

Citizen Entrepreneurial Development Agency (CEDA)
(Registration number CO/2001/2412)
Group Annual Financial Statements for the
year ended 31 March 2016

Citizen Entrepreneurial Development Agency (CEDA)

(Registration number CO/2001/2412)

Group Annual Financial Statements for the year ended 31 March 2016

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Citizen Entrepreneurial Development Agency (CEDA)

(Registration number CO/2001/2412)

Group Annual Financial Statements for the year ended 31 March 2016

General Information

Country of incorporation and domicile

Botswana

Nature of business and principal activities

The Citizen Entrepreneurial Development Agency ("CEDA") was established by the Government of the Republic of Botswana to provide financial and technical support for business development with the view of promoting viable and sustainable citizen owned business enterprises. CEDA was incorporated as a company limited by guarantee on 12 April 2001 and commenced operations in June 2001.

In order to fulfil its objectives, CEDA provides the following services:

- Financial assistance to enterprises in the form of loans, which are offered at subsidised interest rates and guarantees issued on behalf of entrepreneurs;
- Training and mentoring, providing management and marketing skills to the managers of its customers in order to enhance their opportunities for success;
- Provision of loan finance to young farmers;
- Provide access to finance for Small, Micro and medium Enterprises (SMME) and to assist businesses operating in the SMME sector of the economy to fulfil the security requirements of commercial banks and other development financial institutions; and
- Provision of risk capital to citizen owned projects and joint ventures between citizens and non-citizens through CEDA Venture Capital Fund.

Registered office

Plot 54350, Four Thirty Square
Phillip Matante Road
CBD
Gaborone

Business address

Plot 54350, Four Thirty Square
Phillip Matante Road
CBD
Gaborone

Postal address

Private Bag 00504
Gaborone

Citizen Entrepreneurial Development Agency (CEDA)

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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

Citizen Entrepreneurial Development Agency (CEDA)

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Directors' Responsibilities and Approval

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

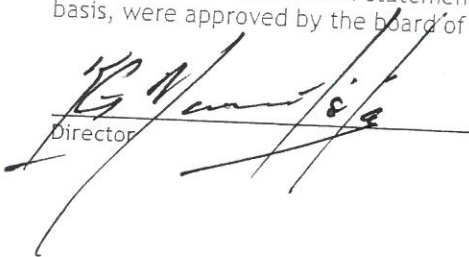
The group annual financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretation Committee ("IFRIC") interpretations issued by the International Accounting Standards Board and effective at the time of preparation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

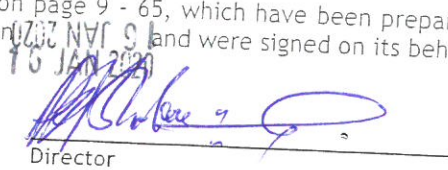
The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the directors set standards for internal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

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

The directors have reviewed the group's cash flow forecast for the year to 31 March 2017 and, in the light of this review and the current financial position, they are satisfied that the group has or has access to adequate resources to continue in operational existence for the foreseeable future.

The group annual financial statements set out on page 9 - 65, which have been prepared on the going concern basis, were approved by the board of directors on 16 JAN 2017 and were signed on its behalf by:


Director


Director

Citizen Entrepreneurial Development Agency (CEDA)

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Group Annual Financial Statements for the year ended 31 March 2016

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 2016.

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 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 group annual financial statements.

3. Stated Capital

CEDA has been nominated by the Botswana government to be a shareholder in Norsad Finance Limited, as at year end CEDA held 300 ordinary shares fair valued at P16 579 343.

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	
BM Ditlhabi	Motswana	Resigned 30 November 2018
SM Makosha	Motswana	Resigned 30 November 2016
SM Kaisara	Motswana	Resigned 31 January 2019
C Mokgware	Motswana	Resigned 30 November 2016
S Ramatshaba	Motswana	Resigned 1 July 2015
LB Sebetela	Motswana	Resigned 30 August 2015
ST Morolong	Motswana	Resigned 31 January 2016
Dr LP Gakale	Motswana	Resigned 30 November 2015
		Resigned 30 November 2013

5. Fixed assets

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

6. Events after the reporting period

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

Citizen Entrepreneurial Development Agency (CEDA)

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Group Annual Financial Statements for the year ended 31 March 2016

Directors' Report

7. Going concern

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

8. Auditors

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

9. Secretary

The company secretary is Cynthia Sebonego.

Postal address

Private Bag 00504 Gaborone

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

Report on the financial statements

We have audited the group annual financial statements of Citizen Entrepreneurial Development Agency, which comprise the consolidated and separate statements of financial position as at 31 March 2016, and the consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in capital and funding and consolidated and separate statements 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 65.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

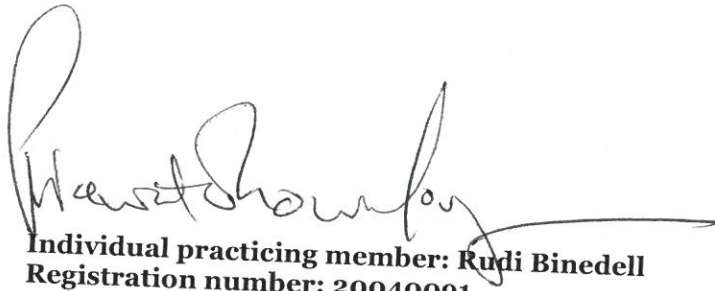
PricewaterhouseCoopers, Plot 50371, Fairground Office Park, Gaborone, P O Box 294, Gaborone, Botswana
T: (267) 395 2011, F: (267) 397 3901, www.pwc.com/bw

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

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

Opinion

In our opinion, the consolidated and separate financial statements give a true and fair view of, the consolidated and separate financial position of Citizen Entrepreneurial Development Agency as at 31 March 2016, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards.



**Individual practicing member: Rudi Binedell
Registration number: 20040091**

**Gaborone
24 February 2020**

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Citizen Entrepreneurial Development Agency (CEDA)

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Group Annual Financial Statements for the year ended 31 March 2016

Statement of Comprehensive Income

Figures in Pula	Notes	Group		Company	
		2016	2015	2016	2015
Revenue	1	88 534 357	94 805 557	87 109 505	94 463 260
Cost of sales	2	(328 446)	-	-	-
Gross profit		88 205 911	94 805 557	87 109 505	94 463 260
Government Grant	3	326 156 584	348 243 234	326 156 584	348 243 234
Other operating income	4	13 628 564	13 026 805	5 272 284	11 796 037
Textile grant expenses	5	-	(11 262 742)	-	(11 262 742)
Operating expenses	6	(63 786 995)	(60 297 005)	(60 173 310)	(58 991 394)
Staff expenses	7	(115 223 531)	(98 625 459)	(114 023 600)	(98 625 459)
Provision for guarantee claims		(2 814 110)	(7 704 999)	(2 814 110)	(7 704 999)
Gain on loss of control of in subsidiary	8	-	17 655 430	-	-
Profit arising on disposal of investments	9	377 356	-	-	-
(charge) / release for impairment	10	17 614 396	55 490 249	18 499 946	58 255 542
Operating profit/(loss)		264 158 175	351 331 071	260 027 299	336 173 479
Income from equity accounted investments		(74 104)	1 009 879	-	-
Finance costs	11	(177 555)	(216 191)	(158 705)	(216 191)
Profit/(loss) for the year		263 906 516	352 124 759	259 868 594	335 957 288
Other comprehensive income					
Revaluation of property plant and equipment		(6 423 564)	4 856 652	(6 423 564)	4 856 652
Total comprehensive income/(loss) for the year		257 482 952	356 981 411	253 445 030	340 813 940
Profit/(loss) attributable to:					
Owners of the parent		264 127 369	352 124 759	259 868 594	335 957 288
Non-controlling interest		(220 853)	-	-	-
		263 906 516	352 124 759	259 868 594	335 957 288
Total comprehensive income/(loss) attributable to:					
Owners of the parent		257 703 805	356 981 411	253 445 030	340 813 940
Non-controlling interest		(220 853)	-	-	-
		257 482 952	356 981 411	253 445 030	340 813 940

Citizen Entrepreneurial Development Agency (CEDA)

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Group Annual Financial Statements for the year ended 31 March 2016

