ANNUAL REPORT 2015

Investing in Sustainable Enterprise Growth

INVESTING IN SUSTAINABLE ENTERPRISE GROWTH

Norsad Finance Limited is a Southern African impact investor with strong Nordic roots.

We provide long-term investment loans and risk capital to financially, socially and environmentally sustainable projects and companies.

In addition, Norsad Finance seeks opportunities to increase private sector financing by providing capital and credit facilities to financial institutions and commercial banks.

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ABOUT US

Mission

Norsad Finance provides long term risk capital to Southern African companies that are financially, socially and environmentally sustainable.

Vision

Norsad Finance will be recognized as a provider of flexible and customised financing solutions to commercially viable, as well as socially and environmentally sustainable businesses in the Southern African region by:

- *Providing customised debt, mezzanine and on exceptional basis equity financing for growth companies and financial institutions;*
- *Doubling its capital base by 2022 through a capital increase from our shareholders, retained earnings and leveraging from market;*
- *Maximizing its economic and development impact by actively catalysing co-financing from its Shareholders, venture capital funds, commercial banks and development finance institutions (DFIs); and*
- *Adding value to its Shareholders by being an accountable and complementary tool for achieving their private sector development goals.*

OUR PROFILE

Norsad Finance Limited is an impact investor established to contribute to the private sector development of Southern African countries by providing funding to enterprises that are financially, socially and environmentally sustainable.

Norsad prioritizes investments to businesses that create sustainable employment, diversify local economies and are keen to adopt or maintain decent working conditions and good governance practices. The Company was incorporated in Botswana in 2011 and is IFSC/BITC accredited.

Although the Company was only incorporated in November 2011, Norsad has a history spanning over 20 years. Its predecessor, NORSAD Fund and Agency started operating in 1990 as a multilateral entity before the transformation to a limited liability company by the four Nordic and eleven SADC member countries. The DFI's in the member countries were then invited to subscribe to Norsad Finance Limited's shares. These institutions are currently the respective Shareholders in Norsad.

Social and Environmental Responsibility

Norsad Finance's key aim is to promote socially sustainable and environmentally friendly businesses. The compliance with the international social and environmental standards is an integral part of our investment operations. Norsad Finance has adopted the International Finance Corporation (IFC)'s environmental and social performance standards. Companies financed by Norsad are required to comply with these standards as well as the local environmental and labour legislations.

To enhance our added value to investee companies, Norsad Finance investment professionals work with investee companies to assist them with formulating and implementing acceptable social and environmental policies.

CHAIRMAN'S MESSAGE

THABO THAMANE
Chairman
Norsad Finance Limited

The Company achieved its highest ever total operating income of USD 9.5 million. Profit after Tax was USD 3.2 million with Return on Equity of 2.7% that was higher than anticipated in the budget for the year. However, the past year has been challenging for Southern African markets due to the low commodity demand and prices, as well as a strengthening USD, which in combination have caused the majority of Southern African currencies to devalue significantly.

Operating in these markets, Norsad was affected by the weakening local currencies which impacted its bottom line. The resulting foreign exchange losses, meant that the expected record profit level for the year, following the impressive total operating income was not achieved. The positive return achieved by the Company was mainly due to the sound credit quality of Norsad's investment portfolio that attracted low specific provisions of less than one percent in 2015, despite the deteriorating economic environment.

During the year, the Board and the Audit & Risk Committee concentrated on improving risk and portfolio management in the Company. The monitoring and reporting system was enhanced and development of this work shall continue in 2016 to achieve a more robust and comprehensive risk management platform for Norsad. As the volatility in the local currency market is anticipated to continue, the Board found it necessary to restrict local currency exposures of the Company. Management was subsequently able to bring down the local currency exposure of the Company from an equivalent of about USD 17 million at the beginning of the year to USD 7 million at the 2015 financial year end, by re-negotiating and re-structuring the major local currency positions to USD denominated investments.

The Norsad Board embarked on a growth strategy following the transformation of the Company from a multilateral entity to a limited liability company in at the end of 2011 and in the first three years of operations from the beginning of the 2012 to the end of 2014, Norsad was able to more than double its investment portfolio and increase its total assets by over 150%. However, the Company fell behind in its growth targets in 2015 with an annual growth in total assets of about 7%. The key factors contributing to the slow growth in 2015 include record repayments of USD 28.6 million (2014: USD 14.5 million), adjustment lag of the team with the introduction of mezzanine instruments and the need to ensure that the Company was taking appropriate risk measures in a more challenging market.

USD 9.5 Million

Total Operating Income

One significant change to Norsad's investment operations was the introduction of mezzanine investments to the portfolio. About 25% of the new investments in 2015 included mezzanine debt instruments with higher yield and some upside potential. The need for mezzanine instruments and structures is evident among Southern African growth companies. We believe that this niche market will not just expand the Norsad's opportunities, but also increase the potential return to our Shareholders. Through further leverage of our balance sheet and the growing of our presence in the mezzanine market, we are looking to quadruple the Return on Equity of the Company by the year 2020.

I am very pleased to announce that Norsad continues to pay a dividend to its Shareholders. Norsad is not just an investment with return potential for its Shareholders, the unique shareholding structure of Norsad brings together investors and ideas from the Nordic countries and the SADC region to add value to the Company.

Norsad continues to work with its partners and portfolio companies on the sharing of market information, co-financing opportunities and Environmental, Social and Governance (ESG) international best practices. To strengthen the co-operation among its Shareholders and partners, Norsad joined the SADC Development Finance Resource Centre as an associated member in December 2015.

USD 3.2 Million

Profit after Tax

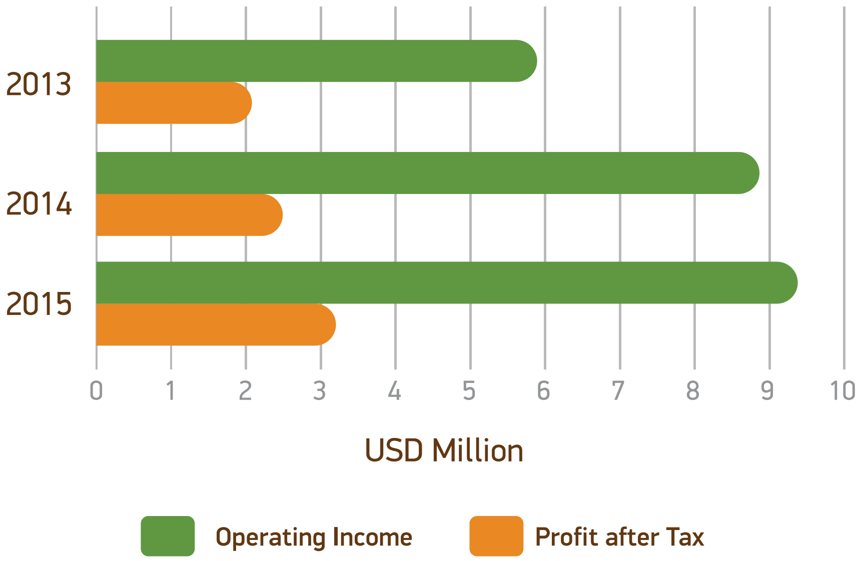
I would like to thank my fellow Directors for their contribution in 2015. I would also like to extend the Directors' commendation to Management and the whole Norsad Finance team for the Company's performance in 2015, despite the challenging year in Southern African markets.

CHIEF EXECUTIVE OFFICER'S REPORT

SARI NIKKA
Chief Executive Officer
Norsad Finance Limited

Steady growth in the Operating Income supports the strategy to move to higher return mezzanine instruments as the chosen path for Norsad Finance. In 2015, the Norsad team was able to achieve a record Operating Income of USD 9.5 million.

The 2015 financial year was challenging in the Southern African region. Towards the end of the year, both the South African Rand and the Zambian Kwacha depreciated rapidly. In view of the local currency exposure in those currencies, there was only slight increase in the Profit after Tax due to the foreign exchange losses.



The Preference Share issue to the founding Shareholders was closed in 2015. In addition to the Nordic Shareholders who subscribed to Preference Shares for a total value of USD 33.8 million in 2012, Norsad Finance was able to attract an additional USD 9.8 million from five SADC Shareholders in 2015. In addition to the capital increase, Norsad Finance will be seeking debt financing in 2016 to leverage for future growth.

