# UBAMBO

Investment Holdings Limited

## ANNUAL FINANCIAL STATEMENTS

Year ended 28 February 2017

Ubambo Investment Holdings Limited
(Registration number 1998/014976/06)
Group Audited Annual Financial Statements
for the year ended 28 February 2017

These group audited annual financial statements were prepared by:
M.S.C. Bawa
Director

These group audited annual financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa No. 71 of 2008.

**Ubambo Investment Holdings Limited**
(Registration number 1998/014976/06)
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## Index

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

## General information

| | |
|---|---|
| Country of incorporation and domicile | South Africa |
| Nat ure of business and principal activities | Holds investments in high growth sectors of information and communications technology and infrastructure |
| Directors | M.S.C Bawa<br>S.P Simelane<br>G.D Harlow<br>O.F.E Moola |
| Registered office | 1st Floor<br>25 Autumn Street<br>Rivonia<br>2191 |
| Business address | 1 st Floor<br>25 Autumn Street<br>Rivonia<br>2191 |
| Postal address | Private Bag X9943<br>Sandton<br>2146 |
| Bankers | Nedbank Limited |
| Auditors | RAiN Chartered Accounta nts Inc<br>Registered Auditors |
| Company registration number | 1998/014976/06 |

## Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the group audited annual financial statements and related financial information included in this report. It is their responsibility to ensure that the group audited 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 group audited annual financial statements.

The group audited 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 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 group audited 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 28 February, 2018 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 group audited annual financial statements. The group audited annual financial statements have been examined by the group's external auditors and their report is presented on pages 5 to 6.

The group audited annual financial statements set out on pages 8 to 22, which have been prepared on the going concern basis, were approved by the board on 18 May 2017 and were signed on their behalf by:

Approval of financial statements

M.S.C Bawa

G.D Harlow

# Independent Auditor's Report

**To the shareholders of Ubambo Investment Holdings Limited consol**

**Opinion**

We have audited the Group Audited Annual Financial Statements of Ubambo Investment Holdings Limited consol set out on pages 7 to 29, which comprise the Statement of Financial Position as at 28 February, 2017, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the Group Audited Annual Financial Statements, including a summary of significant accounting policies.

In our opinion, the Group Audited Annual Financial Statements present fairly, in all material respects, the financial position of Ubambo Investment Holdings Limited consol as at 28 February, 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa No. 71 of 2008.

**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 Group Audited Annual Financial Statements section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Other information**

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa No. 71 of 2008 of South Africa, which we obtained prior to the date of this report. Other information does not include the Group Audited Annual Financial Statements and our auditor's report thereon.

Our opinion on the Group Audited Annual 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 Group Audited Annual Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Group Audited 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.

**Responsibilities of the directors for the Group Audited Annual Financial Statements**

The directors are responsible for the preparation and fair presentation of the Group Audited Annual Financial Statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa No. 71 of 2008, and for such internal control as the directors determine is necessary to enable the preparation of Group Audited Annual Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Group Audited Annual Financial Statements, the directors are responsible for assessing the group'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 group or to cease operations, or have no realistic alternative but to do so.

RAiN Chartered Accountants Inc.
Director: Ian Pierce
Registration number : 2000/023955/21
P O Box 1006 Saxonwold 2132 Johannesburg South Africa
34 Fricker Road Illovo 2196 Johannesburg South Africa
Tel (+27) 011 243 5030 www.rain-ca. co.za info@rain-ca.co.za

**Auditor's responsibilities for the audit of the Group Audited Annual Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Group Audited 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 Group Audited Annual Financial Statements.

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

- Identify and assess the risks of material misstatement of the Group Audited 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 group'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 group'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 Group Audited 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 group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Group Audited Annual Financial Statements, including the disclosures, and whether the Group Audited Annual Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Rain.

