OLYMPIA CAPITAL CORPORATION LIMITED
(Registration number CO. 2002/3703)
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

General Information

Country of incorporation and domicile	Botswana
Nature of business and principal activities	Listed investment holding company which owns Kalahari Floor Tiles (Proprietary) Limited and Gaborone Enterprises (Proprietary) Limited. Kalahari is involved in the business of manufacturing Vinyl floor tiles, aluminium, PVC windows and cleaning chemicals.
Directors	Michael Maina Wamae Matu Alex Njoroge Kimani Shyamal Bhavani Kumar Suresh Lakhani Amritlal Lekalake Lawrence Diphetogo Mothibatsela Oupa Percy
Registered office	Plot 1278, Old Lobatse Road Gaborone
Postal address	P O Box 2166 Gaborone
Bankers	First National Bank of Botswana Limited First National Bank of South Africa Stanbic Bank Botswana Limited Africa Banking Corporation of Botswana Limited
Auditors	Mazars Plot 139 Gaborone International Finance Park Gaborone
Secretary	DPS Consultants (Proprietary) Limited
Legal advisors	Modimo and Associates
Company registration number	CO. 2002/3703

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Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act of Botswana 2003 (No. 32 of 2004) to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the 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. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent Judgements 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 board of directors sets 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 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 December 2019 and, in light of this review and the current financial position, they are satisfied that the group has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the group's annual financial statements. The annual financial statements have been examined by the group's external auditors and their report is presented on pages 4 to 8.

The annual financial statements set out on pages 9 to 57, which have been prepared on the going concern basis, were approved by the board of directors on 29|03|2019 and were signed on their behalf by:

Director

Director

MAZARS

INDEPENDENT AUDITOR'S REPORT

To the members of Olympia Capital Corporation Limited

Opinion

We have audited the consolidated and separate annual financial statements of Olympia Capital Corporation Limited and its subsidiary set out on pages 9 to 57, which comprise the consolidated and separate statement of financial position as at 31 December 2018, and the consolidated and separate statement of comprehensive income, the consolidated and separate statement of changes in equity and the consolidated and separate statement of cash flows for the year then ended, and notes to the consolidated and separate consolidated annual financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate annual financial statements give a true and fair view of the consolidated and separate financial position of Olympia Capital Corporation Limited and its subsidiary as at 31 December 2018, and of 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and separate Annual Financial Statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Botswana. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Botswana. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 32 to the separate annual financial statements, which indicates that the Company incurred a net loss of P1,309,034 (2017: P1,655,579) during the year ended 31 December 2018, had accumulated losses of P29,561,076 (2017: P28,252,042), and as of that date, Olympia Capital Corporation Limited's total liabilities exceeded its total assets by P18,202,873 (2017: P16,893,839). As stated in Note 32, these events or conditions, along with other matters as set forth, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

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

In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill Goodwill arose when the Group assumed control of Kalahari Floor Tiles (Pty) Ltd (manufacturer of floor tiles and chemicals).	The recorded goodwill is attributed to two CGUs namely Kalahari Floor Tiles (Pty) Ltd and Gaborone Enterprises (Pty) Ltd.