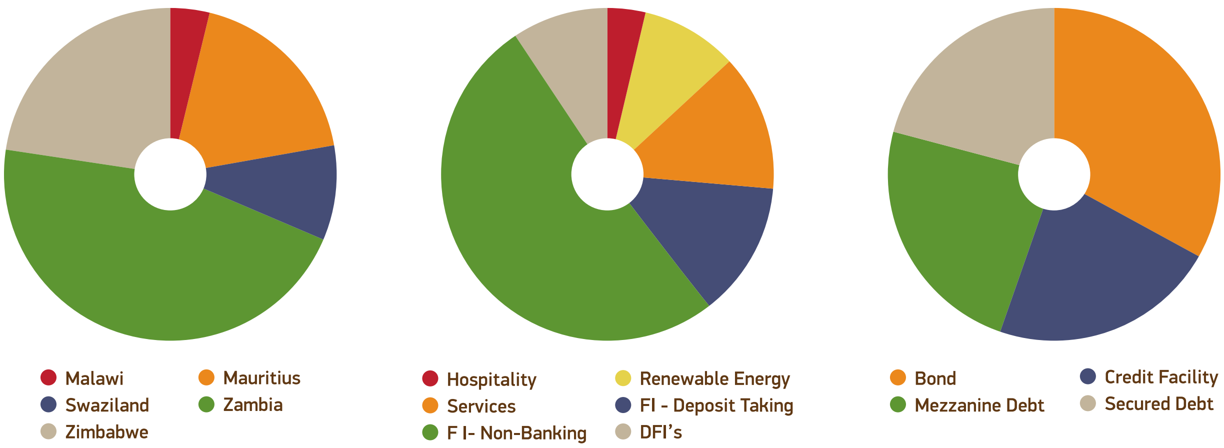
"The need for Norsad financing among the Southern African growth companies, including mezzanine financing, is evident and will provide more growth opportunities for the Company in future years.

INVESTMENT OPERATIONS 2015

A skilled investment team is the key to the future success of Norsad Finance. In the second quarter of 2015, a Chief Investment Officer joined the Company and complements the teams deal structuring and mezzanine experience. The Company also strengthened the team further by hiring three new investment professionals who will join the Company in the first half of 2016.

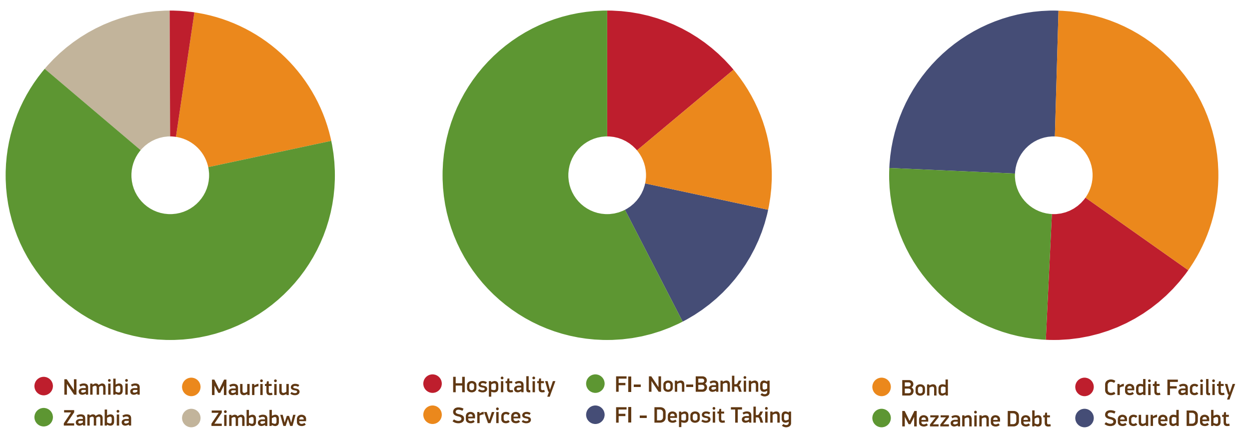
During the year, marketing activities were intensified to introduce the option for mezzanine instruments to our existing and new partners. We have seen the positive impact of this initiative with an increase in investment activities during the second half of the year and expected to continue in 2016. The Board of Directors approved seven new investments with total value of USD 38 million. The new investment approvals were well diversified by country and sector, with the financial sector still remaining the largest beneficiary. About 25% of the investment decisions included mezzanine instruments.

Investment Approvals in 2015 *(By Country, Sector and Instrument)*



The overall portfolio growth was modest compared to the previous years. Total disbursements of USD 34 million was less than the targeted USD 40 million. Due to the pre-payments of some debt facilities, record repayments of USD 28.6 million (2014: USD 14.5 million) was also achieved. This left the overall portfolio growth at a low level of 1.3%.

Disbursements in 2015 *(By Country, Sector and Instrument)*



QUALITY OF THE PORTFOLIO

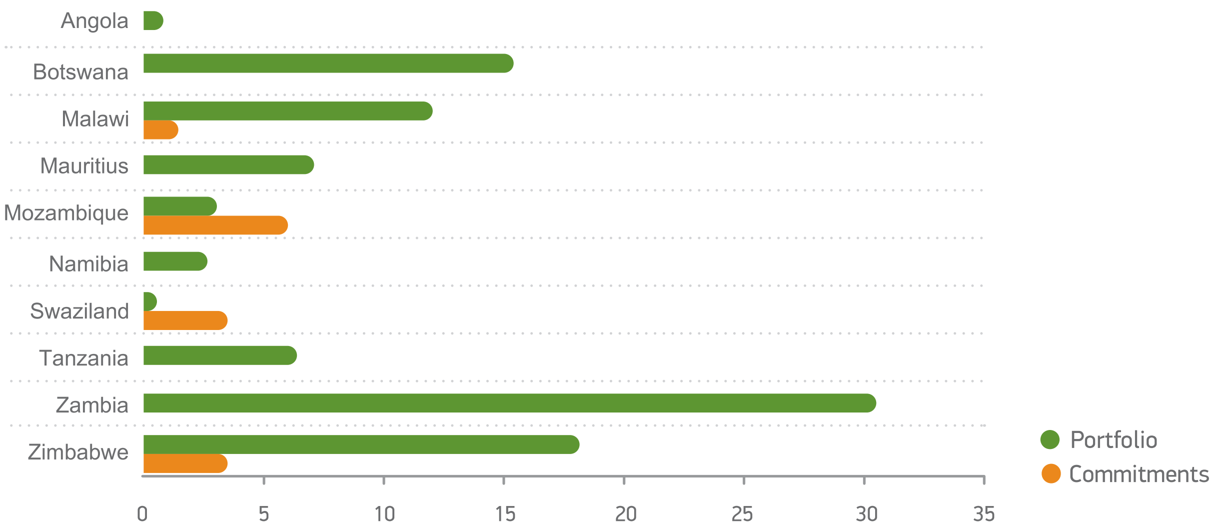
Improving of the portfolio monitoring and risk management was a focus in 2015. Management worked closely with the Audit and Risk Committee of the Board to improve the Asset and Liability Management policy, and increased the regularity of reporting to the Committee.

The majority of the portfolio is well performing and categorised Pass (89% of the total portfolio). One investment was categorised under Special Mention (2%), three investments were categorised as Substandard with 20% impairment (6%) and one investment was categorised as Doubtful with 50% impairment (3%).

The investment portfolio is well diversified by country and sector. Zambia and Zimbabwe are still the biggest markets for our financing while the largest client group is financial institutions. Individual transactions with financial institutions are normally more sizeable than direct investments into growth companies. However, the number of clients are about the same in both categories (direct investments and financial institutions). The following charts summarise the investment portfolio as at 31 December 2015 by country and sector.

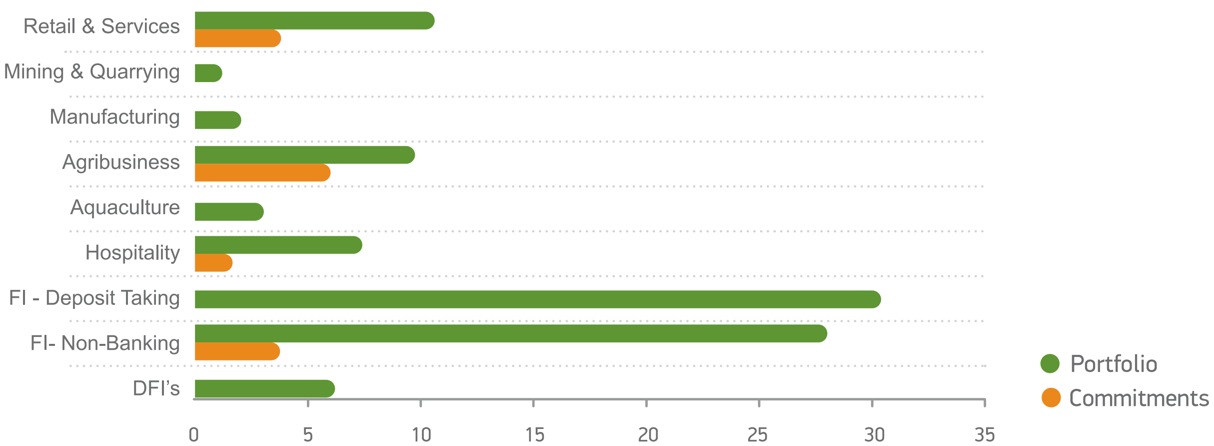
Country Analysis

— NORSAD PORTFOLIO AND COMMITMENTS *AS AT 31 DECEMBER 2015*



Sector Analysis

— NORSAD PORTFOLIO AND COMMITMENTS *AS AT 31 DECEMBER 2015*



SOCIAL AND ENVIRONMENTAL COMPLIANCE ESSENTIAL TO NORSAD INVESTMENT OPERATIONS

Norsad Finance follows international best practices and World Bank/IFC guidelines in determining the social and environmental risks of its investments, as well as in the upgrading of investee companies' social and environmental risk management systems. The majority of the investee companies (89%) are categorised as medium social and environmental risk entities. Three of the investee companies are categorised as high risk companies based on their business operations.