**RAiN Chartered Accountants Incorporated**
**Registered Auditors**
**Per: I.E. Pierce**
**Johannesburg**
**30 October 2017**

## Directors' Report

The directors have pleasure in submitting their report on the group audited annual financial statements of Ubambo Investment Holdings Limited and the group for the year ended 28 February, 2017.

1. Review of financial results and activities

The consolidated group audited annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa No. 71 of 2008. The accounting policies have been applied consistently compared to the prior year.

The group recorded a net loss after tax for the year ended 28 February, 2017 of R (658 772). This represented an increase from the net loss after tax of the prior year of R(945 958).

2. Share capital

| | 2017 | 2016 |
|---|---|---|
| Authorised | Number of shares | |
| Ordinary shares | 300 000 000 | 300 000 000 |

| | 2017 | 2016 | 2017 | 2016 |
|---|---|---|---|---|
| | R | R | Number of shares | |
| Issued | | | | |
| Ordinary shares | 2 811 103 | 1 251 104 | 129 567 520 | 125 110 377 |

Refer to note 9 of the consolidated group audited annual financial statements for detail of the movement in authorised and issued share capital.

3. Directorate

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

| Directors | Office | Designation |
|---|---|---|
| M.S.C Bawa | Chief Executive Officer | Executive |
| S.P Simelane | | Non-executive |
| G.D Harlow | Chairperson | Non-executive |
| O.F.E Moola | | Non-executive |

There have been no changes to the directorate for the year under review.

4. Interests in subsidiaries, associates and joint arrangements

Details of material interests in subsidiary companies are presented in the consolidated group audited annual financial statements in note 3.

5. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

6. Going concern

The directors believe that the group has adequate financial resources to continue in operation for the foreseeable future and accordingly the consolidated group audited annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the group is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the group. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the group.

7. Auditors

Rain Chartered Accountants Incorporated continued in office as auditors for the company and its subsidiaries for 2017.

At the AGM, the shareholders will be requested to reappoint Rain Chartered Accountants Incorporated as the independent external auditors of the company and to confirm Mr I.E. Pierce as the designated lead audit partner for the 2018 financial year.

# Statement of Financial Position as at 28 February 2017

| | | Group | | Company | |
|---|---|---|---|---|---|
| Figures in Rand | Notes | 2017 | 2016 | 2017 | 2016 |
| **Assets** | | | | | |
| **Non-Current Assets** | | | | | |
| Investments in subsidiaries | | - | - | 100 | 100 |
| Other financial assets | 4 | 40 000 250 | 40 000 250 | 250 | 250 |
| | | **40 000 250** | **40 000 250** | **350** | **350** |
| **Current Assets** | | | | | |
| Loans to group companies | 5 | - | - | 13 529 879 | 13 529 879 |
| Trade and other receivables | 6 | 214 163 | 122 494 | 214 063 | 122 394 |
| Cash and cash equivalents | 7 | 42 100 | 42 541 | 42 000 | 42 441 |
| | | **256 263** | **165 035** | **13 785 942** | **13 694 714** |
| **Total Assets** | | **40 256 513** | **40 165 285** | **13 786 292** | **13 695 064** |
| **Equity and Liabilities** | | | | | |
| **Equity** | | | | | |
| Share capital | 9 | 31 945 572 | 30 385 572 | 31 945 572 | 30 385 572 |
| Reserves | | 34 519 650 | 34 519 650 | - | - |
| Accumulated loss | | (27 986 740) | (27 327 968) | (19 924 107) | (19 265 335) |
| | | **38 478 482** | **37 577 254** | **12 021 465** | **11 120 237** |
| **Liabilities** | | | | | |
| **Current Liabilities** | | | | | |
| Trade and other payables | 10 | 75 190 | 75 190 | 61 986 | 61 986 |
| Loans from shareholders | 11 | 92 841 | 92 841 | 92 841 | 92 841 |
| Other financial liabilities | 12 | 1 610 000 | 2 420 000 | 1 610 000 | 2 420 000 |
| | | **1 778 031** | **2 588 031** | **1 764 827** | **2 574 827** |
| **Total Equity and Liabilities** | | **40 256 513** | **40 165 285** | **13 786 292** | **13 695 064** |