CERTIFIED AUDITORS

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The group assesses goodwill for impairment on an annual basis, or earlier when there are indicators of impairment in accordance with IFRS. This was considered a matter most significant to our audit due to the carrying value of the goodwill balance (P1,284,488 as at 31 December 2018) and that the assessment of goodwill for impairment involves judgement about future cashflows of the business and with respect to the discount rates applied to present value of those cashflow forecasts. The Group determines the recoverable amount of each CGU at the higher of fair value less cost of disposal and value in use of the relevant cash generating unit. In this instance, the recoverable amount was determined based on value in use, by using the discounted cash flow model. In carrying out its assessment, for the purposes of cash flow forecasts, the Group projects future cash flows based on approved budgets. The disclosure associated with goodwill impairment assessment is set out in the financial statements in the following notes: • Critical accounting estimates and judgements, impairment of goodwill. • Note 5 Intangible assets	Our work included the following procedures: • We tested the reliability of budgets and forecasts by comparing the actual results against the historical budgets and forecasts; • We tested whether the budgets and forecasts utilised to support the recovery of goodwill were approved by those charged with governance; were consistent with confirmed business plans; and were consistent with our understanding the economic developments in Botswana as these may impact on the budgets and forecasts. We also tested the mathematical accuracy of the impairment assessment. We found that historical results were consistent with the historically budgeted results and that the annual budgets were subject to oversight and were consistent with the Board approved budgets. We also found that the impairment assessment was mathematically accurate. For the two CGUs we challenged the key inputs and assumptions the Group used in the forecasts of net cash flows. We found the inputs and assumptions to be in line with our expectations. We carried out calculations on the impairment assessments to determine the degree by which the key assumptions would need to change in order to trigger an impairment. We discussed the outcomes of these sensitivity analyses with the Group and considered the likelihood of such changes occurring, and accepted that key assumptions used by the Group fell within a reasonable range of likely outcomes.
Valuation of investment property and land and buildings under property, plant and equipment The Group accounts for investment properties and land and buildings at fair value. The carrying value of investment properties and land and buildings at 31 December 2018 was P4,957,281 (2017:P3,157,281) and P16,426,250 (2017:P15,800,000) respectively. At 31 December 2018, the valuation of the portfolio of Group properties was based on updated valuations carried out by independent valuers. The valuation of the group's property portfolio is inherently subjective due to the estimates used in determining the property	 We read the valuation reports for the properties valued externally in the current period and confirmed the valuation approach was in accordance with IFRS and suitable for use in determining the carrying value for the purpose of the consolidated and separate financial statements. We assessed the valuators' qualifications and expertise and read their terms of engagement with the group to determine whether there were any matters that may have affected their objectivity or may have imposed scope limitations upon their work. We found no

fair values, such as the capitalisation rates and the market-related net operating incomes. Among other factors, the individual nature of the property, its location and expected future rentals for that property, taking cognisance of the tenant occupying the property, also affect the valuation of the property.	evidence to suggest that the objectivity of the valuators in their performance of the valuations was compromised.
In determining a property's valuation, the external valuators take into account property-specific information such as the current tenancy agreements and rental income. They apply assumptions for yields and estimated market rent, which are influenced by prevailing market yields and comparable market transactions, to arrive at the final valuation. The valuation of investment properties was considered to be a matter of most significance to the current period audit due to the significance of the estimates and the level of judgement involved. The sensitivity of the investment property fair values to changes in the related inputs could potentially result in a material misstatement	We tested the data inputs in the directors' valuation as well as the valuation prepared by the valuators. We focused on the data inputs underpinning the investment property valuation, including rental income and property-related operating expenditure, to assess the reliability and reasonability of the capitalised net operating income. Our audit procedures included assessing the reasonability of the capitalisation rates used by comparisons against the market-related rates for the particular property types in a similar location as per market benchmarks. We further reviewed the appropriateness of the disclosures in the consolidated and separate financial statements concerning the key assumptions to which the valuations are most sensitive, and the inter-relationship between the assumptions and the valuation amounts. Based on the procedures performed, we obtained evidence that the assumptions used in the valuations were supportable in light of available and comparable market evidence.

Other information

The directors are responsible for other information. The other information comprises the Detailed Income Statement and Manufacturing Statement and does not include the consolidated and separate annual financial statements and our auditor's report thereon.

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

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

Directors' Responsibilities for the Consolidated and Separate Annual Financial Statements

The directors and those charged with governance are responsible for the preparation and fair presentation of the consolidated annual financial statements in accordance with International Financial Reporting Standards and for such internal control as the directors determine is necessary to enable the preparation of consolidated annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate annual financial statements, the directors are responsible for assessing the group's and company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility for the audit of the consolidated and separate annual financial statements

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

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the latter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Mazars

Mazars
Certified Auditors
Practicing member: Shashikumar Velambath
Membership number: 19980076