Norsad's dedicated social and environmental specialist and the investment officers work closely with investee companies to identify and mitigate risks related to their business operations. The compliance with international standards is not only to fulfil Norsad's requirements, but to also add value to our investee companies by improving their future funding prospects from international markets and access to global business partnerships.

We monitor compliance of the investee companies with the social and environmental requirements on regular basis. According to the 2015 year-end compliance monitoring of the investee companies, 25% were in full compliance with Norsad's social and environmental requirements and reporting. The majority (71%) of the investee companies were partially in compliance. None of the partially compliant investee companies were deemed to be in non-compliance with critical issues. One investee company was considered to be non-compliant with Norsad's requirements.

DEVELOPMENTAL QUALITY OF NORSAD FINANCE INVESTMENTS

Norsad Finance measures the developmental quality of its investments on an annual basis by using the GPR Tool system designed by DEG, a German development finance institution. We record investee companies' contribution to government revenue, national income, foreign currency revenue and employment creation. In addition, the overall training and gender effects are measured, as well as technology know-how and transfer and positive market and structural effects.

The developmental quality of the investment portfolio has steadily improved over the years. As at the end of 2015, 21 of the measured 26 investee companies were recorded as having very good development impact. Four companies had good development impact and only one company was recorded as having only satisfactory development impact. At the end of the year, Norsad Finance's investee companies employed a total of 13,312 people.

13,312

Total Number of **People Employed** by Our Investee Companies

OUTLOOK FOR 2016

Although the difficult economic circumstances in our markets persist, Norsad Finance investment activities are expected to continue growing strongly. We expect to increase the proportion of the mezzanine investments in our portfolio during the year. Norsad Finance shall also look for partners to provide leverage to finance its future growth.

The strengthening of risk management by formulating a comprehensive risk management platform for the company shall be one of the key development areas. In addition, the categorisation, identification and monitoring of the social and environmental risks of our investee companies shall be improved during the year by collaboration with Norsad Finance's Nordic Shareholders.

My term as Norsad Finance CEO is coming to an end in December 2016. Norsad Finance is in process of identifying the incoming CEO to take over responsibility from the beginning of 2017. We will also continue to strengthen the investment team through continuous skills upgrade and by adding new resources to the team.

I would like to take this opportunity to extend my gratitude to whole Norsad Finance team for their efforts in improving the Company's performance. I would also like to thank our clients and partners for their continued support in enhancing the social and environmental standards of doing business in Southern Africa, as well as for their positive development impact in the region.

CORPORATE GOVERNANCE

Compliance with international corporate governance guidelines is a key principle for Norsad Finance, with its investors from 15 countries. Therefore, our Board of Directors is committed to integrity of the organisation and its ability to manage risk and perform at its best. There is further emphasis in ensuring that Norsad Finance maintains the highest level of ethical and accountable business practices.

The Board, together with its sub-committees, acts in the best interest of the Company and always takes cognisance of the objectives of accountability, responsibility and transparency, which are the cornerstones of Norsad Finance's corporate governance principles.

According to the Company Constitution, a Director's term of service is three years and can be re-elected once. In 2015, Mr Jacob Lushinga and his personal alternate Ms Aurora Malene were re-appointed for a second term in May 2015. Due to the resignation of Mr Roger Keighley, Mr Erik Sandersen was appointed as a director and Mr Deepak Malik as his personal alternate in September 2015.

Our Board of Directors

DIRECTOR	NATIONALITY	PERSONAL ALTERNATE	NATIONALITY
Ms Lena Algerin	Swedish	Mr Jonas Armtoft	Swedish
Mr Charles Chikaura	Zimbabwean	Mr Peter Noni	Tanzanian
Mr Morten Christiansen	Danish	Mr Jens Lund Sørensen	Danish
Mr Erik Sandersen	British	Mr Deepak Malik*	Indian
Mr Jacob Lushinga	Zambian	Ms Aurora Malene	Mozambique
Ms Paula Perttunen	Finnish	Ms Paula Sundberg*	Finnish
Mr Thabo Thamane	Motswana	Mr Martin Inkumbi	Namibian

**Subject to final regulatory approval*

The Board has established three standing sub-committees, namely the Governance Committee, Audit & Risk Committee and Human Resources & Remuneration Committee. The compositions of the Board Committees are as follows:

Governance Committee	Audit & Risk Committee	HR&R Committee
Ms Lena Algerin	Mr Jacob Lushinga	Ms Lena Algerin
Mr Charles Chikaura	Ms Paula Perttunen	Mr Charles Chikaura
Mr Morten Christiansen	Mr Erik Sandersen	Mr Morten Christiansen

OUR MANAGEMENT

SARI NIKKA

Chief Executive Officer

Mrs Sari Nikka has over 20 years of experience in international project finance and equity investments in developing and non-OECD countries. She has been the CEO of NORSAD Agency and Norsad Finance for the past eight years. She holds Master of Science in Economics and Business Administration from the Turku School of Economics and Business Administration (Finland).

KENNY NWOSU

Chief Investment Officer/Deputy CEO

Mr Kenny Nwosu joined Norsad in April 2015 and has over 15 years investment management and private equity experience with extensive Africa coverage. He received his MBA from the London Business School and his MSC in Artificial Intelligence from the University of Aberdeen. He also holds a BA Honors in Economics from the University of Nottingham.

ROSEMARY LIYWALII

Risk and Portfolio Manager

Mrs Rosemary Liywalii joined NORSAD Agency in 2003 has over 20 years' experience in banking, credit appraisal, project monitoring, loan restructuring and debt recovery. She holds MBA from Heriots-Watt University's Edinburgh Business School, Scotland. Bachelor of Science degree from University of Manchester Institute of Science and Technology (UMIST), United Kingdom. She is an Associate member of the Chartered Institute of Bankers (ACIB), United Kingdom.

JONATHAN DAVIES

Financial Manager

Mr Jonathan Davies has over 20 years' experience in financial management in Southern Africa. He holds Bachelor (Hons) degree in Accounting and Finance. He is a Fellow member of Chartered Certified Accountants (ACCA).

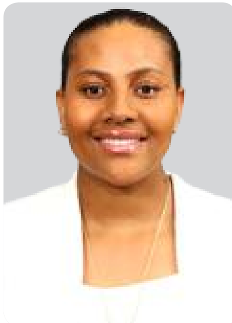
OUR TEAM

Ngodya Chimbwete
Financial Analyst

Dudu Garekwe
Senior Investment Officer

Charity Malatsi
Receptionist

Mercy Matome
Cleaner



Lorato Molema
Junior Portfolio Analyst

Nathan Monageng
Social & Enviromental
Portfolio Officer

Edward Mulilo
Senior Investment Officer

Naomi Mulima
Portfolio Officer

Justin Nthala
Senior Investment Officer

Mercy Ramateke
Financial Assistant

Oteng Sebonego
Senior Investment Officer

Kelsey Talane
Personal & Administration
Assistant

Thabo Toko
Driver

Wedu Tsimako
Junior Financial Analyst

Alice Zulu
Senior Investment Officer

INVESTMENT OPERATIONS

NYANGANI RENEWABLE ENERGY (PVT) LTD (NRE) — 'PUNGWE C', *ZIMBABWE*

Norsad Finance funded a 3.75MW hydroelectric power scheme in Zimbabwe's Honde Valley being developed by Nyangani Renewable Energy (Pvt) Ltd (NRE). NRE is an independent power producer operating in Zimbabwe. It started in 2010 with the completion of a small 1.1MW hydro scheme and by early 2015 had built three further schemes. Norsad Finance provided project finance for the Pungwe C scheme, the fifth one to be built, and it has enabled NRE to bring its total installed capacity to 25MW, which is 2% of Zimbabwe's total installed generation capacity.

Pungwe C is a run of river scheme on the Chiteme river, a tributary of the head waters of the Pungwe River which flows off the Nyangani Massif. The scheme involves the building of an offtake weir to divert up to 2,500 litres per second of river flow into a 1.2 metre diameter steel pipe. This pipe, also known as the penstock, transports the water over a distance of 2,750 metres and a vertical drop of 190 metres. It discharges into the power station which houses a Gilkes turgo-impulse turbine & generator which converts the energy of the flowing water into an electrical current. The used water is then immediately returned into the river and the electricity is dispatched into the Zimbabwe national grid. NRE sells all the electricity it produces to the Zimbabwe Electricity Transmission and Distribution Company Ltd.

