015	% voting power 2014
CEDA Venture Capital Fund	CEDA	100 %	100%	100%	100%
PG Industries (Botswana) (Pty) Ltd	CEDA Venture Capital Fund	-	51%	-%	51%
Phika Entrepreneurs (Pty) Ltd	CEDA Venture Capital Fund	54%	54%	49%	49%
Delta Dairies (Pty) Ltd	CEDA Venture Capital Fund	98.46 %	98.46 %	98.46 %	98.46 %

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 previous years. In the current year, the company has been placed into liquidation (14 January 2015) and thus the group lost control over PG Industries (Botswana) (Pty) Ltd. The subsidiary balances have been de-consolidated in the current year and the investment is disclosed as an investment in subsidiary held for distribution net of impairment. Liabilities amounting to P49,734,303 were written off during the year after the company was placed under liquidation in January 2015. Below is the net book value of the investment;

	P
Investment in PG	29 258 771
Accumulated Impairment	(29 258 771)
Carrying value	Nil

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 fully supported.

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.

Investments in subsidiaries (Continued)

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. P55, 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.

19. Investments in associates

19.1 Associates

The following are associates to the group:

	Nature of business	Method	% Ownership interest 2015	% Ownership interest 2014
Pula Steel Casting and Manufacturing	Steel casting and manufacturing	Equity	26 %	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 %	40%
Stoffberg Investments (Pty) Ltd	Tourism	Equity	30 %	30%

a) Pula Steel Casting and Manufacturing (Pty) Ltd

The interest in Pula Steel Casting and Manufacturing (Pty) Limited was acquired in March 2012. The group holds 26% of the equity in the company. The investment in the company has been equity accounted in these group financial statements. 9% of ordinary shares has been has been sold to BCL (Pty) Ltd during the year.

The group holds 13,000,000 debentures shares issued in March 2012. Preferential dividend shall be calculated at a fixed coupon rate of 14% per annum. Nil amount was capitalized as dividend accrued during the financial year ended 31 March 2015 because the investment was impaired the previous year.

b) Pule Modisana Holdings (Pty) Ltd

The group holds 40% of the equity in Pule Modisana Holdings through ordinary shares acquired in January 2012. The investment in the company has been equity accounted in these group financial statements.

Investments in associates (continued)

c) Hoisting Solutions (Pty) Ltd

The group holds 49% of the equity in Hoisting Solutions Pty Ltd through ordinary shares acquired in April 2012. The investment in the company has been equity accounted in these group financial statements.

6 306 482 preference shares of P1 each were issued in April 2012. Preferential dividend shall be calculated at a prime lending rate. P621 059 was capitalized as dividend accrued during the financial year ended 31 March 2014.

The group also holds 10,000,000 debentures shares issued in April 2012. Preferential dividend shall be calculated at a fixed coupon rate of 13% per annum. P1 300 000 was charged as interest during the financial year ended 31 March 2014, the same amount has been paid by the Investee company. During the year 2015, the company paid back P942, 261, this was part of the group's investment in preference shares in the company.

d) Rim Rock Holdings (Pty) Ltd

The group holds 40% of the equity in Rim Rock Pty Ltd through ordinary shares acquired in March 2012. The investment in the company has been equity accounted in these group financial statements.

13 049 020 preference shares of P1 each were issued in March 2012. Preferential dividend shall be calculated at 15% fixed deposit rate. P2 080 273 was capitalized as dividend accrued during the financial year ended 31 March 2014.

e) Ta Shebube (Pty) Ltd

The group holds 49% of the equity in Ta Shebube Pty Ltd through ordinary shares acquired in November 2011. The investment in the company has been equity accounted in these group financial statements.

22 471 909 preference shares of P1 each were issued in November 2011. Preferential dividend shall be calculated at a 14% fixed rate. Nil amount was capitalized as dividend accrued during the financial year ended 31 March 2014 because the investment was impaired the previous year. During the year 2015, the company paid back P3, 263,949, being part of the group's investment in preference shares in the company. The group's investment in the company was for the development of three (3) hotel sites and only two (2) could be developed while the third site was found not to have enough water. The funds returned were for the development of the third site which could not take place.

f) Stoffberg (Pty) Ltd

The group holds 30% of the equity in Elephant Lodges Pty Ltd through ordinary shares acquired in July 2013. The investment in the company has been equity accounted in these group financial statements.