Statement of Financial Position as at 31 March 2016

Figures in Pula	Notes	Group		Company	
		2016	2015	2016	2015
Cash and cash equivalents	12	378 542 660	358 721 675	319 307 064	300 051 033
Loans and advances	13	1 188 120 350	979 744 658	1 188 120 350	979 744 658
Other financial assets	14	27 190 123	-	27 190 123	-
Other assets	15	142 754 307	105 816 059	149 361 176	113 398 365
Investments in subsidiaries	16	-	-	58 750 641	57 722 521
Investments in associates	17	39 650 223	42 452 873	39 616 016	42 894 711
Inventories	19	100 000	-	-	-
Property, plant and equipment	20	27 670 631	16 697 464	17 770 579	16 697 464
Assets held for sale/distribution	21	-	-	-	-
Total assets		1 804 028 294	1 503 432 728	1 800 115 949	1 510 508 752
Capital, funding and liabilities					
Capital and funding					
Capital reserve					
Revaluation Reserve	22	1 268 674 184	1 252 024 077	1 268 674 184	1 252 024 077
Retained income		406 152 454	6 423 564	-	6 423 670
Capital and funding attributable to owners of the parent		1 674 826 638	1 394 355 798	1 676 382 927	1 400 170 854
Non-controlling interest		981 088	(2 194 724)	-	-
Total capital and funding		1 675 807 726	1 392 161 074	1 676 382 927	1 400 170 854
Liabilities					
Finance leases	23	5 288 035	1 810 328	5 288 035	1 810 328
Trade and other payables	24	95 101 556	79 935 432	91 038 329	79 001 674
Loan from Shareholders	25	71 000	-	-	-
Other financial liabilities	26	27 759 976	29 525 894	27 406 658	29 525 896
Total liabilities		128 220 567	111 271 654	123 733 022	110 337 898
Total capital, funding and liabilities		1 804 028 294	1 503 432 728	1 800 115 949	1 510 508 752

Citizen Entrepreneurial Development Agency (CEDA)
 (Registration number CO/2001/2412)
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Statement of Changes in capital and funding for the year ended 31 March 2016

Figures in Pula

Group	Capital reserve	Revaluation reserve	Retained income	Total attributable to equity holders of the group / company	Non-controlling interest	Total equity
Balance at 1 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
Transfer to retained earnings on account of derecognised subsidiary	-	-	-	-	-	-
Reserve transfer on account of depreciation	-	(725 962)	725 962	-	-	-
Derecognition of NCI relating to interest in Delta(Pty) Ltd disposed of	-	-	-	-	-	-
Write off of reserves on account of subsidiary disposed off	-	-	-	-	97 146	97 146
Derecognized NCI relating to disposal of PG Industries Botswana (Pty) Ltd	-	-	-	-	-	-
Total contributions by and distributions to owners of company recognized directly in equity	-	(725 962)	725 962	-	32 078 873	32 078 873
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

Citizen Entrepreneurial Development Agency (CEDA)
 (Registration number CO/2001/2412)
 Group Annual Financial Statements for the year ended 31 March 2016

Statement of Changes in capital and funding for the year ended 31 March 2016
 Figures in Pula

Group	Capital reserve	Revaluation reserve	Retained income	Total attributable to equity holders of the group /company	Non-controlling interest	Total equity
Balance at 01 April 2015	1 252 024 077	6 423 564	135 908 157	1 394 355 798	(2 194 724)	1 392 161 074
Profit for the year	-	-	264 127 369	264 127 369	(220 853)	263 906 516
Revaluation reserve	-	(6 423 564)	6 423 564	-	-	-
Total comprehensive income for the year	-	(6 423 564)	270 550 933	264 548 095	(220 853)	263 906 516
Reserve transfer on account of depreciation	-	-	-	-	-	-
Increase in funds from Government	-	-	-	-	-	-
Other assets movement	16 650 107	-	-	16 650 107	-	16 650 107
Derecognised NCI relating to Phika Entrepreneurs (Pty) Ltd	-	-	(306 636)	(306 636)	-	(306 636)
Business combinations - Ta Shebube (Pty) Ltd	-	-	-	-	2 194 724	2 194 724
Total contributions by and distributions to owners of company recognised directly in equity	16 650 107	(6 423 564)	270 244 297	280 470 840	3 175 812	283 646 653
Balance at 31 March 2016	1 268 674 184	-	406 152 454	1 674 826 638	981 088	1 675 807 726
Note(s)		17				

Citizen Entrepreneurial Development Agency (CEDA)
(Registration number CO/2001/2412)
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Statement of changes in capital and funding for the year ended 31 March 2016

Figures in Pula

Company	Capital reserve	Revaluation reserve	Retained income	Total attributable to equity holders of the group / company	Non-controlling interest	Total equity
Balance at 01 April 2014	1 252 024 077	2 292 847	(194 960 011)	1 059 356 913	-	1 059 356 913
Profit for the year	-	-	335 957 288	335 957 288	-	335 957 287
Other comprehensive income	-	4 856 653	-	4 856 653	-	4 856 653
Total comprehensive income for the year	-	4 856 653	335 957 288	340 813 941	-	340 813 940
Transfer between reserves	-	(725 830)	725 830	-	-	-
Total contributions by and distributions to owners of company recognised directly in equity	-	(725 830)	725 830	-	-	-
Balance at 01 April 2015	1 252 024 077	6 423 670	141 723 107	1 400 170 854	-	1 400 170 853
Profit for the year	-	-	259 868 602	259 868 602	-	259 868 602
Other comprehensive income	-	(6 423 670)	6 423 670	-	-	-
Total comprehensive income for the year	-	(6 423 670)	6 423 670	259 868 602	-	259 868 602
Increase in funds from Government	16 650 295	-	-	16 650 295	-	16 650 295
Reserve transfer on account of depreciation	-	-	(306 636)	(306 636)	-	(306 636)
Total contributions by and distributions to owners of company recognised directly in equity	16 650 295	-	(306 636)	16 646 790	-	16 646 790
Balance at 31 March 2016	1 268 674 372	-	407 708 743	1 676 382 927	-	1 676 382 927
Notes		17				

Citizen Entrepreneurial Development Agency (CEDA)

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Group Annual Financial Statements for the year ended 31 March 2016

Statement of Cash Flows

Figures in Pula	Notes	Group		Company	
		2016	2015	2016	2015
Cash flows from operating activities					
Cash generated from operations	27	30 658 260	110 992 222	30 171 347	112 567 776
Net cash from operating activities		30 658 260	110 992 222	30 171 347	122 567 776
Cash flows from investing activities					
Purchase of property, plant and equipment	20	(8 774 684)	(4 310 998)	(8 774 684)	(4 310 998)
Proceeds on disposal of investment in associates		4 231 676	10 213 313	4 312 701	10 203 027
Purchase of other investment		(9 928 958)	-	(10 167 873)	-
Proceeds on disposal of property, plant and equipment	20	273 151	140 439	395 532	140 439
Proceeds on sale of investments					
Net cash from investing activities		(14 198 815)	6 042 754	(14 234 316)	6 032 468
Cash flows from financing activities					
Increase in share capital		-	-	-	-
Interest paid		(187 167)	(216 191)	(158 705)	(216 191)
Purchase of other investments		-	-	-	-
Net movement in interest bearing loans (finance leases)		3 477 707	-	3 477 707	(436 111)
Repayment of shareholders' loan		71 000	-	-	-
Increase/(decrease) in finance lease obligations		-	(1 624 897)	-	-
Net cash from financing activities		3 361 540	(1 841 088)	3 319 002	(652 302)
Total cash movement for the year		19 820 985	115 193 887	19 256 033	117 947 943
Cash at the beginning of the year		358 721 675	243 527 788	300 051 031	182 103 088
Ta Shebuße and Phika opening balance adjustment		-	-	-	-
Total cash at end of the year	12	378 542 660	358 721 675	319 307 064	300 051 031

Citizen Entrepreneurial Development Agency (CEDA)

(Registration number CO/2001/2412)

Group Annual Financial Statements for the year ended 31 March 2016

Accounting Policies

1. Presentation of Group Annual Financial Statements

The consolidated 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.