The project was constructed over 2015 and commissioned in early 2016. Over the whole year it will deliver 9,554 MWh which is enough to power 10,000 homes, and taken together with the output of the other 4 power stations built by NRE, enough electricity is produced to power 85,000 households across eastern Zimbabwe.

The local community, in addition to benefitting from the jobs created during the construction phase, also have full access to a new all-weather road built to service the project sites. This has helped to open up previously inaccessible areas to productive farming use.

The Chiteme river flows from the Rhodes Nyanga national park through communal land which is home to a productive farming community. The conservation of the natural environment and the watershed is very important for both the local farmers and for the long term success of the hydroelectric power schemes. The project was designed to minimise any environmental impact and was compliant with the IFC's Equator principles.

NRE has a commitment to ensure that the local community can and do benefit from the new electricity. It has provided funding for the electrification of the schools in the local district and over the last two years 20 schools have been wired up to the grid for the first time and are benefitting over 11,000 primary and secondary school students.

FOCUS IRONCLAD GROUP (FIG), *MAURITIUS*

FIG was incorporated in Mauritius in 2012 and is head-quartered in Port Louis, Mauritius. As the holding company of Focus Group of companies, its principal business is to invest and manage investments in the various group companies, primarily based in Zambia. FIG is 100% owned by a group of Zambian individuals.

The Focus Group of companies (Focus), comprises four complimentary companies that are strategically positioned to address the unique challenges that SMEs face in Zambia. It started out as a 3-product proposition to SMEs with Focus Financial Services (FFS) in January 2010, covering Order Finance, Invoice Discounting, and Bridge Financing, quickly grew to a level that compelled the Group to adapt to a wider SME product range. Focus currently has operations in all the highly active economic centers of the Zambia which include Solwezi, Kitwe, Chingola, Ndola, Chipata, and the capital city of Lusaka.

Focus was created to fill a gap in the market for appropriate SMEs that were wholly un-catered for by commercial banks and other financing institutions. Neither term loans nor micro-finance addressed the needs of enterprising SMEs who's most immediate and critical challenges were to seek non-tangible collateral finance to execute supply contracts with blue-chip companies.

Focus responded to this challenge by growing on two fronts: (i) the short-term working capital product range, as well as (ii) created other SME-focused businesses which include Focus Capital (to help mobilize growth capital for SMEs), Focus General Insurance (to support SME growth by offering trade related insurance solutions) and Focus Life Assurance, to drive micro-insurance. Focus model does not require collateral from the SME in a way, yet provides some kind of venture capital finance which is structured around the economics of a particular transaction.

Focus prides itself in being relevant to the market in which it operates, and in response to the various challenges that Zambian SMEs face, FOCUS developed a Programme to raise capital for the purpose of making finance available to local road contractors.

Focus developed a credit enhanced Road Infrastructure Note Program and Norsad Finance played a key role in this initiative by becoming an anchor investor in the Programme.

FURNMART, *BOTSWANA*

Furnmart is listed on the Botswana Stock Exchange and has a number of retail outlets spread across Botswana, Namibia, Zambia and South Africa. The Company has two brands catering for various customer segments. Their Xtreme and Furnmart brands are traditional hire purchase retailers aimed at the mass market and the Homecorp branded stores sell high quality, fashionable furniture and branded appliances. Norsad participated in financing the expansion of the company's operations in the region.

NAMIBIA PROCUREMENT FUND, *NAMIBIA*

The Namibia Procurement Fund (NamPro) provides working capital facilities and bridging finance to high growth small and medium size companies to meet their supply contract obligations. The Fund has grown to become a prominent SME financier in Namibia. Products include purchase order finance, invoice/receivables discounting, bid bonds, performance guarantees and leasing finance. NamPro is committed to modern principles and practices of good corporate governance. The Fund increased its Investment Portfolio with the assistance of a Norsad facility and continues to improve local SMEs investment opportunities with targeted access to finance.

LILONGWE CITY MALL, *MALAWI*

Lilongwe City Mall is one of the leading shopping malls located in the central city of Lilongwe in Malawi. The mall has a gross lettable area of 14,503 square meters, with Game Stores of South Africa as anchor tenants. Other tenants include restaurants, fast food courts, apparel shops and banking facilities. The mall is managed by Broll Malawi Limited and has good development impact in terms of job creation, contribution to government revenue and support to SME merchant businesses.

D.D. RUHINDA, *TANZANIA*

This family owned trading company ventured into sisal production after acquiring the 1,734ha Mkumbara Sisal Estate. The company also operates a spinning mill which has added value to the raw sisal fibre. The business has impacted positively on the local community, through employment creation in an area of the country with limited employment opportunities. The company has laudable aspirations and strives for excellence in production of quality products and corporate social responsibility.

NORSAD FINANCE LIMITED

GROUP ANNUAL FINANCIAL STATEMENTS
AND ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

(Company Registration No. CO.2011/11031)

NORSAD FINANCE LIMITED
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

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NORSAD FINANCE LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

The directors have pleasure in presenting their report, the group annual financial statements and the annual financial statements for the year ended 31 December 2015.

Nature of business

The group provides investment loans and long term risk capital to Southern African companies that are financially, socially and environmentally sustainable.

Interest in Subsidiaries

Norsad Finance Limited holds a 100% share in Norsad Finance (Botswana) Ltd, a company incorporated in Botswana on 9 September 2013, (Company Registration No. CO.2013/10180).

Review of the group's financial position and results

The financial statements incorporate the financial statements of the company, referred to as the "Company" and consolidated statement incorporating entities controlled by the company, reflect the financial statements of the company and its subsidiary and are collectively referred to as the "Group".
The financial results and position are reflected in the financial statements set out on pages 24 to 56.

Currency of presentation

The group's annual financial statements and the annual financial statements are presented in United States Dollars (USD), which is the group's functional and presentation currency.

Events after the reporting date

The directors are not aware of any matter or circumstance arising since the end of the financial period, not dealt with in this report or these financial statements which would significantly affect the operations or financial results of the group.

Changes in equity

During the year ended 31 December 2015, preference shares were paid for as follows:

SHAREHOLDER	NUMBER OF SHARES	USD VALUE
TIB Development Bank	133	1 101 107
Citizen Entrepreneurial Development Agency	128	1 059 712
Development Bank of Namibia	400	3 311 600
Development Bank of Zambia	120	993 480
Banco de Desenvolvimento de Angola	400	3 311 600
Total	**1,181**	**9 777 499**

Dividends

On 20 April 2016 a dividend of USD 85 per ordinary share was declared for the year ended 31 December 2015 on 8,800 ordinary shares. Further a dividend of USD 170 per preference share was declared on 5,265 preference shares.

NORSAD FINANCE LIMITED
DIRECTORS' REPORT (*continued)*
FOR THE YEAR ENDED 31 DECEMBER 2015

Directors

BOARD OF DIRECTORS	ALTERNATE DIRECTORS
Algerin, Lena	Armtoft, Jonas
Chikaura, Charles	Noni, Peter
Christiansen, Morten	Sorensen, Jens
Lushinga, Jacob	Malene, Aurora
Perttunen, Paula	To be confirmed
Sandersen, Erik	To be confirmed
Thamane, Thabo	Inkumbi, Martin

Changes during the period
Keighley Roger (Resigned 2 July 2015)
Sandersen, Erik (Appointed 16 September 2015)

Registered Office
Plot 74770, Western Commercial Road
Central Business District, Gaborone

Company Secretary
Desert Secretarial Services (Proprietary) Limited
Plot 64518, Fairgrounds Office Park, Gaborone

Auditors
KPMG
Plot 67977, Fairgrounds Office Park, Gaborone

Principal Bankers
First National Bank Botswana Limited
Plot 54362, Central Business District, Gaborone

EXCHANGE RATES		2015	2014
ZAR / USD	(ZAR = South African Rand)	15.3979	11.5580
ZMW / USD	(ZMW = Zambian Kwacha)	10.9457	6.3589
BWP / USD	(BWP = Botswana Pula)	11.0394	9.3929

NORSAD FINANCE LIMITED

DIRECTORS' RESPONSIBILITY STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

The directors are responsible for the preparation and fair presentation of the group annual financial statements and annual financial statements of Norsad Finance Limited, comprising the statements of financial position at 31 December 2015, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the period then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the group to continue as a going concern and have no reason to believe that the businesses will not be going concerns in the foreseeable future.

The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of group annual financial statements and annual financial statements

The group annual financial statements and annual financial statements of Norsad Finance Limited, as identified in the first paragraph, were approved by the board of directors on 17 March 2016 and signed on their behalf by:

Thabo Thamane
Director

Jacob Lushinga
Director

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF NORSAD FINANCE LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Norsad Finance Limited, which comprise the consolidated and separate statements of financial position as at 31 December 2015 and consolidated and separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 24 to 56.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Audit opinion

In our opinion, the financial statements give a true and fair view of the consolidated and separate financial position of Norsad Finance Limited at 31 December 2015, and its consolidated and separate financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards.