# Statement of Comprehensive Income

| | | Group | | Company | |
|---|---|---|---|---|---|
| Figures in Rand | Notes | 2017 | 2016 | 2017 | 2016 |
| Other operating expenses | | (658 772) | (998 590) | (658 772) | (998 590) |
| **Operating loss** | | **(658 772)** | **(998 590)** | **(658 772)** | **(998 590)** |
| Investment income | 14 | - | 52 632 | - | 52 632 |
| **Loss before taxation** | | **(658 772)** | **(945 958)** | **(658 772)** | **(945 958)** |
| Taxation | 15 | - | - | - | - |
| **Loss for the year** | | **(658 772)** | **(945 958)** | **(658 772)** | **(945 958)** |
| **Total comprehensive (loss) income for the year** | | **(658 772)** | **(945 958)** | **(658 772)** | **(945 958)** |

# Ubambo Investment Holdings Limited

(Registration number 1998/014976/06)
Group Audited Annual Financial Statements for the year ended 28 February 2017

## Statement of Changes in Equity

| Figures in Rand | Share capital | Share premium | Total share capital | Fair value adjustment assets-available-for-sale reserve | Accumulated loss | Total equity |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| **Balance at 01 March 2015** | **1 251 104** | **29 134 468** | **30 385 572** | **34 519 650** | **(26 382 010)** | **38 523 212** |
| Loss for the year | - | - | - | - | (945 958) | (945 958) |
| Other comprehensive income | - | - | - | - | - | - |
| **Total comprehensive Loss for the year** | - | - | - | - | **(945 958)** | **(945 958)** |
| **Balance at 01 March 2016** | **1 251 104** | **29 134 468** | **30 385 572** | **34 519 650** | **(27 327 968)** | **37 577 254** |
| Loss for the year | - | - | - | - | (658 772) | (658 772) |
| **Total comprehensive Loss for the year** | - | - | - | - | **(658 772)** | **(658 772)** |
| Issue of shares | 1 560 000 | - | 1 560 000 | - | - | - |
| **Total contributions by and distributions to owners of company recognised directly in equity** | **1 560 000** | - | **1 560 000** | - | - | **1 560 000** |
| **Balance at 28 February 2017** | **2 811 104** | **29 134 468** | **31 945 572** | **34 519 650** | **(27 986 740)** | **38 478 482** |
| Note(s) | 9 | 9 | 9 | | | |
| **Company** | | | | | | |
| **Balance at 01 March 2015** | **1 251 104** | **29 134 468** | **30 385 572** | - | **(18 319 377)** | **12 066 195** |
| Loss for the year | - | - | - | - | (945 958) | (945 958) |
| Other comprehensive income | - | - | - | - | - | - |
| **Total comprehensive Loss for the year** | - | - | - | - | **(945 958)** | **(945 958)** |
| **Balance at 01 March 2016** | **1 251 104** | **29 134 468** | **30 385 572** | - | **(19 265 335)** | **11 120 237** |
| Loss for the year | - | - | - | - | (658 772) | (658 772) |
| **Total comprehensive Loss for the year** | - | - | - | - | **(658 772)** | **(658 772)** |
| Issue of shares | 1 560 000 | - | 1 560 000 | - | - | 1 560 000 |
| **Total contributions by and distributions to owners of company recognised directly in equity** | **1 560 000** | - | **1 560 000** | - | - | **1 560 000** |
| **Balance at 28 February 2017** | **2 811 104** | **29 134 468** | **31 945 572** | - | **(19 924 107)** | **12 021 465** |
| Note | 9 | 9 | 9 | | | |