Date: 29-03-2019
Gaborone

Statement of Financial Position as at 31 December 2018

		Group		Company	
Figures in Pula	**Note(s)**	**2018**	**2017**	**2018**	**2017**
Assets					
Non-Current Assets					
Property, plant and equipment	3	19 520 919	19 079 364	-	-
Investment property	4	4 957 281	3 157 281	-	-
Intangible assets	5	1 284 488	1 284 488	-	-
Investments in subsidiaries	6	-	-	4 991 589	4 991 589
		25 762 688	**23 521 133**	**4 991 589**	**4 991 589**
Current Assets					
Inventories	7	7 150 975	6 446 665	-	-
Trade and other receivables	8	9 027 788	9 457 421	-	-
Current tax receivable		566 790	376 307	-	-
Cash and cash equivalents	9	6 865 032	9 187 196	-	-
		23 610 585	**25 467 589**	**-**	**-**
Total Assets		**49 373 273**	**48 988 722**	**4 991 589**	**4 991 589**
Equity and Liabilities					
Equity					
Stated capital	10	11 358 203	11 358 203	11 358 203	11 358 203
Reserves	11	9 849 920	9 039 920	-	-
Retained income		4 862 914	4 347 593	(29 561 076)	(28 252 042)
		26 071 037	**24 745 716**	**(18 202 873)**	**(16 893 839)**
Liabilities					
Non-Current Liabilities					
Finance lease liabilities	12	163 913	222 374	-	-
Deferred tax	13	2 374 789	2 247 878	-	-
		2 538 702	**2 470 252**	**-**	**-**
Current Liabilities					
Trade and other payables	14	3 994 649	5 603 707	-	-
Loans from group companies	15	-	-	7 910 420	7 569 968
Loans from shareholders	16	15 284 042	14 315 460	15 284 042	14 315 460
Finance lease liabilities	12	59 072	53 314	-	-
Bank overdraft	9	1 425 771	1 800 273	-	-
		20 763 534	**21 772 754**	**23 194 462**	**21 885 428**
Total Liabilities		**23 302 236**	**24 243 006**	**23 194 462**	**21 885 428**
Total Equity and Liabilities		**49 373 273**	**48 988 722**	**4 991 589**	**4 991 589**

OLYMPIA CAPITAL CORPORATION LIMITED
(Registration number CO. 2002/3703)
Annual Financial Statements for the year ended 31 December 2018

Statement of Profit or Loss and Other Comprehensive Income

		Group		Company	
Figures in Pula	**Note(s)**	**2018**	**2017**	**2018**	**2017**
Revenue	17	44 889 229	38 079 829	-	-
Cost of sales	18	(30 476 901)	(26 670 464)	-	-
Gross profit		**14 412 328**	**11 409 365**	**-**	**-**
Other operating income	19	388 459	404 674	-	-
Other operating gains (losses)	20	(115 413)	83 312	-	-
Other operating expenses		(12 909 436)	(11 455 849)	(232 925)	(202 661)
Operating profit (loss)	21	**1 775 938**	**441 502**	**(232 925)**	**(202 661)**
Investment income		248 184	193 426	-	-
Finance costs	22	(1 101 261)	(1 472 533)	(1 076 109)	(1 452 918)
Profit (loss) before taxation		**922 861**	**(837 605)**	**(1 309 034)**	**(1 655 579)**
Taxation	23	(407 542)	(120 538)	-	-
Profit (loss) for the year		**515 319**	**(958 143)**	**(1 309 034)**	**(1 655 579)**
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Gains on property revaluation		870 000	159 029	-	-
Income tax relating to items that will not be reclassified		(60 000)	(23 854)	-	-
Total items that will not be reclassified to profit or loss		**810 000**	**135 175**	**-**	**-**
Other comprehensive income for the year net of taxation		**810 000**	**135 175**	**-**	**-**
Total comprehensive income (loss) for the year		**1 325 319**	**(822 968)**	**(1 309 034)**	**(1 655 579)**
Earnings/(loss) per share (thebe)	24	**5**	**(3)**	**(5)**	**(6)**

OLYMPIA CAPITAL CORPORATION LIMITED
(Registration number CO. 2002/3703)
Annual Financial Statements for the year ended 31 December 2018