KPMG
Certified Auditors
Practicing Member: AG Devlin
(19960060:23)

Gaborone
Date: 21 April 2016

NORSAD FINANCE LIMITED
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

In US Dollar

		Group		Company	
	Note	**2015**	**2014**	**2015**	**2014**
Operating income					
Interest from loans and advances	7	8 312 204	7 567 431	8 221 099	7 482 070
Interest income other investments		630 777	485 010	630 777	485 010
Interest expense		(404 730)	(346 452)	(404 730)	(346 452)
Net interest income		**8 538 251**	**7 705 989**	**8 447 146**	**7 620 628**
Fee and commission income		829 125	572 481	829 125	567 781
Other income	8	78 481	175 570	78 481	175 570
Non interest income		**907 606**	**748 051**	**907 606**	**743 351**
Total Operating income		**9 445 857**	**8 454 040**	**9 354 752**	**8 363 979**
Operating expenses					
Personnel expenses	9	(2 007 021)	(1 837 670)	(2 007 021)	(1 837 670)
Administration expenses		(191 346)	(190 229)	(191 346)	(190 229)
Depreciation & sale of assets		(48 204)	(54 387)	(48 204)	(54 387)
Other operating expenses	10	(552 399)	(439 557)	(546 735)	(434 557)
Total Operating expenses		**(2 798 970)**	**(2 521 843)**	**(2 793 306)**	**(2 516 843)**
Profit before impairment gains and losses		**6 646 887**	**5 932 197**	**6 561 446**	**5 847 136**
Impairment provisions on loans & advances	11	(1 256 142)	(987 795)	(1 198 455)	(987 795)
Net foreign exchange loss on loans & advances	12	(5 048 475)	(964 931)	(5 048 475)	(964 931)
Net foreign exchange gain on borrowings	23	1 371 820	329 920	1 371 820	329 920
Gain on loan restructuring	13	2 100 000	-	2 100 000	-
Realised net loss on liquid investments		-	(1 228 854)	-	(1 228 854)
Profit before income tax		**3 814 090**	**3 080 537**	**3 786 336**	**2 995 476**
Taxation	14	(577 415)	(663 803)	(577 415)	(645 090)
Profit for the year		**3 236 675**	**2 416 734**	**3 208 921**	**2 350 386**
Unrealised net (loss)/gain on equity investments	17	(88 596)	33 224	(88 596)	33 224
Deferred taxation	22	13 574	(200 042)	13 574	(200 042)
Reversal of unrealised net loss on liquid investments on sale of liquid investments		-	1 300 398	-	1 300 398
Total comprehensive income for the year		**3 161 653**	**3 550 314**	**3 133 899**	**3 483 966**

NORSAD FINANCE LIMITED
STATEMENTS OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2015

In US Dollar

		Group		Company	
	Note	**2015**	**2014**	**2015**	**2014**
Assets					
Cash and cash equivalents	15	14 430 175	3 691 423	14 347 374	3 686 288
Fixed deposit investments	16	17 297 285	20 918 400	17 297 285	20 918 400
Equity investments	17	188 267	276 863	188 267	276 863
Loans and advances	18	95 443 020	94 087 676	94 105 910	91 431 240
Investment in subsidiary	19	-	-	1 287 470	2 551 765
Other assets	20	1 085 350	675 478	1 081 412	675 478
Plant and equipment	21	121 009	141 972	121 009	141 972
Deferred taxation	22	34 583	23 283	34 583	23 283
Total assets		**128 599 689**	**119 815 095**	**128 463 310**	**119 705 289**
Liabilities And Equity					
Borrowings	23	3 653 044	6 488 550	3 653 044	6 488 550
Accruals and other liabilities	24	292 726	339 178	287 726	332 997
Total liabilities		**3 945 770**	**6 827 728**	**3 940 770**	**6 821 547**
Equity					
Stated capital	25	116 660 625	106 883 126	116 660 625	106 883 126
Reserves		7 993 294	6 104 241	7 861 915	6 000 616
Total equity		**124 653 919**	**112 987 367**	**124 522 540**	**112 883 742**
Total liabilities and equity		**128 599 689**	**119 815 095**	**128 463 310**	**119 705 289**

Thabo Thamane
Director

Jacob Lushinga
Director

Sari Nikka
Chief Executive Officer

NORSAD FINANCE LIMITED
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

In US Dollar

	Stated Capital	Preference Share Capital	Available For Sale Equity Reserve	Retained Earnings	Total Equity
GROUP					
Balance at 31 December 2013	**73 071 690**	**33 811 436**	**(1 274 779)**	**3 828 706**	**109 437 053**
Profit after tax	-	-	-	2 416 734	2 416 734
Other comprehensive expense	-	-	1 133 580	-	1 133 580
Balance at 31 December 2014	**73 071 690**	**33 811 436**	**(141 199)**	**6 245 440**	**112 987 367**
Issue of preference shares	-	9 777 499	-	-	9 777 499
Dividends paid	-	-	-	(1 272 600)	(1 272 600)
Profit after tax	-	-	-	3 236 675	3 236 675
Other comprehensive income	-	-	(75 022)	-	(75 022)
Balance at 31 December 2015	**73 071 690**	**43 588 935**	**(216 221)**	**8 209 515**	**124 653 919**
COMPANY					
Balance at 31 December 2013	73 071 690	33 811 436	(1 275 779)	3 791 429	109 399 776
Profit after tax	-	-	-	2 350 386	2 350 386
Other comprehensive expense	-	-	1 133 580	-	1 133 580
Balance at 31 December 2014	**73 071 690**	**33 811 436**	**(141 199)**	**6 141 815**	**112 883 742**
Issue of preference shares	-	9 777 499	-	-	9 777 499
Dividends paid	-	-	-	(1 272 600)	(1 272 600)
Profit after tax	-	-	-	3 208 921	3 208 921
Other comprehensive income	-	-	(75 022)	-	(75 022)
Balance at 31 December 2015	**73 071 690**	**43 588 935**	**(216 221)**	**8 078 136**	**124 522 540**

NORSAD FINANCE LIMITED
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

In US Dollar

		Group		Company	
	Note	**2015**	**2014**	**2015**	**2014**
Operating activities:					
Profit before taxation		3 814 090	3 080 537	3 786 336	2 995 476
Adjusted for:					
Depreciation	21	50 382	51 050	50 382	51 050
(Gain)/Loss on disposal of assets		(2 178)	3 273	(2 178)	3 273
Withholding Tax Deducted		(534 646)	(489 499)	(534 646)	(489 499)
Unrealised net loss on liquid investments		-	1 228 854	-	1 228 854
Net foreign exchange loss on loans & advances	12	5 048 475	964 931	5 048 475	964 931
Net foreign exchange gain on borrowings	23	(1 371 820)	(329 920)	(1 371 820)	(329 920)
Gain on loan restructuring	13	(2 100 000)	-	(2 100 000)	-
Movement in other assets	20	(380 580)	(201 667)	(376 642)	(201 667)
Movement in accruals and other liabilities	24	109 647	150 587	110 828	163 135
Specific Loan impairment charge	11	966 266	987 795	912 602	987 795
Collective Loan impairment charge	11	289 876	-	285 853	-
Net cash generated in operating activities		**5 889 512**	**5 445 941**	**5 809 190**	**5 372 428**
Investing activities:					
Proceeds from disposal of liquid investments		17 478 290	24 097 780	17 478 290	24 097 780
Payments to acquire fixed deposit investments		(14 068 660)	(21 163 345)	(14 068 660)	(21 163 345)
Loans repaid	18	28 614 481	14 513 545	28 614 481	14 513 545
Loans disbursed and additions	18	(34 164 203)	(39 966 954)	(34 138 372)	(39 944 509)
Taxation paid		(24 640)	(344 922)	(24 640)	(326 209)
Net movement in investment in subsidiary	19	-	-	(23 175)	84 150
Sale proceeds of plant and equipment		3 397	18 777	3 397	18 777
Acquisition of plant and equipment	21	(30 638)	(44 460)	(30 638)	(44 460)
Net cash used from investing activities		**(2 191 973)**	**(22 889 579)**	**(2 189 317)**	**(22 764 271)**
Financing activities:					
Proceeds from issue of preference shares		9 777 499	-	9 777 499	-
Proceeds from borrowing		-	6 818 470	-	6 818 470
Borrowings repaid		(1 463 686)	-	(1 463 686)	-
Dividend payments		(1 272 600)	-	(1 272 600)	-
Net cash generated from financing activities		**7 041 213**	**6 818 470**	**7 041 213**	**6 818 470**
Net movement in cash and cash equivalents		**10 738 752**	**(10 625 168)**	**10 661 086**	**(10 573 373)**
Cash and cash equivalents at beginning of year		3 691 423	14 316 591	3 686 288	14 259 661
Cash and cash equivalents at end of year	**15**	**14 430 175**	**3 691 423**	**14 347 374**	**3 686 288**

NORSAD FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

1. *Reporting entity*

Norsad Finance Limited is a company domiciled in Botswana registered under the Botswana Companies Act and regulated by the Botswana Non-Bank Financial Institutions Regulatory Authority (NBFIRA). Norsad Finance Limited is accredited under the Botswana International Financial Services Centre (IFSC) which became the Botswana International Trade Centre (BITC) and is primarily involved in providing investment loans and long term risk capital to Southern African companies. These financial statements represent the statutory financial statements.