# Statement of Cash Flows

| | | Group | | Company | |
|---|---|---|---|---|---|
| Figures in Rand | Note(s) | 2017 | 2016 | 2017 | 2016 |
| **Cash flows from operating activities** | | | | | |
| Cash (used in) generated from operations | 16 | (750 441) | (1 331 902) | (750 441) | (1 386 452) |
| Dividend income | | - | 52 632 | - | 52 632 |
| **Net cash from operating activities** | | **(750 441)** | **(1 279 270)** | **(750 441)** | **(1 333 820)** |
| **Cash flows from investing activities** | | | | | |
| **Cash flows from financing activities** | | | | | |
| Proceeds on share issue | 9 | 1 560 000 | - | 1 560 000 | - |
| Increase in other financial liabilities | | (810 000) | 970 000 | (810 000) | 970 000 |
| **Net cash from financing activities** | | **750 000** | **970 000** | **750 000** | **970 000** |
| **Total cash movement for the year** | | **(441)** | **(36 367)** | **(441)** | **(36 367)** |
| Cash at the beginning of the year | | 42 541 | 78 908 | 42 441 | 78 808 |
| **Total cash at end of the year** | 7 | **42 100** | **42 541** | **42 000** | **42 441** |

## Accounting Policies

### I. Presentation of Group A udited Annual Financial Statements

The consolidated and separate group audited annual financial statements for the year ended 28 February 2017 have been prepared in accordance with Internation Financial Reporting Standard, and the Companies Act No.71 of 2008. The group audited financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

### 1. Significant accounting policies

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

### 1.1 Consolidation

#### Basis of consolidation

The consolidated group audited annual financial statements incorporate the group audited 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 group audited annual financial statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary to the group audited 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.

### 1.2 Significant judgements and sources of estimation uncertainty

The preparation of group audited 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:

#### Trade receivables and Loans receivable

The group assesses its trade receivables, held to maturity investments 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.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

### 1.3 Investments in subsidiaries

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.

### 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
- Loans and receivables

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.

## 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. Regular way purchases of financial assets are accounted for at trade date.

## 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 exclude dividends and interest.

Dividend income is recognised in profit or loss as part of other income when the group's right to receive payment is established.

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

## Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

## 1.4 Financial instruments (continued) Impairment of financial assets

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

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

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

## Impairment losses are recognised in profit or loss.

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

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

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

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

## Loans to (from) group companies

These include loans to and from holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Loans to group companies are classified as loans and receivables.

Loans from group companies are classified as financial liabilities measured at amortised cost.

## Accounting Policies

Loans to shareholders, directors, managers and employees These financial assets are classified as loans and receivables. 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 (more than 30 days overdue) 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 loans and receivables.

### 1.4 Financial instruments (continued) 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.

### 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 liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

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

### 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.

### 1.6 Leases (continued) 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.

## Accounting Policies

### 1.7 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.

### 1.8 Share 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.

### 1.9 Revenue

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.

Interest is recognised, in profit or loss, using the effective interest rate method.

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

## Notes to the Group Audited Annual Financial Statements

### 2. New Standards and Interpretations

#### IFRS 9 Financial Instruments

This new standard is the result of a three phase project to replace IAS 39 Financial Instruments: Recognition and Measurement. To date, the standard includes chapters for classification, measurement and derecognition of financial assets and liabilities as well as new hedging requirements. The following are main changes from IAS 39:

- Financial assets will be categorised as those subsequently measured at fair value or at amortised cost.
- Financial assets at amortised cost are those financial assets where the business model for managing the assets is to hold the assets to collect contractual cash flows (where the contractual cash flows represent payments of principal and interest only). All other financial assets are to be subsequently measured at fair value
- For hybrid contracts, where the host contract is an asset within the scope of IFRS 9, then the whole instrument is classified in accordance with IFRS 9, without separation of the embedded derivative. In other circumstances, the provisions of IAS 39 still apply.
- Voluntary reclassification of financial assets is prohibited. Financial assets shall be reclassified if the group changes its business model for the management of financial assets. In such circumstances, reclassification takes place prospectively from the beginning of the first reporting period after the date of change of the business model
- Investments in equity instruments may be measured at fair value through other comprehensive income. When such an election is made, it may not subsequently be revoked, and gains or losses accumulated in equity are not recycled to profit or loss on derecognition of the investment. The election may be made per individual investment
- IFRS 9 does not allow for investments in equity instruments to be measured at cost
- The classification categories for financial liabilities remains unchanged. However, where a financial liability is designated as at fair value through profit or loss, the change in fair value attributable to changes in the liabilities credit risk shall be presented in other comprehensive income. This excludes situations where such presentation will create or enlarge an accounting mismatch, in which case, the full fair value adjustment shall be recognised in profit or loss
- The new hedging provisions align hedge accounting more closely with the actual risk management approach
- Certain non-derivative financial instruments are now allowed as hedging instruments
- Additional exposures are allowed as hedged items. These exposures include risk components of non-financial items, net positions and layer components of items, aggregated exposures combining derivative and non-derivative exposures and equity instruments at fair value through other comprehensive income
- The hedge effectiveness criteria have been amended, including the removal of the 80%-125% "bright line test" to qualify for hedge accounting
- The concept of rebalancing has been introduced when the hedging relationship is ineffective because the hedge ratio is no longer appropriate. When rebalancing is required, and provided the risk management objective remains the same, the hedge ratio is adjusted rather than discontinuing the hedging relationship
- Additional disclosure requirements have been introduced for hedging

The effective date has not yet been established as the project is currently incomplete. The IASB has communicated that the effective date will not be before years beginning on or after January 1, 2018. IFRS 9 may be early adopted. If IFRS 9 is early adopted, the new hedging requirements may be excluded until the effective date.

The group does not envisage the adoption of the standard until such time as it becomes applicable to the group's operations. It is unlikely that the standard will have a material impact on the group's group audited annual financial statements. Standards and interpreatations not yet effective
The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after March 1, 2016 or later periods:

- Ammendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Ammortisation (Effective 1January, 2018)
- IFRS 15 Revenue from Contracts with Customers (Effective 1 January, 2016)

# Notes to the Group Audited Annual Financial Statements

| | Group | | Company | |
|---|---|---|---|---|
| Figures in Rand | 2017 | 2016 | 2017 | 2016 |

### 3. Interests in subsidiaries including consolidated structured entities

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 2017 | % Voting power 2016 | % Holding 2017 | % Holding 2016 |
|---|---|---|---|---|---|
| Ubambo Telecommunications (Proprietary) Limited | Ubambo Investment Holdings Limited | 100,00 % | 100,00 % | 100.00% | 100.00% |
| Isivuno Investments (Proprietary) Limited | Ubambo Telecommunications (Proprietary) Limited | 100,00 % | 100,00 % | 100.00% | 100.00% |
| African Genesis Investment Holdings (Proprietary) Limited | Ubambo Telecommunications (Proprietary) Limited | 100,00 % | 100,00 % | 100.00% | 100.00% |
| Sanco Leisure (Proprietary) Limited | Ubambo Investment Holdings Limited | 100,00 % | 100,00 % | 100.00% | 100.00% |
| | | | | - | - |

### 4. Other financial assets

| | | | | |
|---|---|---|---|---|
| **At fair Value through profit or loss** | | | | |
| Cellsaf (Proprietary) Limited<br>Ubambo Telecommunications (Proprietary) Limited has approximately 13.4% interest in Cellsaf (Proprietary) Limited. Directors are of the opinion that this value fairly represents the value of the investment as at the end of the year. | 40 000 000 | 40 000 000 | - | - |
| Equity Alliance Company (Proprietary) Limited<br>The company has 2.5% shareholding in Equity Alliance Company (Proprietary) Limited | 100 000 | 100 000 | 100 000 | 100 000 |
| N17 Toll Operators (Proprietary) Limited<br>The company has a 25% shareholding, without significant influence, in N17 Toll Operators (Proprietary) Limite | 250 | 250 | 250 | 250 |
| | 40 100 250 | 40 100 250 | 100 250 | 100 250 |
| At fair value through profit or loss (impairments) | (100 000) | (100 000) | (100 000) | (100 000) |
| | **40 000 250** | **40 000 250** | **250** | **250** |
| **Non-current assets** | | | | |
| At fair value through profit or loss | 40 000 250 | 40 000 250 | 250 | 250 |