3 628 571 Preference Shares of P1 each were issued in July 2013. Preferential dividend shall be calculated at a 15% fixed rate. P311 659 was capitalized as dividend accrued during the financial year ended 31 March 2014.

g) Unified Refineries (Pty) Ltd

The group holds 40% of the equity in United Refineries Pty Ltd through ordinary shares acquired in June 2013. The investment in the company has been equity accounted in these group financial statements.

11 343 337 debenture coupon of P1 each were issued in June 2013. Preferential dividend shall be calculated at a 15% fixed rate. P997 064 amount was capitalized as dividend accrued during the financial year ended 31 March 2014.

Notes to the Group Annual Financial Statements

	Group	
Figures in Pula	2015	2014
19.2 Equity Investments in associates at cost		
Pula Steel Casting and Manufacturing (Pty) Ltd	5 200 000	7 000 000
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	7 333 333
Stoffberg Investments (Pty) Ltd	2 571 429	2 571 429
	25 602 870	27 402 870
19.3 Preference share investments in associates at cost		
Mobility (Pty) Ltd		
Pule Modisana (Pty) Ltd	16 934 712	16 934 712
Hoisting Solutions (Pty) Ltd	5 364 221	6 306 482
Rim Rock (Pty) Ltd	15 552 650	15 551 650
Ta Shebube (Pty) Ltd	19 207 960	22 471 909
Stoffberg Investments (Pty) Ltd	3 628 571	3 628 571
	60 688 114	64 894 324
19.4 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	11 337 337
	34 337 337	34 337 337
Total investment	120 628 321	126 634 531

Notes to the Group Annual Financial Statements

Figures in Pula

Investments in associates (continued)

19.5 Breakdown of carrying amounts of Investments in associates

	Total investments at cost	Disinvestment	Share of post acquisition	Accumulated impairments	Carrying amounts (2015)	Carrying amounts (2014)
Pula Steel Casting and Manufacturing (Pty) Ltd	20 000 000	(1 800 000)	(4 638 420)	(11 744 463)	1 817 117	6 495 421
Pule Modisana Holdings (Pty) Ltd	16 934 752	-	(489 516)	(16 445 236)	-	-
Hoisting Solutions (Pty) Ltd	19 636 069	(942 261)	1 695 816	(1 695 813)	18 693 808	14 870 766
Ta Shebube (Pty) Ltd	27 113 370	(3 263 949)	(2 232 859)	(21 539 255)	77 4310	6 275 207
Stoffberg Investments (Pty) Ltd	6 200 000	-	(1 536 229)	(1 469 803)	3 193 968	6 200 000
United Refineries (Pty) Ltd	18 670 670	-			18 670 670	18 670 670
	108 554 861	(6 006 210)	(7 201 208)	(52 894 570)	42 452 873	52 512 064

Notes to the Group Annual Financial Statements

Figures in Pula

Investments in associates (continued)

19.6 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	Group 2015	Group 2014

20. Assets held for distribution/sale

20.1 Investment in associate held for distribution:

BIZ Capital (Pty) Ltd

	2015	2014
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)
Net carrying amount	-	-

20.2 Investment in associate held for distribution:

Easy Concrete Products (Pty) Ltd

	2015	2014
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)
Net carrying amount	-	-

20.3 Investment in associate held for distribution:

Tannery Industries (Botswana) (Pty) Ltd

	2015	2014
Cost	4 453 931	4 453 931
Accumulated impairment	(4 453 931)	(4 453 931)
Net carrying amount	-	-

20.4 Investment in associate held for distribution:

Rim Rock (Pty) Ltd

	2015	2014
Cost	18 079 670	18 079 670
Share of post acquisition loss	(4 241 818)	(3 197 988)
Accumulated impairment	(13 837 852)	(14 881 682)
Net carrying amount	-	-

20.6 Investment in subsidiary held for sale:

Latex Medical Products (Pty) Ltd

	2015	2014
Cost	-	26 713 661
Accumulated Impairment	-	(26 713 661)
Sale proceeds	-	100 000
Profit	-	100 000

20.7 Investment in subsidiary held for distribution

PG Industries (Botswana) (Pty) Ltd

	2015	2014
Cost	29 258 771	-
Accumulated Depreciation	(29 258 771)	-
Net carrying amount	-	-

Notes to the Group Annual Financial Statements

	Group	
Figures in Pula	2015	2014

Assets held for distribution / sale (continued)

Investment in subsidiary held for sale:

20.8 Delta Dairies (Pty) Ltd

Cost	-	79 546 436
Accumulated Impairment	-	(79 546 436)
Proceeds	-	1
Profit	-	1

20.9 Investment in associate held for sale:

Mobility (Pty) Ltd		
Cost	28 500 049	-
Accumulated Impairment	28 500 049	-
Sale proceeds	-	-
Profit	-	-

20.10 Investment in associate held for sale:

ZS Botswana (Pty) Ltd		
Cost	-	7 551 883
Accumulated Impairment	-	(7 551 883)
Sale proceeds	-	2 250 000
Profit	-	2 250 000

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.