2. *Basis of preparation*

a) Statement of Compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS).

b) Basis of Measurement

The financial statements are prepared on the historical cost basis, except for financial instruments which are disclosed at fair value.

c) Functional and Presentation Currency

The financial statements are presented in US Dollar, which is also the functional currency.

d) Use of Estimates and Judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses actual results may differ from these estimates. 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.

Information about significant areas of estimation and critical judgments in applying accounting policies that have the most significant effect on amounts recognised in the financial statements are included in Notes 4 and 5.

3. *Significant accounting policies*

a) Foreign Currency

Foreign Currency Translations

Transactions in foreign currencies are translated into the functional currency of group at the spot exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the spot exchange rate at the end of the period.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the spot exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are generally recognised in profit or loss. However, foreign currency differences arising from the retranslation of the following item is recognised in other comprehensive income:

— available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss).

3. *Significant accounting policies (continued)*

b) Investments

(i) Subsidiary

A subsidiary is an entity controlled by the company. Control exists when the company is exposed to or has rights to variable returns from its involvement with the investee, and has the ability to affect those returns through its powers over the investee. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. All inter-group transactions, balances, income and expenses are eliminated in full on consolidation.

(ii) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the "company" and entities controlled by the company, its subsidiary, which are collectively referred to as the "Group".

c) Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest, the group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest includes all transaction costs and fees paid or received that are an integral part of the effective interest. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in the statement of profit or loss and other comprehensive income include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis; and
- interest on available-for-sale investment securities calculated on an effective interest basis

d) Fee and commissions

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

e) Dividends

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Dividends are presented in other operating income based on the underlying classification of the equity investment.

NORSAD FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

3. *Significant accounting policies (continued)*

f) Tax Expense

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which it can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(iii) Tax exposures

In determining the amount of current and deferred tax, the group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

NORSAD FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

3. *Significant accounting policies (continued)*

g) Financial assets and financial liabilities

(i) Recognition

The group initially recognises loans and advances on the date that they are originated.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification

Financial Assets

The group classifies its financial assets in one of the following categories:
— loans and receivables; or
— available-for-sale

Financial Liabilities

The group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost.

(iii) Derecognition

Financial Assets

The group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in such transferred financial assets that qualify for derecognition that is created or retained by the group is recognised as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial Liabilities

The group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

(iv) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the group has a legal right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions.

(v) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

3. *Significant accounting policies (continued)*

g) Financial assets and financial liabilities *(continued)*

(vi) Fair Value Measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

Available for sale financial assets are carried at fair value, with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the available for sales reserve in equity.

(vii) Identification and Measurement of Impairment

At each reporting date the group assesses whether there is objective evidence that financial assets are impaired. An impairment test is carried out on all investments individually to determine their classification. A financial asset is re-classified as impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include the following:

(i) indications that the economic performance of the asset is or will be weaker than expected

(ii) an actual breach of contract, such as default in interest or principal payments.

(iii) a historical pattern of collection of accounts receivable that indicates that the entire amount will not be collected.

(iv) a high probability of bankruptcy or other financial reorganisation of the borrower.

(v) Significant changes having an adverse effect have taken place in the technological, market, economic, political or legal environment in which the borrower operates or in the market to which it is dedicated

(vi) the market value of the net assets or the core performance indicators of the borrower has declined significantly more than would be expected under usual circumstances.

Collateral values play a prominent role in loan risk classification and provisioning. The group's own calculations are primarily based on the value of collateral compared to the total outstanding. The group may seek valuation by independent professional valuer(s) taking into account ease of realisation and reduction in value arising from delays in enforcement or realisation. The group shall value corporate guarantees on the basis of audited statements of the guarantor submitted in line with the requirements under the guarantee document. The value of the security shall also depend on the confidence the company has in the respective legal framework to support realisation of security.

In assessing collective impairment the group uses statistical modelling of historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries are regularly bench marked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

NORSAD FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

3. *Significant accounting policies (continued)*

g) Financial assets and financial liabilities *(continued)*

(vii) Identification and Measurement of Impairment (continued)

Classification	Subjective Narration	Objective Narration
Pass	*All of the following:* a) the financial condition of the borrower is sound; b) there is adequate documentation to support the credit, such as current financial statements, cash flows; and c) the collateral is unimpaired and represents tangible security to cover the exposure in secured investments.	a) the investment is up-to-date in repayments; or b) an investment with principal or interest due and unpaid for less than 30 days.
Special Mention	*All of the following:* a) the investment account is currently up-to-date but evidence suggests that certain factors could in the future affect the borrower's ability to service the account properly or impair the collateral; b) collateral is not fully in place; c) an account which could deteriorate because of current market conditions affecting the sector or industry; d) a renegotiated account which is up-to-date in repayments and adequately secured for a minimum of one year after rescheduling and during which period there would have been no inherent weaknesses affecting repayment; or e) deterioration in credit standing or political situation of the country in which the assets or collateral of the investment account are located; or f) deterioration of future prospects of the sector or industry of the investment account.	a) principal or interest is due and unpaid for 30 days to less than 90 days; or b) interest charges for 30 to 90 days have been capitalised.
Substandard	*All of the following:* a) there are well-defined credit weaknesses, such as, shortfalls in the borrower's cash flow; b) the primary source of repayment is insufficient to service the debt and the Norsad will have to look at secondary sources, such as collateral or refinancing, for repayment; c) the well-secured portion of an investment which would otherwise have been classified as doubtful or loss; or d) significant deterioration in credit standing or political situation of the country in which the assets or collateral of the investment account are located; or e) significant deterioration of future prospects of the sector or industry of the investment account.	a) principal or interest is due and unpaid for 90 days to less than 180 days; or b) interest charges for 90 to 180 days have been capitalised.
Doubtful	*All of the following:* a) the collection of the debt in full is highly questionable or improbable; or b) there is possibility of a loss, and some factors exist which could improve the situation.	a) principal or interest is due and unpaid for 180 days to less than 365 days; or b) interest charges for 180 to 365 days have been capitalised.

NORSAD FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

3. *Significant accounting policies (continued)*

g) Financial assets and financial liabilities *(continued)*

(vii) Identification and Measurement of Impairment (continued)

Classification	Subjective Narration	Objective Narration
Loss	*All of the following:* a) an account considered uncollectible; b) an account which may have some recovery value but it is not considered practical nor desirable to defer write off; or c) an account classified as doubtful with little or no improvement over the 365 days period it has been classified as such.	a) principal or interest is due and unpaid for 365 days or more; or b) interest charges for 365 days or more have been capitalised.
Write-Off	*Write off shall be considered for non-performing investments which have been provided for 100% when:* a) the arrears have been outstanding without being repaid or reduced for at least 540 days. The Portfolio Management will continue to follow-up these investments to maximize debt recovery from the proceeds of the receivership and/or liquidation process; projects will be listed on the internal Investment Update Report and on annual Investment Provision paper to the Board until legal or recovery processes have been completed; and b) all possible efforts at recovery of the debt have been exhausted or no reasonable expectation of further recovery exists; or c) the estimated cost of further action does not justify the expected recovery which may result from the action.	

Specific Provisions shall be provide for against instrument classification as follows:

Classification	Provision Level up to outstanding loan principal
Pass	0%
Special Mention	0%
Substandard	20%
Doubtful	50%
Loss	100%

The classification and provision levels of all the company's investments are individually reviewed on a quarterly basis throughout the life of the investments.

NORSAD FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

3. *Significant accounting policies (continued)*

h) Fixed Deposit Investments

Fixed deposit investment are fixed term deposit investments with regulated banks that have risk ratings above "non-investment grade – Baa3, per Moody's ratings", with original maturities of one month or more from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the group in the management of its loan commitments.

Fixed deposit investments are carried at amortised cost in the statement of financial position.

i) Cash and Cash Equivalents

Cash and cash equivalents include notes and coins on hand and highly liquid financial assets with original maturities of less than one month from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

j) Loans and Advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the group does not intend to sell immediately or in the near term.

Investment loans to financial institutions and directly to customers are classified as loans and advances.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

k) Plant and equipment

(ii) Recognition and Measurement

Items of plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. When parts of an item of plant or equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

Any gain or loss on disposal of an item of plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised within other income in profit or loss.

(ii) Subsequent Costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the group. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Items of plant and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the assets are completed and ready for use. Depreciation is calculated to write off the cost of items of plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is recognised in profit or loss.