### 5. Loans to (from) group companies

**Subsidiaries**

| | | | | |
|---|---|---|---|---|
| Ubambo Telecommunications (Proprietary) Limited | - | - | 13 529 879 | 13 529 879 |

The loan is unsecured, interest free and has no fixed terms of repayment.

The carrying value of the loan to group companies approximates the fair value.

## Notes to the Group Audited Annual Financial Statements

| | Group | | Company | |
|---|---|---|---|---|
| Figures in Rand | 2017 | 2016 | 2017 | 2016 |

### 6. Trade and other receivables

| | | | | |
|---|---|---|---|---|
| VAT | 214 063 | 122 394 | 214 063 | 122 394 |
| Other receivable | 100 | 100 | - | - |
| | **214 163** | **122 494** | **214 063** | **122 394** |

### 7. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | | | |
|---|---|---|---|---|
| Cash on hand | 15 206 | 15 206 | 15 106 | 15 106 |
| Bank balances | 26 894 | 27 335 | 26 894 | 27 335 |
| | **42 100** | **42 541** | **42 000** | **42 441** |

### 8. Financial assets by category

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

**Group - 2017**

| | Loans and receivables | Fair value through profit or loss - held for trading | Total |
|---|---|---|---|
| Trade and other receivables | 214 063 | - | 214 063 |
| Other financial assets | - | 40 000 250 | 40 000 250 |
| Cash and cash equivalents | 42 100 | - | 42 100 |
| | **256 163** | **40 000 250** | **40 256 413** |

**Group - 2016**

| | Loans and receivables | Fair value through profit or loss - held for trading | Total |
|---|---|---|---|
| Trade and other receivables | 122 494 | - | 122 494 |
| Other financial assets | - | 40 000 250 | 40 000 250 |
| Cash and cash equivalents | 42 541 | - | 42 541 |
| | **165 035** | **40 000 250** | **40 165 285** |

**Company - 2017**

| | Loans and receivables | Fair value through profit or loss - held for trading | Total |
|---|---|---|---|
| Trade and other receivables | 214 063 | - | 214 063 |
| Other financial assets | - | 40 000 250 | 40 000 250 |
| Cash and cash equivalents | 42 000 | - | 42 000 |
| | **256 063** | **40 000 250** | **40 256 313** |

# Notes to the Group Audited Annual Financial Statements

| | Group | | Company | |
|---|---|---|---|---|
| Figures in Rand | 2017 | 2016 | 2017 | 2016 |

### 8. Financial assets by category (continued)

**Company - 2016**

| | Loans and receivables | Fair value through profit or loss - held for trading | Total |
|---|---|---|---|
| Trade and other receivables | 122 394 | - | 122 394 |
| Other financial assets | - | 40 000 250 | 40 000 250 |
| Cash and cash equivalents | 42 441 | - | 42 441 |
| | **164 835** | **40 000 250** | **40 165 085** |

### 9. Share capital

| | Group 2017 | Group 2016 | Company 2017 | Company 2016 |
|---|---|---|---|---|
| **Authorised** | | | | |
| 300,000,000 Ordinary shares of R0,01 each | 3 000 000 | 3 000 000 | 3 000 000 | 3 000 000 |
| | | | | |
| **Reconciliation of number of shares issued:** | | | | |
| Reported as at 01 March 2016 | 125 110 377 | 125 110 377 | 125 110 377 | 125 110 377 |
| Issue of ordinary shares of R0,35 each | 4 457 143 | - | 4 457 143 | - |
| | **129 567 520** | **125 110 377** | **129 567 520** | **125 110 377** |
| | | | | |
| **Issued** | | | | |
| 129,657,520 Ordinary shares | 2 811 104 | 1 251 104 | 2 811 104 | 1 251 104 |
| Share premium | 29 134 468 | 29 134 468 | 29 134 468 | 29 134 468 |
| | **31 945 572** | **30 385 572** | **31 945 572** | **30 385 572** |