Statement of Changes in Equity

Figures in Pula	Stated capital	Revaluation reserve	Retained income	Total equity
Group				
Balance at 01 January 2017	**11 358 203**	**8 904 745**	**5 305 736**	**25 568 684**
Loss for the year	-	-	(958 143)	(958 143)
Other comprehensive income	-	135 175	-	135 175
Total comprehensive Loss for the year	**-**	**135 175**	**(958 143)**	**(822 968)**
Balance at 01 January 2018	**11 358 203**	**9 039 920**	**4 347 595**	**24 745 718**
Profit for the year	-	-	515 319	515 319
Other comprehensive income	-	810 000	-	810 000
Total comprehensive income for the year	**-**	**810 000**	**515 319**	**1 325 319**
Balance at 31 December 2018	**11 358 203**	**9 849 920**	**4 862 914**	**26 071 037**
Note	10	11		
Company				
Balance at 01 January 2017	**11 358 203**	**-**	**(26 596 463)**	**(15 238 260)**
Loss for the year	-	-	(1 655 579)	(1 655 579)
Total comprehensive Loss for the year	**-**	**-**	**(1 655 579)**	**(1 655 579)**
Balance at 01 January 2018	**11 358 203**	**-**	**(28 252 042)**	**(16 893 839)**
Loss for the year	-	-	(1 309 034)	(1 309 034)
Other comprehensive income	-	-	-	-
Total comprehensive Loss for the year	**-**	**-**	**(1 309 034)**	**(1 309 034)**
Balance at 31 December 2018	**11 358 203**	**-**	**(29 561 076)**	**(18 202 873)**
Note	10	11		

Statement of Cash Flows

		Group		Company	
Figures in Pula	**Note(s)**	**2018**	**2017**	**2018**	**2017**
Cash flows from operating activities					
Cash used in operations	25	767 646	1 442 452	(232 925)	(243 311)
Interest income		248 184	193 426	-	-
Finance costs		(1 101 261)	(1 472 533)	(1 076 109)	(1 452 918)
Tax paid	26	(531 114)	(285 563)	-	-
Net cash from operating activities		**(616 545)**	**(122 218)**	**(1 309 034)**	**(1 696 229)**
Cash flows from investing activities					
Purchase of property, plant and equipment	3	(354 655)	(973 723)	-	-
Sale of property, plant and equipment	3	40 178	44 810	-	-
Purchase of investment property	4	(1 144 080)	-	-	-
Loan to group companies repaid		-	(243 310)	-	-
Net cash from investing activities		**(1 458 557)**	**(1 172 223)**	**-**	**-**
Cash flows from financing activities					
Repayment of loans from group companies		-	243 311	340 452	243 311
Repayment of other financial liabilities		-	(67 148)	-	-
Repayment of shareholders loan		968 582	1 452 918	968 582	1 452 918
Finance lease payments		(52 703)	275 688	-	-
Net cash from financing activities		**915 879**	**1 904 769**	**1 309 034**	**1 696 229**
Total cash movement for the year		**(1 159 223)**	**610 328**	**-**	**-**
Cash at the beginning of the year		7 386 923	6 707 283	-	-
Effect of exchange rate movement on cash balances		(788 439)	69 312	-	-
Total cash at end of the year	9	**5 439 261**	**7 386 923**	**-**	**-**

Corporate information

Olympia Capital Corporation Limited is a public limited company incorporated and domiciled in Botswana.

1. Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate annual financial statements are set out below.

1.1 Basis of preparation

The consolidated and separate annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these annual financial statements and the Companies Act of Botswana.

The annual financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Pulas, which is the group and company's functional currency.

These accounting policies are consistent with the previous period.

1.2 Consolidation

Basis of consolidation

The consolidated annual financial statements incorporate the annual financial statements of the company and all subsidiaries. Subsidiaries are entities (including structured entities) which are controlled by the group.

The group has control of an entity when it is exposed to or has rights to variable returns from involvement with the entity and it has the ability to affect those returns through use its power over the entity.

The results of subsidiaries are included in the consolidated annual financial statements from the effective date of acquisition to the effective date of disposal.

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

All inter-company transactions, balances, and unrealised gains on transactions between group companies are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the group's interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions and are recognised directly in the Statement of Changes in Equity.

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 company.