Adjustments are made when necessary to the group annual financial statements of subsidiaries to bring their accounting policies in line with those of the group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income.

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

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

Citizen Entrepreneurial Development Agency (CEDA)

(Registration number CO/2001/2412)

Group Annual Financial Statements for the year ended 31 March 2016

Accounting Policies

1.1 Consolidation (continued)

In the company's separate annual financial statements, investments in subsidiaries are carried at cost less any accumulated impairment.

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus
- any costs directly attributable to the purchase of the subsidiary.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

Non-controlling interests

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

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

Investment in associates

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

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

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

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

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

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

Citizen Entrepreneurial Development Agency (CEDA)

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Group Annual Financial Statements for the year ended 31 March 2016

Accounting Policies

Taxation

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

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

1.3 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

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

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

Property, plant and equipment are depreciated on 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.

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

Item	Average useful life
Land	Not depreciated
Buildings	10-40 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 recognised in profit or loss unless it is included in the carrying amount of another asset.

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1.3 Property, plant and equipment (continued)

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

1.4 Financial instruments

Classification

The group classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through profit or loss - held for trading
- Financial assets at fair value through profit or loss - designated
- Held-to-maturity investment
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities at fair value through profit or loss - held for trading
- Financial liabilities at fair value through profit or loss - designated
- Financial liabilities measured at amortised cost

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

Financial assets classified as at fair value through profit or loss which are no longer held for the purposes of selling or repurchasing in the near term may be reclassified out of that category:

- in rare circumstances
- if the asset met the definition of loans and receivables and the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

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

Initial recognition and measurement

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

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

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

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

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

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1.4 Financial instruments (continued)

Subsequent measurement

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

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

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

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

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

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

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

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

Impairment of financial assets

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

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

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

Impairment losses are recognised in profit or loss.

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

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

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1.4 Financial instruments (continued)

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

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

Loans to/ (from) related parties

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

Loans to related parties are classified as loans and advances.

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

Loans to shareholders, directors, managers and employees

These financial assets are classified as loans and advances.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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

Trade and other receivables are classified as other assets.

Trade and other payables

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

Cash and cash equivalents

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

Bank overdraft and borrowings

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

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1.4 Financial instruments (continued)

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the group has the positive intention and ability to hold to maturity are classified as held to maturity.

1.5 Tax

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

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

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

Tax expenses

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

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

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

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

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1.6 Leases

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

Finance leases - lessee

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

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

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

Operating leases - lessee

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

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

1.7 Inventories

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

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

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

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

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

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

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

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

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Accounting Policies

1.8 Assets held for sale and disposal groups (continued)

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

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

1.9 Impairment of assets

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

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

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

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

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

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

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

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

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

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

1.10 Stated capital and equity

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

Ordinary shares are classified as equity.

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

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1.11 Employee benefits

Short-term employee benefits

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

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

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

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.

1.12 Provisions and contingencies

Provisions are recognised when:

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

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

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

Provisions are not recognised for future operating losses.

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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

1.13 Government grants

Government grants are recognised when there is reasonable assurance that:

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

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

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

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

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

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

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

1.14 Revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

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

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

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1.14 Revenue (continued)

Interest income

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

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

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

Dividends

Dividends are recognised, 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 recognised with reference to stage of completion of the transaction at the reporting date. Income is recognised when;

- the amount of revenue can be measured reliably;
- it is probable that economic benefits associated with the transaction will flow to the company;
- 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 recognised as revenue over the period during which the service is performed.

Salvage and subrogation reimbursements

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

Recovery of Micro Credit Scheme debts

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

Insurance Premiums

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

Financial Assistance Policy (FAP) grants

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

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

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1.15 Cost of sales

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

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

1.16 Borrowing costs

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

1.17 Translation of foreign currencies

Foreign currency transactions

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

At the end of the reporting period:

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

1.18 Provisions and contingencies

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

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

Cash flows arising from transactions in a foreign currency are recorded in Pula by applying to the foreign currency amount the exchange rate between the Pula and the foreign currency at the date of the cash flow.

1.19 Insurance claim expenses

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

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

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

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1.20 Financial guarantee contracts

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

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

Any increase in the liability relating to guarantees is taken to the statement of comprehensive income under other operating expenses.

Outstanding claims payable

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

Provision for guaranteed loans in arrears

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

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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:
• Amendment to IFRS 8: Operating Segments: Annual improvements project	01 July 2014	The impact of the amendment is not material.
• Amendment to IAS 24: Related Party Disclosures: Annual improvements project	01 July 2014	The impact of the amendment is not material.
• Amendment to IAS 16: Property, Plant and Equipment: Annual improvements project	01 July 2014	The impact of the amendment is not material.
• Amendment to IAS 40: Investment Property: Annual improvements project	01 July 2014	The impact of the amendments is not material.
• Amendment to IAS 19: Defined Benefit Plans: Employee Contributions	01 July 2014	The impact of the amendment is not material.
• Amendment to IFRS 3: Business Combinations: Annual improvements project	01 July 2014	The impact of the amendment is not material.
• Amendment to IFRS 3: Business Combinations: Annual improvements project	01 July 2014	The impact of the interpretation is not material.
• Amendment to IFRS 2: Share-based Payment: Annual improvements project	01 July 2014	The impact of the amendment is not material.
• Amendment to IFRS 13: Fair Value Measurement: Annual improvements project	01 July 2014	The impact of the amendment is not material.
• Amendment to IAS 38: Intangible Assets: Annual improvements project	01 July 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 2016 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

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Accounting Policies

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
◦ IFRS 14 Regulatory Deferral Accounts	01 January 2016	Unlikely there will be a material impact
◦ Amendments to IFRS 10, 12 and IAS 28: Investment Entities. Applying the consolidation exemption	01 January 2016	Unlikely there will be a material impact
◦ Amendments to IAS 16 and IAS 41: Agriculture: Bearer Plants	01 January 2016	Unlikely there will be a material impact
◦ Amendment to IFRS 5: Non-current Assets Held for Sale and Discontinued Operations: Annual Improvements project	01 January 2016	Unlikely there will be a material impact
◦ Amendment to IFRS 7: Financial Instruments: Disclosures: Annual Improvements project	01 January 2016	Unlikely there will be a material impact
◦ Amendment to IAS 19: Employee Benefits: Annual Improvements project	01 January 2016	Unlikely there will be a material impact
◦ Disclosure Initiative: Amendment to IAS 1: Presentation of Financial Statements	01 January 2016	Unlikely there will be a material impact
◦ Amendment to IAS 34: Interim Financial Reporting. Annual Improvements project	01 January 2016	Unlikely there will be a material impact

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Critical accounting estimates and judgement

3. Significant judgements and sources of estimation uncertainty

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

Trade receivables and Loans and receivables

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

Impairment testing

Impairment losses on loans and advances

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. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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

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

Recovery rate experience is the average duration that a classified account is expected to be recovered over a specified amount of time. The recovery rate experience is dependent on the nature of security and duration of the original loan granted.

The security percentage realisable is calculated using the value as at the reporting date. Where recent valuation is not held, either external data may be used to validate the difference, i.e. movements in the price indices or justification should be provided to demonstrate that the value used is still an accurate reflection of the security value.

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

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Critical accounting estimates and judgement

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

31 March 2016	Existing impairment allowance	Impact on changes in Emergence period		Impact on changes in Roll	Impact on changes in Roll	Impact on changes in Recovery experience	
		(+) 3 months	(-) 3 months	rates (-)5%	rates (+)5%	(+)5%	(-)5%
P'000							
Portfolio	690 980	3 991	(3 991)	(49 050)	49 050	74 550	(74 550)
Specific provision	21 837					10	(10)
Total provision	712 817	3 991	(3 991)	(49 050)	49 050	74 560	(74 560)

31 March 2015	Existing impairment allowance	Impact on changes in Emergence period		Impact on changes in Roll	Impact on changes in Roll	Impact on changes in Recovery experience	
		(+) 3 months	(-) 3 months	rates (-)5%	rates (+)5%	(+)5%	(-)5%
P'000							
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

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

Residual values of property, plant and equipment

Residual values are based on expected future circumstances measured at current prices see policy 1.3.

Provisions

Provisions are raised when management determine an estimate based on the information available. Provisions for Guarantees as at year end were P36 414 605 (2015: P39 204 031).