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 of Tannery Industries (Botswana (Pty) Ltd this has been accounted for as assets held for distribution after recognition of an impairment charge.

Mobility (Pty) Ltd
The interest in Mobility (Pty) Ltd was acquired in April 2011. A decision to sell the company was taken. The company was therefore been accounted for as assets held for distribution after recognition of an impairment charge.

Notes to the Group Annual Financial Statements

Figures in Pula

21. Property, plant and equipment

	2015			2014		
	Cost /Valuation	Accumulated depreciation	Carrying value	Cost /Valuation	Accumulated depreciation	Carrying value
Furniture and fixtures	8 761 485	(4 298 899)	4 462 586	8 209 749	(3 719 957)	4 489 792
Motor vehicles	20 100 526	(14 115 578)	5 984 949	14 938 764	(11 859 609)	3 079 155
Computer equipment and software	22 906 935	(16 657 006)	6 249 929	21 061 481	(15 555 039)	5 506 442
Total	51 768 946	(35 071 482)	16 697 464	44 209 994	(31 134 605)	13 075 389

Citizen Entrepreneurial Development Agency (CEDA)
(Registration number CO/2001/2412)
Group Annual Financial Statements for the year ended 31 March 2015

Notes to the Group Annual Financial Statements

Reconciliation of property, plant and equipment - Group - 2015

Figures in Pula	Opening balance	Additions	Disposals	Revaluation	Depreciation on disposal	Depreciation	Total
Furniture and fixtures	4 489 792	778 654	(226 466)	-	190 819	(770 213)	4 462 586
Motor vehicles	3 079 155	749 496	(444 388)	4 856 652	444 388	(2 700 355	5 984 948
Computer equipment and softw	5 506 442	2 782 847	(948 996)	-	941 317	(2 031 680)	6 249 932
	13 075 389	4 310 997	(1 619 850)	4 856 652	1 576 524	(5 502 248)	16 697 464

Reconciliation of property, plant and equipment - Group - 2014

Figures in Pula	Opening balance	Additions	Disposals	Classified as held for sale	Revaluations	Depreciation	Impairment loss	Total
Land and building	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

Notes to the Group Annual Financial Statements

Figures in Pula	Group 2015	Group 2014

22. Revaluation reserve

Opening balance	2 292 847	9 121 575
Gain on property revaluation	4 856 679	2 393 780
Write off of reserves on account of written off assets		
Impairment on revaluation of property attributable to minority	-	(2 927 429)
Reserve transfer on account of depreciation	(725 962)	(5 122 069)
Acquisition of non-controlling interest in PG Industries	-	(1 173 010)
Closing balance	6 423 564	2 292 847

23. Trade and other payables

Trade payables	1 882 657	26 513 582
Deferred income	15 023 979	22 495 761
VAT	-	571 113
Accrued bonus	3 968 673	2 544 103
Other payroll accruals	13 118 365	16 078 647
PAYE accrual	-	6 752
Accrued audit fees	2 077 179	2 433 396
Provisions	39 204 031	33 368 856
Other payables	4 660 548	14 711 357
	79 935 432	118 723 567

Fair value of trade and other payables

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

24. Finance lease obligation

Due within 12 months	721 188	2 088 783
Due after 12 months	1 089 140	1 346 442
	1 810 328	**3 435 225**

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% (2014: 10%).

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

Figures in Pula	Group 2015	Group 2014
25. Other financial liabilities		
Held at amortized cost		
Barclays Bank of Botswana Limited	29 525 894	52 972 031
The group 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 derecognized and company continues to recognize the staff loans under loans and advances. The amount of proceeds received from the bank is recognized as a financial liability in accordance with IAS39 Financial Instruments: Recognition and measurement.		
First National Bank of Botswana Limited	-	12 527 855
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.		
Banc ABC	-	5 548 902
This is a short term loan secured by a deed of hypothecation over the group's movable assets including inventory and debtors.		
	29 525 894	71 048 788

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

Currencies - At amortized cost

The carrying amounts of financial liabilities at amortized cost are denominated in Pula.