Significant items of plant and equipment are depreciated as follows:

- Motor vehicles	25% reducing balance
- Computer equipment	33.3% straight line
- Office furniture	20% straight line

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

NORSAD FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

3. *Significant accounting policies (continued)*

l) Impairment of non-financial assets

The group's non-financial assets are identified as plant & equipment and deferred taxation. Their carrying amounts are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. Impairment losses are recognised in the statement of profit or loss and other comprehensive income. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment was recognised.

m) Provisions

A provision is recognised if, as a result of a past event, the group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

n) Financial guarantees and commitments

Financial guarantees are contracts that require the group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Liabilities arising from financial guarantees or commitments to provide a loan at a below-market interest rate are initially measured at fair value and the initial fair value is amortised over the life of the guarantee or the commitment. The liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment to settle the liability when a payment under the contracts has become probable. Financial guarantees and commitments to provide a loan at a below-market interest rate are included within other liabilities.

The group had invested in a financial guarantee contract in which it retains 50% of the risks of the total facility amount. The contract expired on 28 February 2015. The maximum amount payable by the group, assuming all guarantees are called on as at 31 December 2014 was USD 215 983.

NORSAD FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

3. *Significant accounting policies (continued)*

o) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as personnel expenses in profit or loss in the periods during which related services are rendered.

(ii) Short-term employee benefits

The cost of short term benefit is recognised during the period in which the employee renders the related service.

Employee entitlements to incentive payments, medical aid and gratuity benefits are recognised when they accrue to employees and an accrual is recognised for the estimated liability as a result of services rendered by the employee up to the reporting date. The accruals have been calculated at undiscounted amounts based on current wage and salary rates.

Employees who are not members of an approved pension scheme are entitled to gratuity benefits as stipulated in their employment contracts. An accrual is recognised for the estimated liability for services rendered by the employee up to the reporting date.

p) Share capital and reserves

Share issue costs

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

q) Standards and interpretations which became effective during the year

The standards and interpretations which became effective during the year ended 31 December 2015 are summarised as follows:

Standards/Interpretations		Impact
IFRS 10, 12 and IAS 27 amendments	Investment entities	No impact on these financial statements
IAS 32	Offsetting Financial Assets and Financial Liabilities	No impact on these financial statements
IAS 36	Recoverable amount disclosures for Non-financial Assets	No impact on these financial statements
IAS 39	Novating of derivatives and Continuation of Hedge Accounting	No impact on these financial statements
IFRIC 21	Levies	No impact on these financial statements

NORSAD FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

3. *Significant accounting policies (continued)*

r) New standards and interpretations not yet adopted

The following are new standards, amendments to standards and interpretations which are not yet effective for the year ended 31 December 2015, and have not been applied in preparing these financial statements.

(i) IFRS 14 Regulatory Deferral Accounts

IFRS 14 provides guidance on accounting for regulatory deferral account balances by first-time adopters of IFRS. To apply this standard, the entity has to be rate-regulated i.e. the establishment of prices that can be charged to its customers for goods and services is subject to oversight and/or approval by an authorised body.

The standard, which becomes effective for the group's 2016 financial statements, with early adoption permitted, is not expected to have any impact on its financial statements.

(ii) Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)

The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business.

Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interest in the joint operation will not be remeasured.

These amendments, which becomes effective for the group's 2016 financial statements, are not expected to have any impact on its financial statements.

(iii) Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to (IAS 16 and IAS 38)

The amendments to IAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment.

The amendments to IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. The presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

These amendments, which becomes effective for the group's 2017 financial statements, with early adoption permitted, are not expected to have any impact on its financial statements.

(iv) Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)

The amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture require a bearer plant (which is a living plant used solely to grow produce over several periods) to be accounted for as property, plant and equipment in accordance with IAS 16 Property, Plant and Equipment instead of IAS 41 Agriculture. The produce growing on bearer plants will remain within the scope of IAS 41.

These amendments, which becomes effective for the groiup's 2017 financial statements, with early adoption permitted, are not expected to have any impact on its financial statements.

(v) Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in its separate financial statements to account for its investments in subsidiaries, associates and joint ventures. The amendments apply retrospectively for annual periods beginning on or after 1 January 2017 and early adoption is permitted.

These amendments, which become effective for the company's 2017 financial statements, may have an impact on the measurement of the company's investments in its subsidiaries and the required disclosures in the company's separate financial statements. The company is currently measuring and disclosing its investments in subsidiaries at cost. The amendments will have no impact on the group's financial statements.

3. *Significant accounting policies (continued)*

r) New standards and interpretations not yet adopted (continued)

vi) Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments require the full gain to be recognised when assets transferred between an investor and its associate or joint venture meet the definition of a 'business' under IFRS 3 Business Combinations. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognised. The definition of a business is key to determining the extent of the gain to be recognised.

These amendments, which become effective for the group's 2017 financial statements, are not expected to have any impact on its financial statements.

(vii) Amendments to IAS 1: Disclosure Initiative

The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements. The amendments also clarify presentation principles applicable to the order of notes, other comprehensive income of equity accounted investees and subtotals presented in the statement of financial position and statement of profit or loss and other comprehensive income.

These amendments apply for annual periods beginning on or after 1 January 2016 and early application is permitted. These amendments are not expected to have a significant impact on the group's financial statements.

viii) Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities, Applying the Consolidation Exception

The amendment to IFRS 10: Consolidated Financial Statements clarifies which subsidiaries of an investment entity are consolidated instead of being measured at fair value through profit and loss. The amendment also modifies the condition in the general consolidation exemption that requires an entity's parent or ultimate parent to prepare consolidated financial statements. The amendment clarifies that this condition is also met where the ultimate parent or any intermediary parent of a parent entity measures subsidiaries at fair value through profit or loss in accordance with IFRS 10 and not only where the ultimate parent or intermediate parent consolidates its subsidiaries.

The amendment to IFRS 12: Disclosure of Interests in Other Entities requires an entity that prepares financial statements in which all its subsidiaries are measured at fair value through profit or loss in accordance with IFRS 10 to make disclosures required by IFRS 12 relating to investment entities.

The amendment to IAS 28: Investments in Associates and Joint Ventures modifies the conditions where an entity need not apply the equity method to its investments in associates or joint ventures to align these to the amended IFRS 10 conditions for not presenting consolidated financial statements. The amendments introduce relief when applying the equity method which permits a non-investment entity investor in an associate or joint venture that is an investment entity to retain the fair value through profit or loss measurement applied by the associate or joint venture to its subsidiaries.

These amendments, which become effective for the group's 2017 financial statements, with early adoption permitted, are not expected to have any impact on its financial statements.

ix) IFRS 15: Revenue from Contracts with Customers

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

The standard, which becomes effective for the group's 2018 financial statements, with early adoption permitted, is not expected to have any impact on its financial statements.

NORSAD FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

3. *Significant Accounting Policies (continued)*

r) New standards and interpretations not yet adopted (continued)

x) IFRS 9 Financial Instruments

On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

This standard will have an impact on the measurement bases of an entity's assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application. Early adoption is permitted. The standard may have an impact on the classification and measurement of the group's financial assets and liabilities.

(xi) IFRS 16 Leases

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, ie the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the Statement of Financial position. No significant changes have been included for lessors.

The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lesees and lessors. The company are assessing the potential impact on the financial statements resulting from the application of IFRS 16.

4. *Financial Risk Management*

a) Introduction and Overview

The group has exposure to various risks from financial instruments, the most significant of which are the following:

— credit risk
— market risks
— liquidity risk
— operational risks

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the group's risk management framework. The group's risk management systems are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management systems are reviewed regularly to reflect changes in market conditions and the group's activities. The group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the group's risk management systems and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the group.

b) Credit Risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's loans and advances to customers and other banks. For risk management reporting purposes the group considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

The Board of Directors is responsible for the oversight and management of credit risk including:

— Formulating investment policies covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

— Establishing the authorisation structure for the approval and renewal of credit facilities.

— Limiting concentrations of loan portfolio exposure as follows:

- Unhedged foreign currency risk, limited to 15% of balance sheet total.
- Single company or corporate group, limited to 15% of balance sheet total.
- Aggregate loans to a single country, limited to 30% of balance sheet total.
- Aggregate loans to a single sector other than financial sector, limited to 30% of balance sheet total.
- Aggregate loans to a related parties, limited to 20% of balance sheet total.

— Developing and maintaining the group's risk grading's in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. A risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of five grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with the Board of Directors and are subject to regular reviews.

— Reviewing compliance with agreed exposure limits. Quarterly reports on the credit quality of portfolios are provided to Directors who may require corrective action to be taken.

The Investment Officers undertake the entire project proposal process for potential customers including input from an internal screening committee, before they can be submitted to the Board of Directors for approval. On a continual basis the Portfolio Officers monitor the operations of the customers to assess their ability to make the repayments. In an event where the customer is unable to fulfil the repayment plan, an impairment provision of the loan is determined taking into consideration the recoverable amount of the collateral pledged by the customer.