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Figures in Pula	Group		Company	
	2016	2015	2016	2015
1. Revenue				
Total revenue	88 534 357	94 805 557	87 109 505	94 463 260
The amount included in revenue arising from exchanges of goods or services included in revenue are as follows:				
Interest income (1.1)	81 380 379	86 973 985	81 103 058	86 631 688
Bond fee income	1 472 375	2 268 156	1 472 375	2 268 156
Interest from associates	3 351 942	4 196 817	3 351 942	4 196 817
Gross premiums - Credit Guarantee Scheme	1 182 130	1 366 599	1 182 130	1 366 599
Lodging	1 144 864	-	-	-
Game drive and bar sales	2 666	-	-	-
	88 534 357	94 805 557	87 109 505	94 463 260
1.1 Interest income				
Interest on advances	59 112 790	67 974 931	59 112 790	67 974 931
Staff loan interest	5 323 113	2 579 005	5 323 113	2 579 015
Interest from short term investments	16 944 476	16 420 049	16 667 155	16 077 742
	81 380 379	86 973 985	81 103 058	86 631 688
2. Cost of sales				
Sale of goods and services				
Sale of goods	328 446	-	-	-
3. Government Grants				
Funds received from Government-CEDA	326 156 584	337 000 000	326 156 584	337 000 000
Funds received from Government-Textile	-	11 243 234	-	11 243 234
	326 156 584	348 243 234	326 156 584	348 243 234
4. Other Operating income				
Profit on disposal of plant and equipment	468 081	97 113	389 803	97 113
Profit and loss on exchange differences	170 268	-	170 268	-
Bargain purchase on the acquisition of Ta Shebube	8 043 758	-	-	-
Other income	4 946 457	12 929 692	4 712 213	11 698 924
	13 628 564	13 026 805	5 272 284	11 796 037

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	2016	2015	2016	2015
5. Textile grant expenses				
Labour grants-Small scale				
Labour grants-Small scale	-	1 926 903	-	1 926 903
Labour grants-Small scale	-	840 620	-	840 620
	-	8 495 219	-	8 495 219
	-	11 262 742	-	11 262 742

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 ending March 2015, a balance of P3 167 778 is still to be used by the Ministry. 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.

6. Operating expenses

Auditors' remuneration	1 293 681	1 948 442	1 293 681	1 836 442
Depreciation	9 258 368	5 502 249	7 695 840	5 502 249
Directors' emoluments	146 090	150 780	146 090	150 780
Mentoring expenses	6 197 066	5 336 432	6 197 066	5 336 432
Consultancy fees	997 613	1 858 515	997 613	1 169 397
Operating leases	8 210 447	8 401 722	8 210 447	8 401 722
Security expenses	1 113 467	1 048 025	1 113 467	1 048 025
Computer and IT support costs	8 641 544	4 839 933	8 641 544	4 839 933
Postage and telephone	2 079 380	-	2 079 380	-
Legal costs	3 120 302	3 601 205	3 120 302	3 293 382
Public Relations expenses	8 004 371	5 269 155	8 004 371	5 269 155
Training expenses	83 028	346 275	83 028	346 275
ACGS Insurance	1 432 981	-	1 432 981	-
Insurance	1 481 344	-	1 481 344	-
Strategy	2 801 022	-	2 801 022	-
Due diligence consultancies	-	162 906	-	162 906
Printing and stationery	1 053 874	-	1 053 874	-
Other administration expenses	7 872 417	21 831 366	5 821 260	21 634 697
	63 786 995	60 297 005	60 173 310	58 991 394

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Figures in Pula	Group		Company	
	2016	2015	2016	2015
7. Staff expenses				
Salaries and wages	76 365 179	66 104 584	75 165 248	66 104 584
Leave pay	4 484 941	3 081 462	4 484 941	3 081 462
Gratuity	6 668 546	6 121 714	6 668 546	6 121 714
Pension scheme contributions	7 190 387	6 302 441	7 190 387	6 302 441
Medical aid contributions	4 260 037	3 807 670	4 260 037	3 807 670
Staff training costs	6 302 057	4 817 543	6 302 057	4 817 543
Staff travelling and other expenses	9 952 384	8 390 045	9 952 384	8 394 885
	115 223 531	98 625 459	114 023 600	98 630 299

8. Gain on loss of control of subsidiary

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

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

9.1 BIZ Capital (Pty) Ltd

Cost	9 041 282	-	-	-
Accumulated impairment	(6 125 474)	-	-	-
Accumulated share of profit/(loss)	(2 915 808)	-	-	-
Proceeds	145 322	-	-	-
Profit	145 322	-	-	-

9.2 Phika Entrepreneurs (Pty) Ltd

Cost	6 269 072	-	-	-
Accumulated impairment	(6 269 072)	-	-	-
Accumulated share of profit/(loss)	232 033	-	-	-
Proceeds	232 033	-	-	-
Profit	232 033	-	-	-

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	2016	2015	2016	2015
9.3 Mobility (Pty) Ltd				
Cost	28 500 049	-	-	-
Accumulated Impairment	(28 500 049)	-	-	-
Proceeds	1	-	-	-
Profit	1	-	-	-
Total profit arising on disposal of investments	377 356	-	-	-
10. Impairment charge				
Impairment of loans and advances	(19 110 993)	(67 317 173)	(19 110 993)	(67 317 173)
Impairment of investments in subsidiaries (Note 10.1)	-	-	(1 028 120)	5 000 000
Impairment charge/(release) on associates (Note 10.2)	1 814 713	5 062 745	1 957 283	4 061 631
Impairment charge on other assets	(318 116)	6 764 179	(318 116)	-
	(17 614 396)	(55 490 249)	(18 499 946)	(58 255 542)
10.1. Impairment of investments in subsidiaries				
CEDA Venture Capital Fund	-	-	(1 028 120)	5 000 000
10.2 Impairment charge/(release) on associates				
Mobility (Pty) Ltd				
Pula Steel casting and Manufacturing (Pty) Ltd	1,664 780	1 355 939	2 336 032	2 843 974
Hoisting Solutions (Pty) Ltd	2 710 389	(1 287 522)	-	(4 765 302)
Ta Shebube (Pty) Ltd	-	2 933 833	-	2 977 160
Rim Rock (Pty) Ltd	-	-	-	-
Stoffberg Investments (Pty) Ltd	(1 474 720)	2 060 495	(378 749)	3 006 032
United Refineries (Pty) Ltd	(1 085 736)	-	-	-
	1 814 713	5 062 745	1 957 283	4 061 631
11. Finance cost				
Interest paid	177 555	216 191	158 705	216 191
12. Cash and cash equivalents				
Cash and cash equivalents consist of:				
Cash on hand	37 426	13 000	13 000	13 000
Bank balances	90 884 241	66 135 761	42 941 953	18 579 432
Short term deposits	287 620 993	292 572 914	276 352 111	281 458 601
	378 542 660	358 721 675	319 307 064	300 051 033

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	2016	2015	2016	2015

Short term deposits represent amounts placed with commercial banks bearing interest at rates of 4.4% per annum (2015:9.04%). All deposits are callable within three months. Cash and cash equivalents include the above for the purposes of the statement of cash flows.

13. Loans and advances

Loans and advances

	1 188 120 350	979 744 658	1 188 120 350	979 744 658
--	---------------	-------------	---------------	-------------

The loans have been advanced for a period up to 84 months. Interest on advances is charged at 5% per annum on loans up to P0.5million, 7.5% on loans above P0.5million and P4 million prime linked on loans up to P30million.