1.2 Consolidation (continued)

Where a subsidiary is disposed of and a non-controlling shareholding is retained, the remaining investment is measured to fair value with the adjustment to fair value recognised in profit or loss as part of the gain or loss on disposal of the controlling interest. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Investments in subsidiaries in the separate financial statements

In the company's separate financial statements, investments in subsidiaries are carried at cost less any accumulated impairment losses. This excludes investments which are held for sale and are consequently accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Business combinations

The group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

Any contingent consideration is included in the cost of the business combination at fair value as at the date of acquisition. Subsequent changes to the assets, liability or equity which arise as a result of the contingent consideration are not affected against goodwill, unless they are valid measurement period adjustments. Otherwise, all subsequent changes to the fair value of contingent consideration that is deemed to be an asset or liability is recognised in either profit or loss or in other comprehensive income, in accordance with relevant IFRS's. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3 Business combinations are recognised at their fair values at acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current assets Held For Sale and Discontinued Operations, which are recognised at fair value less costs to sell.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

On acquisition, the acquiree's assets and liabilities are reassessed in terms of classification and are reclassified where the classification is inappropriate for group purposes. This excludes lease agreements and insurance contracts, whose classification remains as per their inception date.

Non-controlling interests in the acquiree are measured on an acquisition-by-acquisition basis either at fair value or at the non-controlling interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This treatment applies to non-controlling interests which are present ownership interests, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other components of non-controlling interests are measured at their acquisition date fair values, unless another measurement basis is required by IFRS's.

In cases where the group held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value as at acquisition date. The measurement to fair value is included in profit or loss for the year. Where the existing shareholding was classified as an available-for-sale financial asset, the cumulative fair value adjustments recognised previously to other comprehensive income and accumulated in equity are recognised in profit or loss as a reclassification adjustment.

1.2 Consolidation (continued)

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree. If, in the case of a bargain purchase, the result of this formula is negative, then the difference is recognised directly in profit or loss.

Goodwill is not amortised but is tested on an annual basis for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

1.3 Significant judgements and sources of estimation uncertainty

The preparation of annual financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgements in applying accounting policies

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

Lease classification

The group is party to leasing arrangements, both as a lessee and as a lessor. The treatment of leasing transactions in the annual financial statements is mainly determined by whether the lease is considered to be an operating lease or a finance lease. In making this assessment, management considers the substance of the lease, as well as the legal form, and makes a judgement about whether substantially all of the risks and rewards of ownership are transferred.

Expected manner of realisation for deferred tax

Management have reviewed the investment property portfolio of the group in order to determine the appropriate rate at which to measure deferred tax. Investment property is measured at fair value. The manner of recovery of the carrying amount, i.e. through use or sale, affects the determination of the deferred tax assets or liabilities. IFRS assumes that the carrying amount of investment property is recovered through sale rather than through continued use. Management considered the business model of the portfolio and concluded that the assumption is not rebutted and that the deferred taxation should be measured on the sale basis.

Key sources of estimation uncertainty

Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, refer to the individual notes addressing financial assets.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

Several assets and liabilities of the group are either measured at fair value or disclosure is made of their fair values.

Observable market data is used as inputs to the extent that it is available. Qualified external valuers are consulted for the determination of appropriate valuation techniques and inputs.

Information about the specific techniques and inputs of the various assets and liabilities is disclosed in note 31

Impairment testing

The group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

Useful lives of property, plant and equipment

Management assess the appropriateness of the useful lives of property, plant and equipment at the end of each reporting period. The useful lives of motor vehicles, furniture and computer equipment are determined based on group replacement policies for the various assets. Individual assets within these classes, which have a significant carrying amount are assessed separately to consider whether replacement will be necessary outside of normal replacement parameters. The useful life ofproperty, plant and equipment is assessed annually based on factors including wear and tear, technological obsolescence and usage requirements.

When the estimated useful life of an asset differs from previous estimates, the change is applied prospectively in the determination of the depreciation charge.

1.4 Investment property

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise, and the cost of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

A gain or loss arising from a change in fair value is included in net profit or loss for the period in which it arises.

1.5 Property, plant and equipment

Property, plant and equipment are tangible assets which the group holds for its own use or for rental to others and which are expected to be used for more than one year.

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 group, and the cost of the item can be measured reliably.