### 10. Trade and other payables

| | Group 2017 | Group 2016 | Company 2017 | Company 2016 |
|---|---|---|---|---|
| Trade payables | 13 204 | 13 204 | - | - |
| Accruals | 7 436 | 7 436 | 7 436 | 7 436 |
| Accrued audit fees | 54 550 | 54 550 | 54 550 | 54 550 |
| | **75 190** | **75 190** | **61 986** | **61 986** |

### 11. Loans to (from) shareholders

| | Group 2017 | Group 2016 | Company 2017 | Company 2016 |
|---|---|---|---|---|
| M Bawa | (92 841) | (92 841) | (92 841) | (92 841) |

The loan is unsecured, interest free and has no fixed terms of repayment.

The carrying value of the loan from shareholder approximates the fair value.

### 12. Other financial liabilities

| | Group 2017 | Group 2016 | Company 2017 | Company 2016 |
|---|---|---|---|---|
| **Held at amortised cost** | | | | |
| Inyanga Trading 489 (Proprietary) Limited | 1 610 000 | 2 420 000 | 1 610 000 | 2 420 000 |

# Notes to the Group Audited Annual Financial Statements

| | Group | | Company | |
|---|---|---|---|---|
| Figures in Rand | 2017 | 2016 | 2017 | 2016 |

### 12. Other financial liabilities (continued)

The loan is unsecured, interest free and have no fixed terms of repayment.

The carrying value of the loan approximates the fair value.

| | | | | |
|---|---|---|---|---|
| **Current liabilities** | | | | |
| At amortised cost | 1 610 000 | 2 420 000 | 1 610 000 | 2 420 000 |

### 13. Financial liabilities by category

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

**Group - 2017**

| | Fair value through profit or loss - held for trading | Total |
|---|---|---|
| Loans from shareholders | 92 841 | 92 841 |
| Other financial liabilities | 1 610 000 | 1 610 000 |
| Trade and other payables | 75 190 | 75 190 |
| | **1 778 031** | **1 778 031** |

**Group - 2016**

| | Fair value through profit or loss - held for trading | Total |
|---|---|---|
| Loans from shareholders | 92 841 | 92 841 |
| Other financial liabilities | 2 420 000 | 2 420 000 |
| Trade and other payables | 75 190 | 75 190 |
| | **2 588 031** | **2 588 031** |

**Company - 2017**

| | Fair value through profit or loss - held for trading | Total |
|---|---|---|
| Loans from shareholders | 92 841 | 92 841 |
| Other financial liabilities | 1 610 000 | 1 610 000 |
| Trade and other payables | 61 986 | 61 986 |
| | **1 764 827** | **1 764 827** |

## Notes to the Group Audited Annual Financial Statements

| | Group | | Company | |
|---|---|---|---|---|
| Figures in Rand | 2017 | 2016 | 2017 | 2016 |

### 13. Financial liabilities by category (continued)

**Company - 2016**

| | Fair value through profit or loss - held for trading | Total |
|---|---|---|
| Loans from shareholders | 92 841 | 92 841 |
| Other financial liabilities | 2 420 000 | 2 420 000 |
| Trade and other payables | 61 986 | 61 986 |
| | **2 574 827** | **2 574 827** |

### 14. Investment income

| | Group 2017 | Group 2016 | Company 2017 | Company 2016 |
|---|---|---|---|---|
| **Dividend income** | | | | |
| **From group entities:** | | | | |
| Investment in N17 Toll Operations (Proprietary) Limited | - | 52 632 | - | 52 632 |

### 15. Taxation

**Major components of the tax expense**

No provision has been made for 2017 tax as the group has no taxable income. The estimated tax loss available for set off against future taxable income is R 24 914 085 (2016: R 24 266 548).