13.1 Loans and advances

Gross amount

	1 900 936 901	1 707 371 298	1 900 936 901	1 707 371 298
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Accumulated impairment (Note 13.2)

	(712 816 551)	(727 626 640)	(712 816 551)	(727 626 640)
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	1 188 120 350	979 744 658	1 188 120 350	979 744 658
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13.2 Reconciliation of provision for impairment of loans and advances

Opening balance

	727 626 640	794 943 813	727 626 640	794 943 813
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Provision for impairment/release

	(19 106 379)	(67 317 173)	(19 106 379)	(67 317 173)
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Bad debts written off

	4 296 292	-	4 296 292	-
--	-----------	---	-----------	---

	712 816 551	727 626 640	712 816 551	727 626 640
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14. Other financial assets

At fair value through profit or loss - Unlisted securities in Norsad Finance Limited

300 Ordinary shares in Norsad Finance Limited

	16 579 343	-	16 579 343	-
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128 Preference shares in Norsad Finance Limited

	10 610 780	-	10 610 780	-
--	------------	---	------------	---

	27 190 123	-	27 190 123	-
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15. Other assets

Trade receivables

8 468

Staff loans

125 508 143

Receivables from related parties

-

Prepayments

-

Provision for impairment of receivables

-

Deposits

-

Other receivables

17 237 696

	142 754 307	105 816 059	149 361 176	113 398 365
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Figures in Pula	Group		Company	
	2016	2015	2016	2015

Fair value of trade and other receivables

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

16. Interests in subsidiaries

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

Group

Name of company	Held by	% voting power 2016	% voting power 2015
CEDA Venture Capital Fund	CEDA	100%	100%
Phika Entrepreneurs (Pty) Ltd	CVCF	-	54%
Ta-Shebube (Pty) Ltd	CEDA	87%	-

a) Phika Entrepreneurs (Pty) Ltd

The interest in Phika Entrepreneurs (Pty) Ltd 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 was de-consolidated in the current year. In December 2015, the company agreed to sell its shares in Phika Entrepreneurs (Pty) Ltd to Moseki Victor Magabisela and Shono Magabisela for USD 25,000. Sale proceeds amounting to P232,044 were received in February 2016.

b) Ta Shebube (Pty) Ltd

The group held 49% of the equity in Ta Shebube (Pty) Ltd through ordinary share acquired in November 2011. 22 471 909 preference shares of P1 each were issued in November 2011. P2 982 299.38 was capitalised as dividend accrued during the financial year ended 31 March 2013, which were subsequently converted to equity in September 2015 bringing the total shareholding to 87%. This conversion resulted in a bargain purchase of these shares amounting to P8 043 758 as reflected below;

Fair value of net assets purchased through conversion

Share capital	
Revaluation Reserve	37 621 750
Retained earnings	6 128 800
Non-controlling interest	(34 504 852)
	(1 201 940)
Bargain purchase	8 043 758

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Company Name of company	Held by	% voting power		Carrying amount	
		2016	2015	2016	2015
CEDA Venture Capital Fund	CEDA	100%	100%	184 000 000	184 000 000
Ta Shebube (Pty) Ltd		87%	49%	23 849 421	-
Impairment of investment in subsidiary				207 849 421 (149 098 780)	184 000 000 (126 277 479)
				58 750 641	57 722 521

CEDA Venture Capital Fund is a company limited by guarantee and wholly owned by CEDA. The Fund was initially set up for a 10 year period, and upon expiry of this initial period, CEDA took over the management of the Fund.

17. Investments in associates

Group	Carrying amount 2016	Carrying amount 2015
Equity investments (17.2)	18 434 389	23 075 850
Preference shares (17.3)	24 606 433	45 135 464
Debentures (17.4)	34 337 337	34 337 337
Accumulated share of losses	77 378 159 (5 724 605)	102 548 651 (7 201 208)
Accumulated Impairment of investments in associates	(32 003 331)	(52 894 574)
	39 650 223	42 452 873

Company	Carrying amount 2016	Carrying amount 2015
Equity investments (17.2)	18 434 389	23 075 850
Preference shares (17.3)	24 606 433	45 135 464
Debentures (17.4)	34 337 337	34 337 337
Impairment of investments in associates	77 378 159 (37 762 143)	102 548 651 (60 095 778)
	39 616 016	42 452 873

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17.1 Associates

The following are associates to the group:

	Nature of business	Method	% Ownership	
			2016	2015
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 %
United Refineries (Pty) Ltd	Manufacturing	Equity	40 %	40 %
Stoffberg Investments (Pty) Ltd	Tourism	Equity	30 %	30 %
Biz Capital (Pty) Ltd	Micro Lending	Equity	- %	49 %
ZS Botswana (Pty) Ltd	Manufacturing	Equity	- %	49 %

All associates of the group operate and are registered in Botswana.

a) Pula Steel Casting and Manufacturing (Pty) Ltd

The interest in Pula Steel Casting and Manufacturing (Pty) Ltd was acquired in March 2011. The group holds 35% of the equity in the company. The investment in the company has been equity accounted in these group financial statements.

The group holds 13,000,000 debentures notes paid in March 2012. Debenture coupon shall be calculated at a fixed coupon rate of 14% per annum. P1 820 000 was capitalised as interest accrued during the financial year ended 31 March 2013.

b) Pule Modisana Holdings (Pty) Ltd

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

16,934,712 preference shares of P1 each were issued in January 2012. Preferential dividend shall be calculated at a fixed coupon rate of 11.5% per annum. P1 947 491.88 was capitalised as interest accrued during the financial year ended 31 March 2013.

c) Hoisting Solutions (Pty) Ltd

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

6,306,482 preference shares of P1 each were paid in April 2012. Preferential dividend shall be calculated at the prevailing prime rate per annum. P649 999.60 was capitalised as dividend accrued during the financial year ended 31 March 2013. The group further holds 10,000,000 debenture notes in the company which were paid for in April 2012. Debenture coupon shall be calculated at a fixed coupon rate of 13% per annum. P1 218 082.19 was earned as coupon interest while P1, 033,333.00 was received from the company as coupon repayment during the financial year ended 31 March 2013.

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Figures in Pula	Group		Company	
	2016	2015	2016	2015

Investments in associates (continued)

d) Stoffberg Investments (Pty) Ltd

The group holds 30% of the equity in Stoffberg Investments (Pty) Ltd through ordinary shares that were acquired in July 2013. The group also hold 3 628 571 preference shares of P1.00 each that were issued in July 2013.

Preference dividend is calculated at a 15% fixed rate. Dividends amounting to P311 659 were capitalised during the year ended 31 March 2014.

e) United Refineries (Pty) Ltd

The group holds 49% of the equity in United Refineries (Pty) Ltd through ordinary shares acquired in June 2013. In addition, 11 343 337 debenture coupons of P1.00 each were issued in June 2013. Preference dividend is calculated at a fixed rate of 15%. P997 064 was capitalised as dividend accrued during the year ended 31 March 2014.

17.2 Equity Investments in associates at cost

Pula Steel Casting and Manufacturing (Pty) Ltd

	5 200 000	5 200 000	5 200 000	5 200 000
Pule Modisana Holdings (Pty) Ltd	40	40	40	40
Hoisting Solutions (Pty) Ltd	3 329 587	3 329 587	3 329 587	3 329 587
Ta Shebube (Pty) Ltd (note 16)	-	4 641 461	-	4 641 461
United Refineries (Pty) Ltd	7 333 333	7 333 333	7 333 333	7 333 333
Stoffberg Investments (Pty) Ltd	2 571 429	2 571 429	2 571 429	2 571 429
	18 434 389	23 075 850	18 434 389	23 075 850

17.3 Preference share investments in associates at cost

Pule Modisana (Pty) Ltd	16 934 712	16 934 712	16 934 712	16 934 712
Hoisting Solutions (Pty) Ltd	4 043 190	5 364 221	4 043 190	5 364 221
Ta Shebube (Pty) Ltd (note 16)	-	19 207 960	-	19 207 960
Stoffberg Investments (Pty) Ltd	3 628 531	3 628 571	3 628 531	3 628 571
	24 606 433	45 135 464	24 606 433	45 135 464

17.4 Debenture investments in associates at cost

Pula Steel Casting and Manufacturing (Pty) Ltd	13 000 000	13 000 000	13 000 000	13 000 000
Hoisting Solutions (Pty) Ltd	10 000 000	10 000 000	10 000 000	10 000 000
United Refineries (Pty) Ltd	11 337 337	11 337 337	11 337 337	11 337 337
	34 337 337	34 337 337	34 337 337	34 337 337
	77 378 159	102 548 651	77 378 159	102 548 651

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Investments in associates (continued)