Notes to the Group Annual Financial Statements

		Group	
Figures in Pula		2015	2014

26. Cash generated from (used in) operations

Profit/(loss) before taxation		351 331 071	90 837 476
Adjustments for:			
Depreciation and amortization		5 502 249	8 892 787
Loss (profit) on sale of plant & equipment		(97 113)	(280 146)
Interest from associates		(4 196 817)	(3 229 783)
Profit on sale of investments			(2 350 000)
Gain on loss of control of subsidiary		(17 655 430)	
Staff benefit charge		2 579 016	2 248 949
Impairment charge for subsidiaries & associates		(55 490 249)	158 233 719
		281 972 726	254 353 002
Changes in working capital:			
Inventories		-	22 074 082
Loans and advances	26.1	(114 712 491)	(98 048 172)
Trade and other payables	26.2	(33 155 736)	14 839 949
Other assets	26.3	(23 112 277)	19 843 846
Cash generated from operating activities		110 992 222	213 062 589

26.1 Change in loans and advances:

Balance at the beginning of the year	797 714 994	808 508 526
Balance at the end of the year	(979 744 658)	(797 714 994)
Impairment charge	67 317 173	(108 841 704)
	(114 712 491)	(98 048 172)

26.2 Change in trade and other payables:

Balance at the beginning of the year	(140 038 049)	(172 683 576)
Balance at the end of the year	109 461 328	189 772 474
Staff loan benefit	(2 579 016)	(2 248 949)
	(33 155 736)	14 839 949

26.3 Change in other assets:

Balance at the beginning of the year	89 380 964	117 730 127
Balance at the end of the year	(105 815 716)	(89 380 964)
Impairment charge	(6 677 525)	(8 505 317)
	(23 112 277)	19 843 846

Notes to the Group Annual Financial Statements

Figures in Pula	Group 2015	Group 2014
27. Deferred tax liability		
Accelerated capital allowances for tax purposes	-	768 485
Deferred tax liability		768 485
Deferred tax asset		(768 485)
	-	-
Reconciliation of deferred tax asset/(liability)		
At beginning of year		(911 132)
Originating and reversal of temporary differences on fixed assets		142 647
Tangible fixed assets derecognised		768 485
	-	-

During the year the group disposed off shares in Delta Dairies (Pty) Ltd at a consideration of P1.00. The investment was fully impaired in the books of CEDA Venture Capital Fund at the time of disposal.

28. Related parties

Relationships

Shareholders	Government of the Republic of Botswana
Subsidiaries	CEDA Venture Capital Fund Phika Entrepreneurs (Pty) Ltd
Associates	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 ZS Botswana (Pty) Ltd BIZ Capital (Pty) Ltd Easy Concrete Products (Pty) Ltd Tannery Industries (Botswana) (Pty) Ltd

Figures in Pula	Group 2015	Group 2014

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

2015

	Salaries	Housing allowance	car allowance	Gratuity, medical aids, and other	Non executive directors' fees	Total
For services	5 154 345	1 141 600	797 265	2 881 720	150 780	10 125 710

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

	2015	2014
Loans to Senior Managers	3 567 011	1 467 342
Loans to Directors	3 900 000	-

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 analyze 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 minimize 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.

Notes to the Group Annual Financial Statements

Figures in Pula

31. Risk management (continued)

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.

Group

At 31 March 2015	1-3 Months	3-12 Months	1-5 years	Total
Trade and other payables	28 993 029	41 390 742	9 551 661	79 935 432
Borrowings and bank overdrafts	1 843 536	5 530 607	23 962 081	31 336 224

At 31 March 2014	1-3 Months	3-12 Months	1-5 Years	Total
Trade and other payables	17 151 625	76 532 198	25 039 744	118 723 567
Borrowings and bank overdrafts	6 613 721	5 530 607	65 021 087	77 165 415

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 2015 and 2014, the group's borrowings at variable rate were denominated in the Pula.