### 16. Cash used in operations

| | Group 2017 | Group 2016 | Company 2017 | Company 2016 |
|---|---|---|---|---|
| Loss before taxation | (658 772) | (945 958) | (658 772) | (945 958) |
| **Adjustments for:** | | | | |
| Dividend income | - | (52 632) | - | (52 632) |
| **Changes in working capital:** | | | | |
| Trade and other receivables | (91 669) | (122 394) | (91 669) | (122 394) |
| Trade and other payables | - | (210 918) | - | (265 468) |
| | **(750 441)** | **(1 331 902)** | **(750 441)** | **(1 386 452)** |

### 17. Related parties

| | |
|---|---|
| Relationships | |
| Subsidiaries | Refer to note 3 |
| Directors | G Harlow<br>S.P. Simelane<br>O.F.E Moola |
| Associates | N17 Till Operators |

**Related party balances**

| | Group 2017 | Group 2016 | Company 2017 | Company 2016 |
|---|---|---|---|---|
| Ubambo Telecommunications (Proprietary) Limited | - | - | 13 529 879 | 13 529 879 |
| M.S.C Bhawa | (92 841) | (92 841) | (92 841) | (92 841) |

**Related party transactions**

### 18. Directors' emoluments

No emoluments were paid to the directors or any individuals holding a prescribed office during the year.

### 19. Risk management

**Financial risk management**

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

**Liquidity risk**

The group's risk to liquidity is a result of the funds available to cover future commitments. The group manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the group's financial liabilities and net-settled derivative 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 28 February 2017 | Less than 1 year |
|---|---|
| Loans from shareholders | 92 841 |
| Other financial instruments | 1 610 000 |
| Trade and other payables | 75 190 |

| At 29 February 2016 | Less than 1 year |
|---|---|
| Loans from shareholders | 92 841 |
| Other financial instruments | 2 420 000 |
| Trade and other payables | 75 190 |

**Company**

| At 28 February 2017 | Less than 1 year |
|---|---|
| Borrowings | 92 841 |
| Derivative financial instruments | 1 610 000 |

| At 29 February 2016 | Less than 1 year |
|---|---|
| Borrowings | 92 841 |
| Derivative financial instruments | 2 420 000 |

**Credit risk**

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

# Ubambo Investment Holdings Limited

(Registration number 1998/014976/06)
Group Audited Annual Financial Statements for the year ended 28 February 2017

## Detailed Income Statement

| | | Group | | Company | |
|---|---|---|---|---|---|
| Figures in Rand | Note(s) | 2017 | 2016 | 2017 | 2016 |
| **Other operating expenses** | | | | | |
| Administration and management fees | | (369 050) | (493 000) | (369 050) | (493 000) |
| Auditors remuneration - external auditors | | - | (54 550) | - | (54 550) |
| Bank charges | | (944) | (1 687) | (944) | (1 687) |
| Computer expenses | | (564) | - | (564) | - |
| Consulting and professional fees - accounting | | (750) | (94 666) | (750) | (94 666) |
| Service Fees | | (96 029) | (124 856) | (96 029) | (124 856) |
| Lease rentals on operating lease | | (191 235) | (229 831) | (191 235) | (229 831) |
| Subscriptions | | (200) | - | (200) | - |
| | | **(658 772)** | **(998 590)** | **(658 772)** | **(998 590)** |
| **Operating loss** | | **(658 772)** | **(998 590)** | **(658 772)** | **(998 590)** |
| Investment income | 14 | - | 52 632 | - | 52 632 |
| **(Loss) profit for the year** | | **(658 772)** | **(945 958)** | **(658 772)** | **(945 958)** |