17.5 Breakdown of carrying amounts of investments in associates

2016 - Group

Breakdown of carrying amounts of Investments in associates	Total investments at cost	Disinvestment	Share of post acquisition profit/(loss)	Accumulated impairments	Carrying amounts (2016)	Carrying amounts (2015)
Pula Steel Casting and Manufacturing (Pty) Ltd	18 200 000	-	(5 471 651)	(12 728 349)	-	1 817 117
Pule Modisana Holdings(Pty) Ltd	16 934 752	-	(489 516)	(16 445 236)	-	-
Hoisting Solutions (Pty) Ltd	18 693 808	(1 321 071)	4 834 581	(4 766 276)	17 441 042	18 693 808
Stoffberg Investments(Pty) Ltd	6 200 000	-	(3 512 283)	850 794	3 538 511	3 193 968
United Refineries (Pty) Ltd	18 670 670	-	(1 085 736)	1 085 736	18 670 670	18 670 670
	78 699 230	(1 321 071)	(5 724 605)	(32 003 331)	39 650 223	42 375 563

17.6 Conversion of Associate to a subsidiary

Total investments at cost	Disinvestment	Share of post acquisition profit/(loss)	Accumulated impairments	Carrying amounts (2016)	Carrying amounts (2015)
Ta Shebube (Pty) Ltd	-	(2 232 859)	(21 616 562)	-	77 430
	23 849 421	-	(21 616 562)	-	77 430

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Breakdown of carrying amounts of investments in associates

	Total investments at cost	Disinvestment	Share of post acquisition profit/(loss)	Accumulated impairments	Carrying amount (2015)	Carrying amount (2014)
Pula Steel Casting and Manufacturing (Pty) Ltd	20 000 000	(1 800 000)	(4 638 420)	(11 744 463)	1 817 231	6 495 421
Pule Modisana Holdings (Pty) Ltd	16 934 752	-	(489 516)	(16 445 236)	18 693 574	14 870 767
Hoisting Solutions (Pty) Ltd	19 636 069	(942 261)	1 695 816	(1 695 817)	77 343	6 275 207
Ta Shebube (Pty) Ltd	27 113 370	(3 263 949)	(2 232 859)	(21 539 255)	3 193 968	6 200 000
Stoffberg investments (Pty) Ltd	6 200 000	-	(1 536 229)	(1 469 803)	18 670 670	18 670 670
United Refineries (Pty) Ltd	18 670 670	-	-	-	18 670 670	18 670 670
	108 554 861	(6 006 210)	(7 201 208)	(52 894 574)	42 452 873	52 512 064

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	Group		Company	
	2016	2015	2016	2015
Revenue-post acquisition results (Loss) / profit after tax-post acquisition	35 088 118 (9 344 394)	53 505 921 (12 770 391)	35 088 118 (9 344 394)	53 505 921 (12 770 391)
Statement of financial position				
Non-current assets				
Current assets	303 259 645	248 093 843	303 259 645	248 093 843
Total assets	45 478 715 348 738 360	64 166 789 312 260 633	45 478 715 348 738 360	64 166 789 312 260 633
Equity				
Total liabilities	5 236 020	36 468 516	5 236 020	36 468 516
Total equity and liabilities	343 502 340 348 738 360	275 792 117 312 260 633	343 502 340 348 738 360	275 792 117 312 260 633
19. Inventories				
Cutlery and crockery				
	100 000	-	-	-
	100 000	-	-	-

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20.0 Property, plant and equipment
 Group

	2016		2015			
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land						
Land and buildings	9 250 000	(4 437 799)	4 812 201			
Furniture and fixtures	6 854 706	(3 800 798)	3 053 908			
Motor vehicles	11 867 210	(6 130 899)	5 736 311			
Computer equipment and software	24 513 673	(17 814 568)	6 699 105	8 761 485	(4 298 899)	4 462 586
Total	25 944 321	(18 575 215)	7 369 106	20 100 526	(14 115 578)	5 984 949
	78 429 910	(50 759 281)	27 670 631	22 906 935	(16 657 006)	6 249 929
Company				51 768 946	(35 071 482)	16 697 464

	2016		2015			
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Furniture and fixtures	9 893 935	(5 074 802)	4 819 133			
Motor vehicles	22 543 481	(16 916 474)	5 627 007	8 761 485	(4 298 899)	4 462 586
Computer equipment and software	25 788 650	(18 464 213)	7 324 437	20 100 526	(14 115 577)	5 984 949
Total	58 226 066	(40 455 489)	17 770 579	22 906 935	(16 657 006)	6 249 929
			17 770 579	51 768 946	(35 071 482)	16 697 464

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Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 2016

	Opening balance	Additions	Additions through business combinations	Disposals	Revaluation	Depreciation	Total
Land	-	-	-	-	-	-	-
Buildings	-	-	4 886 178	-	-	-	-
Furniture and fixtures	4 462 586	1 131 998	3 951 780	-	-	(73 977)	4 812 201
Motor vehicles	5 984 949	5 223 083	1 240 145	-	-	(897 872)	3 053 908
Computer equipment and software	6 249 929	2 994 927	1 297 189	-	(579 273)	(1 098 418)	5 736 311
			87 287	(1 781)	-	(5 226 843)	6 699 105
	16 697 464	9 350 008	11 462 579	(1 781)	(579 273)	(1 961 256)	7 369 106
Reconciliation of property, plant and equipment - Group - 2015						(9 258 368)	27 670 631

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

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Reconciliation of property, plant and equipment - Company - 2016

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Total
Furniture and fixtures	4 462 586	1 131 998	-	-	(775 451)	4 819 133
Motor vehicles	5 984 949	5 223 083	-	(579 273)	(5 001 752)	5 627 007
Computer equipment and software	6 249 929	2 994 927	(1 781)	-	(1 918 638)	7 324 437
	16 697 464	9 350 008	(1 781)	(579 273)	(7 695 841)	17 770 579

Reconciliation of property, plant and equipment - Company - 2015

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Total
Furniture and fixtures	4 489 792	778 654	(226 466)	-	(770 213)	4 463 038
Motor vehicles	3 079 155	749 496	(444 388)	4 856 653	(2 700 355)	5 984 948
Computer equipment and software	5 506 442	2 782 847	(948 996)	-	(2 031 680)	6 249 478
	13 075 389	4 310 997	(1 619 850)	4 856 653	(5 502 249)	16 697 464

Assets subject to finance lease (Net carrying amount)

Motor vehicles	5 288 035	1 773 895	5 288 035	1 773 895
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	2016	2015	2016	2015
21. Assets held for sale/distribution				
21.1 Investment in subsidiary held for sale:				
Phika Entrepreneurs (Pty) Ltd				
Cost				
Accumulated impairment	6 269 072	6 269 072	-	-
Accumulated share of profit/(loss)	(6 269 072)	(6 269 072)	-	-
Proceeds	232 033	-	-	-
Profit	232 033	-	-	-
21.2 Investment in associate held for sale:				
Mobility (Pty) Ltd				
Cost	28 500 049	28 500 049	-	-
Accumulated Impairment	(28 500 049)	(28 500 049)	-	-
Proceeds	1	-	-	-
Profit	1	-	-	-
21.3 Investment in associate distribution: BIZ				
Capital (Pty) Ltd				
Cost	9 041 282	9 041 282	-	-
Accumulated impairment	(6 125 474)	(6 125 474)	-	-
Accumulated share of profit/(loss)	(2 915 808)	(2 915 808)	-	-
Proceeds	145 322	-	-	-
Profit	145 322	-	-	-
21.4 Investment in subsidiary held for				
distribution: PG Industries (Botswana) (Pty)				
Ltd				
Cost	-	29 258 771	-	-
Accumulated impairment	-	(29 258 771)	-	-
21.5 Investment in associate Held for				
distribution: Rim Rock (Pty) Ltd				
Cost	18 079 670	18 079 670	18 079 670	18 079 670
Share of post-acquisition loss	(4 241 818)	(4 241 818)	(4 241 818)	(4 241 818)
Accumulated impairment	(13 837 852)	(13 837 852)	(13 837 852)	(13 837 852)
21.6 Investment in associate held for				
distribution: Easy Concrete Products (Pty) Ltd				
Cost	21 498 142	21 498 142	-	-
Accumulated impairment	(14 430 900)	(14 430 900)	-	-
Accumulated share of profit/(loss)	(7 067 242)	(7 067 242)	-	-

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	2016	2015	2016	2015
Investment in associate held for distribution (continued)				
21.7 Investment in associate held for distribution: Tannery Industries (Botswana) (Pty) Ltd				
Cost	4 453 931	4 453 931		
Accumulated impairment	(4 453 931)	(4 453 931)		

Assets held for sale/distribution

a) 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 receipt has been treated as disposal proceeds. See note 9 for more information.

b) 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.

c) Tannery Industries (Botswana) (Pty) Ltd

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

d) 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 was placed under liquidation in 2015 and the group lost control. The company was de-consolidated in March 2015.