At 31 March 2015, if interest rates on Pula-denominated borrowings had been 1% higher/lower with all other variables held constant, net assets for the year would have been P 3 000 510 (2014: P 1 821 031) (Company: P3 000 510 (2014: P1 821 031)) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Notes to the Group Annual Financial Statements

	Group	
Figures in Pula	2015	2014

Risk management (continued)

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 centralized 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.

Financial assets exposed to credit risk at year end were as follows:

	2015	2014
Loans and advances		
Performing loans	836 675 928	682 589 424
Loans above 5 months in arrears	477 279 010	724 397 293
Loans which are foreclosed	393 416 360	185 672 090
	1 707 371 298	1 592 658 807

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

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 recognized 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 - 2015	Impairment provision - 2015	Loans and advances - 2014	Impairment provision - 2014
Performing loans	836 675 928	147 637 870	682 589 424	143 484 412
Loans above 5 months in arrears	477 279 010	186 821 934	724 397 293	465 790 089
Loans which are foreclosed	393 416 360	393 166 835	185 672 090	185 669 312
	1 707 371 298	727 626 639	1 592 658 807	794 943 813

Notes to the Group Annual Financial Statements

	Group	
Figures in Pula	2015	2014

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

	2015	2014
Cash and cash equivalents	358 721 675	246 209 191
Loans and advances	979 744 658	797 714 994
Other assets	105 816 059	91 538 464
	1 444 282 392	1 135 462 649

Loans and advances
Loans and advances are summarized as follows:

Analysis	2015	2014
Neither past due nor impaired	504 117 029	682 589 424
Past due but not impaired	332 558 899	73 094 289
Impaired over 5 months	870 695 369	836 975 094
Less: Allowance for impairment	(727 626 639)	(794 943 813)
	979 744 658	797 714 994

Risk management (continued)

The total impairment provision for loans and advances is P727 626 639 (2014: P794 943 813) of which 60% (2014: 87%) 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:

- 49% of the loans and advances portfolio is categorized in the top two grades of the internal rating system (2014: 47%).
- 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

	Neither past due nor impaired	1-150 days Past due but not impaired	Over 150 days	Total
Group				
Loans at 31 March 2015	504 117 029	332 558 899	870 695 369	1 707 371 298
Group				
Loans at 31 March 2014	682 589 424	73 094 289	836 975 094	1 592 658 807

Repossessed collateral

During 2015, the Agency obtained assets by taking possession of collateral held as security which totaled P4 315 958 (2014: P8 294 743). 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.

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 - 2015

	Loans and receivables	Total
Cash and cash equivalents	358 721 675	358 721 675
Other assets	105 816 059	105 816 059
Loans and advances	979 744 658	979 744 658
	1 444 282 392	1 444 282 392

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
	1 135 305 149	1 135 305 149

Financial liabilities by category

Group - 2015

	Financial liabilities at amortized cost	Total
Borrowings and bank overdrafts	1 810 328	1 810 328
Trade and other payables	79 935 432	79 935 432
Other financial liabilities	29 525 894	29 525 894
	111 271 654	111 271 654

Group - 2014

	Financial liabilities at amortized cost	Total
Borrowings and bank overdrafts	6 116 628	6 116 628
Trade and other payables	118 723 567	118 723 567
Other financial liabilities	71 048 787	71 048 787
	195 888 892	195 888 892

Notes to the Group Annual Financial Statements

Figures in Pula	Group 2015	Group 2014

32. Capital Commitments

Authorized capital expenditure

Already contracted for but not provided for		
◦ Motor vehicles		
◦ Computer hardware	151 861	46 632
◦ Computer software	1 800 917	1 052 000
◦ Computer software	510 907	200 000
	3 793 351	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		
- in second year and later	5 100 498	5 168 861
	10 215 141	15 315 639
	15 315 639	20 484 500

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.

33. 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 2015 as a result of guarantees issued amount to P111 054 744 (2014: P83 070 267).

CEDA has certain pending litigations as at 31 March 2015. The outcome of these cases is currently unknown Management has estimated a contingent exposure of P 4 727 000 (2014: P38, 865).

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

34. 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 realization 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 source funding for the ongoing operations for the group.

Notes to the Group Annual Financial Statements

Figures in Pula

35. 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

- Shares held in Phika Entrepreneurs were disposed of in December 2015 and proceeds amounting to P232 044 were received on 8 February 2016.
- Latex Medical Products (Pty) Ltd was placed under liquidation from December 2012. The liquidation process was finalized 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 finalized in March 2016 and no final proceeds were received.
- 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 Financial Assets

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