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Assets held for sale/distribution (continued)

e) Mobility (Pty) Ltd

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

The group holds 28,500,000 cumulative preference shares 16,094,954 shares paid in September 2011 and 12,405,046 shares paid in January 2012. The shares carry a cumulative preference dividend calculated at a fixed coupon rate of 13% on an annual basis. No dividend was capitalised as dividend accrued during the financial year ended 31 March 2013 because the investment was impaired in year ended March 2012. Mobility was disposed off in June 2015.

f) Rim Rock Holdings (Pty) Ltd

The group holds 40% of the equity in Rim Rock Holdings (Pty) Ltd through ordinary shares acquired in April 2011. The investment in the company has been equity accounted in these group financial statements.

The group holds 18,952 650 preference shares in the company, 13,049,020 preference shares of P1 each were paid in August 2012. Preferential dividend shall be calculated at a fixed coupon rate of 15% per annum. P1 270 938.80 was capitalised as interest accrued during the financial year ended 31 March 2013. Rim Rock was placed into provisional liquidation in December 2015.

g) 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 2014 the company was accounted for on a break up basis in the consolidated financial statements because it had been making losses for the past six years and its ability to continue as a going concern could not be fully supported. The group's interest in the company was settled by the other shareholders for P232 033 this year and Phika Entrepreneurs (Pty) Ltd is no longer part of the group.

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Figures in Pula	Group		Company	
	2016	2015	2016	2015
22. Revaluation reserve				
Reconciliation				
Opening balance	6 423 564	2 292 847	6 423 564	2 292 847
Gain/(loss) on fixed assets revaluation	(6 423 564)	4 856 679	(6 423 564)	4 856 679
Transfer to retained earnings on depreciation	-	-	-	-
account of derecognised subsidiary				
Reserve transfer on account of	-	(725 962)	-	(725 962)
Closing balance	-	6 423 564	-	6 423 564

23. Finance lease obligation

Due within 12 months	1 789 135	721 188	3 498 900	1 089 140
Due after 12 months	3 498 900	1 089 140	1 789 135	721 188
	5 288 035	1 810 328	5 288 035	1 810 328

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% (2015: 11%).

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

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

24. Trade and other payables

Trade payables	4 361 093	1 882 657	4 264 555	1 768 962
Deferred income	15 256 885	15 023 979	14 977 865	15 023 979
Provisions	639 106	-	-	-
Other payroll accruals	25 237 212	17 087 038	24 274 958	17 087 038
Accrued audit fees	1 283 636	2 077 179	1 265 734	2 061 929
Other accrued expenses	191 107	-	-	-
Provisions	36 414 605	39 204 031	36 414 605	39 204 031
Other payables	11 717 912	4 660 548	9 840 612	3 855 736
	95 101 556	79 935 432	91 038 329	79 001 675

Fair value of trade and other payables

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

Figures in Pula	Group		Company	
	2016	2015	2016	2015

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Figures in Pula	Group		Company	
	2016	2015	2016	2015
27. Cash generated from operations				
Profit before taxation	264 158 175	351 331 071	260 027 299	335 957 287
Adjustments for:				
Depreciation and amortisation	9 258 368	5 502 249	7 695 840	5 502 249
(Profit) loss on disposal of property plant and equipment	(468 081)	(97 113)	(389 803)	(97 113)
Interests from associates	(3 351 950)	(4 196 817)	(3 351 950)	(4 196 817)
Profit on sale of investments in associates	(377 356)	-	-	-
Gain on loss of control of subsidiary	-	(17 655 430)	-	-
Loss on foreign exchange	-	-	-	-
Impairment reversed in separate books	-	-	-	-
Impairment of investments in (Release)/for impairments	(17 614 396)	(55 490 249)	(18 499 946)	(58 255 542)
Staff loan benefit charge	5 323 113	2 579 016	5 323 113	2 579 015
Exchange rate (gain)/loss	-	-	-	-
Bargain on purchase of investment in subsidiary (note 4)	(8 043 758)	-	-	-
Net cash generated from operating activities before changes in operating assets and liabilities	248 884 115	281 972 726	250 804 553	281 705 277
Changes in operating assets and liabilities: Inventories				
Inventories	(100 000)	-	-	-
Loans and advances	(189 264 699)	(114 712 491)	(189 264 699)	(114 712 491)
Trade and other payables	8 077 092	(33 155 736)	4 594 304	(50 503 399)
Other assets	(36 938 248)	(23 112 277)	(35 962 811)	(3 921 604)
Cash generated from operations	30 658 260	110 992 222	30 171 347	112 567 776
Notes to statement of cash flows				
Change in loans and advances				
Balance at the beginning of the year	979 744 658	797 714 994	979 744 658	797 714 994
Balance at the end of the year	(1 188 120 350)	(979 744 658)	1 188 120 350	(979 744 658)
Impairment charge for the year	19 110 993	67 317 173	19 110 993	67 317 173
	(189 264 698)	(114 712 491)	(189 264 699)	(114 712 791)

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	2016	2015	2016	2015
Change in trade and other payables				
Balance at the beginning of the year	(109 461 334)	(189 772 474)	(108 527 570)	(156 451 954)
Adjustment for derecognised subsidiary		49 734 426		
Adjusted balance at the beginning of the year		(140 038 048)		
Balance at the end of the year	122 861 539	109 461 328	118 444 987	108 527 570
Staff loan benefit charge	(5 323 113)	(2 579 016)	(5 323 113)	(2 579 015)
	8 077 092	(33 155 736)	4 594 304	(50 503 399)
Change in other assets				
Balance at the beginning of the year	105 816 059	89 308 964	113 398 365	109 476 761
Balance at the end of the year	(142 754 307)	(105 815 716)	(149 361 176)	(113 398 365)
Impairment charge	-	(6 677 525)	-	-
	(36 938 428)	(23 112 277)	(35 962 811)	(3 921 604)

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Figures in Pula	Group		Company	
	2016	2015	2016	2015

28. Related parties

Relationships

Shareholders

Subsidiaries

Associates

Government of the Republic of Botswana
 CEDA Venture Capital Fund
 Ta Shebube (Pty) Ltd 14
 Pula Steel Casting & Manufacturing (Pty) Ltd
 Pule Modisana Holdings (Pty) Ltd
 Hoisting Solutions (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

Related party balances

Loan accounts - Owing (to)/by related parties

Loans to directors	-	3 900 000	-	3 900 000
Loans to senior managers	6 849 945	3 567 011	6 849 945	3 567 011

Amounts included in Trade receivables/(Trade Payables) regarding related parties

Mobility (Pty) Ltd	-	-	1 526 458	1 526 458
Pula Steel Casting and Manufacturing(Pty) Ltd	-	-	5 256 444	5 256 444
Pule Modisana Holdings (Pty) Ltd	-	-	2 352 997	2 352 997
Hoisting Solutions (Pty) Ltd	-	-	616 826	-
Rim Rock (Pty) Ltd	-	-	3 378 850	3 378 850
Ta Shebube (Pty) Ltd	-	-	2 982 299	2 982 299
United Refineries (Pty) Ltd	-	-	4 687 559	2 697 665
Stoffberg Investments (Pty) Ltd	-	-	517 842	855 945

Related party transactions

Interest on preference shares and debentures paid to/ (received from) related parties

Hoisting Solutions	-	-	616 826	1 951 931
United Refineries (Pty) Ltd	-	-	1 989 894	1 700 600
Stoffberg Investments (Pty) Ltd	-	-	-	544 286

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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

2016

	Salaries	Housing allowance	Car allowance	Gratuity, medical aids & other	Non executive directors' fees	Total
For services as Executives	6 215 264	1 285 973	912 000	2 661 873	146 090	11 221 200

2015

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

30. Risk management

Financial risk management

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

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

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

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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 2016	1-3 Moths	3-12 Months	1-5 years	Total
Trade and other payables	36 055 546	39 634 881	19 411 130	95 101 556
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
Company				
At 31 March 2016	1-3 Months	3-12 Months	1-5 Years	Total
Trade and other payables	36 055 546	39 634 881	15 347 903	91 038 329
At 31 March 2015	1-3 Months	3-12 Months	1-5 Years	Total
Trade and other payables	28 993 029	41 390 742	8 617 904	79 001 675

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	2016	2015	2016	2015

Risk management (continued)

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 2016 and 2015, the group's borrowings at variable rate were denominated in the Pula.

At 31 March 2016, 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 1 794 515 (2015: P 1 510 509) (Company: P1 794 515 (2015: P1 510 509) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Capital Risk

The Group manages its capital, the main objective being to ensure sustainability and safe guard its ability to continue as a going concern to provide returns for the shareholder and benefits for other stakeholders as well as maintain an optimal capital structure to reduce the cost of capital.

There are no externally imposed capital requirements.

Total Borrowings	5 288 035	1 810 328	5 288 035	1 810 328
Less: Cash and Cash Equivalents	(378 542 660)	(358 721 675)	(319 307 064)	(300 051 033)
Net Debt	(373 254 625)	(356 911 347)	(314 019 029)	(298 240 705)

Credit risk

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

Loans and advances

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

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

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	2016	2015	2016	2015
Risk management (continued)				
Financial assets exposed to credit risk at year end were as follows:				
Loans and advances				
Performing loans	870 310 974	836 675 928	870 310 974	836 675 928
Loans above 5 months in arrears	551 340 860	477 279 010	551 340 860	477 279 010
Loans which are foreclosed	479 285 067	393 416 360	479 285 067	393 416 360
	1 900 936 901	1 707 371 298	1 900 936 901	1 707 371 298

<u>Category</u>	<u>Description</u>	<u>Objective criteria</u>
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 and is litigated, the whole amount is due and payable

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.

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Risk management (continued)

Impairment and provisioning policies

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

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

Analysis - Loans and advances	Loans and advances - 2016	Impairment provision - 2016	Loans and advances - 2015	Impairment provision - 2015
Performing loans	890 118 895	305 130 450	836 675 928	147 637 870
Loans above 5 months in arrears	551 340 861	218 414 271	477 279 010	186 821 934
Loans which are foreclosed	459 477 145	189 271 830	393 416 360	393 166 835
	1 900 936 901	712 816 551	1 707 371 298	727 626 639

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

	Group		Company	
	2016	2015	2016	2015
Credit risk exposure				
Cash and cash equivalents	378 542 660	358 721 675	319 307 064	300 051 033
Loans and advances	1 188 120 350	979 744 658	1 188 120 350	979 744 658
Other assets	142 754 307	105 816 059	149 361 176	113 398 365
	1 709 417 317	1 444 282 392	1 656 788 590	1 393 194 056

Loans and advances

Loans and advances are summarised as follows:

Analysis	2016	2015	2016	2015
Neither past due nor impaired	467 381 243	504 117 029	467 381 243	504 117 029
Past due but not impaired	424 306 878	332 558 899	424 306 878	332 558 899
Impaired over 5 months	1 009 248 780	870 695 369	1 009 248 780	870 695 369
Less: Allowance for impairment	(712 816 551)	(727 626 640)	(712 816 551)	(727 626 640)
	1 188 120 350	979 744 657	1 188 120 350	979 744 657

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Risk management (continued)

The total impairment provision for loans and advances is P712 816 551 (2015: P727 626 640) of which 53% (2015: 51%) represents loan facilities that have not performed for over 5 months.

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

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

- 47% of the loans and advances portfolio is categorised in the top two grades of the internal rating system (2015: 49%).
- 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 2016	467 381 243	424 306 878	1 009 248 780	1 900 936 901
Company				
Loans at 31 March 2016	467 381 243	424 306 878	1 009 248 780	1 900 936 901
Group				
Loans at 31 March 2015	504 117 029	332 558 899	870 695 369	1 707 371 298
Company				
Loans at 31 March 2015	504 117 029	332 558 899	870 695 369	1 707 371 298

During 2016, the Agency obtained assets by taking possession of collateral held as security which totalled P3 153 200 (2015: P4 315 958). Repossessed assets consist of land and buildings, plant and equipment. Repossessed properties are sold as soon as practical with the proceeds used to reduce the outstanding indebtedness.

Fair value of financial assets and liabilities

The carrying amounts of financial assets and financial liabilities of the group and company equal their fair value.

Assumptions used to determine the fair value

(i) Loans and advances to customers and other assets

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

(ii) Financial liabilities

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

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Financial assets by category

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

Group - 2016

	Loans and receivables	Total
Cash and cash equivalents	378 542 660	378 542 660
Other assets	138 714 690	138 714 690
Loans and advances	1 188 120 350	1 188 120 350
	<u>1 705 377 700</u>	<u>1 705 377 700</u>

Group - 2015

	Loans and receivables	Total
Cash and cash equivalents	358 721 675	358 721 675
Other assets	103 384 360	103 384 360
Loans and advances	979 744 658	979 744 658
	<u>1 441 850 693</u>	<u>1 441 850 693</u>

Company - 2016

	Loans and receivables	Total
Cash and cash equivalents	319 307 064	319 307 064
Other assets	145 321 559	145 321 559
Loans and advances	1 188 120 350	1 188 120 350
	<u>1 652 748 973</u>	<u>1 652 748 973</u>

Company - 2015

	Loans and receivables	Total
Cash and cash equivalents	300 051 033	300 051 033
Other assets	110 966 666	110 966 666
Loans and advances	979 744 658	979 744 658
	<u>1 390 762 357</u>	<u>1 390 762 357</u>

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Financial liabilities by category

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

Group - 2016

	Financial liabilities at amortised cost	Total
Loans from shareholders	71 000	71 000
Borrowings	5 288 035	5 288 035
Trade and other payables	95 101 556	95 101 556
Other financial liabilities	27 759 976	27 759 976
	<u>128 220 567</u>	<u>128 220 567</u>

Group - 2015

	Financial liabilities at amortised cost	Total
Borrowings	1 810 328	1 810 328
Trade and other payables	79 935 432	79 935 438
Other financial liabilities	29 525 894	29 525 894
	<u>111 271 654</u>	<u>111 271 654</u>

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	2016	2015	2016	2015
Financial liabilities by category (continued)				
Company - 2016				
			Financial liabilities at amortised cost	Total
Borrowings			5 288 035	5 288 035
Trade and other payables			91 038 329	91 038 329
Other financial liabilities			27 406 658	27 406 658
			123 733 022	123 733 022

Company - 2015

			Financial liabilities at amortised cost	Total
Borrowings			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

31. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Motor vehicles	-	151 861	-	151 861
• Computer hardware	1 740 000	1 800 917	1 740 000	1 800 917
• Computer software	2 081 300	510 907	2 081 300	510 907
• Computer software	6 556 671	3 793 351	6 556 671	3 793 351
	10 377 971	6 257 036	10 377 971	6 257 036

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	8 118 039	5 100 498	8 118 039	5 100 498
- in second year and later	9 343 958	10 215 141	9 343 958	10 215 141
	17 461 997	15 315 639	17 461 997	15 315 639

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.

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32. Contingencies

CEDA Credit Guarantee Fund guarantees the net losses incurred by participating financial institutions as a result of their lending to small and medium sized entities under the CEDA Credit Guarantee Scheme. The fund has guaranteed 75% of the net losses incurred by the participating institutions. The total contingent liability as at 31 March 2016 as a result of guarantees issued amount to P42 193 619 (2015: P111 054 744).

CEDA has certain pending litigations as at 31 March 2016. The outcome of these cases is currently unknown (2015: P4 727 000).

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

33. Going concern

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

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

34. Events after the reporting period

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

Associates

- Hoisting Solutions (Pty) Ltd was exited in April 2017.
- Pula Steel Casting and Manufacturing (Pty) Ltd was placed under liquidation on 15 September 2017. The liquidation process is not complete.
- 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.