NORSAD FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

4. *Financial Risk Management (continued)*

b) Credit Risk (continued)

Group Exposure to Credit Risk

Risk Grading And Ageing 31 December 2015	*Notes*	**Loans & Advances Direct To Customers**	**Loans & Advances To Financial Institutions**	**Total**
Total Carrying amount	*18*	**32 446 866**	**62 996 154**	**95 443 020**
Assets as per risk grading's:				
Risk Grade 1 : **Pass**		25 479 484	61 844 344	87 323 828
Risk Grade 2 : **Special Mention**		1 720 589	-	1 720 589
Risk Grade 3 : **Substandard**		4 219 472	1 703 125	5 922 597
Risk Grade 4 : **Doubtful**		2 682 267	-	2 682 267
Risk Grade 5 : **Loss**		-	-	-
Gross amount		34 101 812	63 547 469	97 649 281
Allowance for impairment	*18*	1 654 946	551 315	2 206 261
Carrying amount 2015		**32 446 866**	**62 996 154**	**95 443 020**
Ageing analysis:				
Neither past due nor impaired		29 551 895	61 674 314	91 226 209
Past due not impaired:				
0 – 30 days		860 881	876 792	1 737 673
30 – 90 days		692 957	445 048	1 138 005
90 – 180 days		-	-	-
+ 180 days		1 341 133	-	1 341 133
Total Carrying Amount		**32 446 866**	**62 996 154**	**95 443 020**

NORSAD FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

4. *Financial Risk Management (continued)*

b) Credit Risk (continued)

Group Exposure to Credit Risk (continued)

Risk Grading And Ageing 31 December 2014	*Notes*	Loans & Advances Direct To Customers	Loans & Advances To Financial Institutions	Total
Total Carrying amount	18	**27 970 575**	**66 117 101**	**94 087 676**
Assets as per risk grading's:				
Risk Grade 1 : **Pass**		21 535 007	65 166 982	86 701 989
Risk Grade 2 : **Special Mention**		6 435 568	-	6 435 568
Risk Grade 3 : **Substandard**		-	-	-
Risk Grade 4 : **Doubtful**		-	1 900 238	1 900 238
Risk Grade 5 : **Loss**		-	-	-
Gross amount		27 970 575	67 067 220	95 037 795
Allowance for impairment	18	-	(950 119)	(950 119)
Carrying amount 2014		**27 970 575**	**66 117 101**	**94 087 676**
Ageing analysis:				
Neither past due nor impaired		26 857 039	64 131 835	90 988 874
Past due not impaired:				
0 – 30 days		964 707	1 035 147	1 999 854
30 – 90 days		148 829	-	148 829
90 – 180 days		-	-	-
+ 180 days		-	950 119	950 119
Total Carrying amount		**27 970 575**	**67 117 101**	**94 087 676**

The tables above set out information about the credit quality of financial assets and the allowance for impairment held by the group against those assets. The carrying amount of assets which are individually assessed represents the estimated proportion of the total assets within these grades (rather than collectively impaired assets) to which such allowance is estimated to relate.

Impaired Loans and Investment Debt Securities

The group regards a loan and advance as impaired where there is objective evidence that a loss event has occurred since initial recognition and such loss event has an impact on future estimated cashflows from the asset. In addition, a loan is considered impaired if it is overdue for 30 days or more. Impaired loans and advances are graded 1 to 5 in the group's internal credit risk grading system. Note 15 provides details of impairment allowance for loans and advances.

NORSAD FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

4. *Financial Risk Management (continued)*

b) Credit Risk (continued)

Set out below is an analysis of the gross and net (of allowance for impairment) amounts of group loan amounts individually impaired assets per risk grade.

GROUP

31 December 2015	Gross	Net
Risk Grade 1 : **Pass**	-	-
Risk Grade 2 : **Special Mention**	-	-
Risk Grade 3 : **Substandard**	2 876 254	2 301 003
Risk Grade 4 : **Doubtful**	2 682 267	1 341 133
Risk Grade 5 : **Loss**	-	-
	5 558 521	**3 642 136**

31 December 2014	Gross	Net
Risk Grade 1 : **Pass**	-	-
Risk Grade 2 : **Special Mention**	6 435 568	6 435 568
Risk Grade 3 : **Substandard**	-	-
Risk Grade 4 : **Doubtful**	1 900 238	950 119
Risk Grade 5 : **Loss**	-	-
	8 335 806	**7 385 687**

Past due but not impaired loans and investment securities

Past due but not impaired loans and investment securities, are those for which contractual interest or principal payments are past due, but the group believes that impairment is not appropriate on the basis of the level of collateral available and the stage of collection of amounts owed to the group.

Write Off Policy

The group writes off a loan or an investment debt security balance, and any related allowances for impairment losses, when the Board of Directors determines that the loan or security is uncollectible. This determination is made after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, write-off decisions generally are based on a product-specific past due status.

NORSAD FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

4. *Financial Risk Management (continued)*

b) Credit Risk (continued)

Collateral held and other credit enhancements and their financial effect

The group's loans and advances to corporate customers are subject to individual credit appraisal and impairment testing. The general credit worthiness of a corporate customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the group generally requires corporate to provide it. The group may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees.

Types of credit exposure Principal type of collateral held for secured lending	**Percentage collateralisation coverage arrangements over loan value**			
	Group		**Company**	
	2015	**2014**	**2015**	**2014**
Loan and advances to financial institutions				
Marketable securities	9%	9%	9%	9%
Guarantees and cash	79%	67%	79%	67%
Property and equipment	31%	38%	31%	38%
Total Coverage	**119%**	**114%**	**119%**	**114%**
Loan and advances to customers				
Marketable securities	0%	0%	0%	0%
Guarantees and cash	95%	81%	102%	87%
Property and equipment	80%	73%	79%	71%
Total Coverage	**175%**	**154%**	**181%**	**158%**

The group typically does not hold collateral against investment securities, and as such no collateral was held as at 31 December 2015.

Because of the group's focus on the corporate customers' credit worthiness, an updated valuation of collateral is generally not carried out unless the credit risk of a loan deteriorates significantly and the loan is monitored more closely. Accordingly, the group does not routinely update the valuation of collateral held against all loans to corporate customers. For impaired loans, the group usually obtains appraisals of collateral as the current value of the collateral may be input into the impairment measurement. At 31 December 2015, the net carrying amount of impaired loans and advances amounts to USD 3 642 136 (2014: USD 7 385 687) and the value of identifiable collateral held against those loans and advances is estimated at USD 6 860 000 (2014: USD 11 000 000).

Concentration of credit risk

The group monitors concentrations of credit risk by sector and geographic location. An analysis of concentrations of credit risk from loans and advances, lending commitments financial guarantees, and investment securities is shown below:

NORSAD FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

4. *Financial Risk Management (continued)*

b) Credit Risk (continued)

Group Concentration Exposure		Loans and Advances Direct to Customers	Loans and Advances to Financial Institutions	Investment Securities	Financial Guarantees
31 December 2015	**Total**				
Carrying amount	**95 631 287**	32 446 866	62 996 154	188 267	-
By client type:					
Corporate	**32 635 133**	32 446 866	-	188 267	-
Financial Institutions	**62 996 154**	-	62 996 154	-	-
	95 631 287	**32 446 866**	**62 996 154**	**188 267**	**-**
By location:	**Total:**				
Angola	**823 840**	-	823 840	-	-
Botswana	**15 389 721**	5 389 721	10 000 000	-	-
Malawi	**12 027 286**	3 936 287	8 090 999	-	-
Mauritius	**7 100 605**	-	7 100 605		
Mozambique	**3 046 343**	3 046 343	-	-	-
Namibia	**2 664 325**	-	2 664 325	-	-
Swaziland	**547 665**	-	547 665	-	-
Tanzania	**6 386 368**	386 368	6 000 000	-	-
Zambia	**30 210 176**	13 673 731	16 536 445	-	-
Zimbabwe	**17 434 958**	5 946 655	11 300 036	188 267	-
	95 631 287	**32 379 105**	**63 063 915**	**188 267**	**-**

Group concentration exposure		Loans and Advances Direct to Customers	Loans and Advances to Financial Institutions	Investment Securities	Financial Guarantees
31 December 2014	**Total**				
Carrying amount	**94 580 522**	27 970 575	66 117 101	276 863	215 983
By client type:					
Corporate	**28 247 438**	27 970 575	-	276 863	-
Financial Institutions	**66 333 084**	-	66 117 101	-	215 983
	94 580 522	**27 970 575**	**66 117 101**	**276 863**	**215 983**
By location:	**Total:**				
Angola	**2 095 938**	-	2 095 938	-	-
Botswana	**19 141 818**	9 141 818	10 000 000	-	-
Malawi	**16 412 894**	5 562 979	10 849 915	-	-
Mozambique	**3 149 997**	3 149 997	-	-	-
Namibia	**2 892 914**	-	2 676 931	-	215 983
Swaziland	**1 460 429**	-	1 460 429	-	-
Tanzania	**10 540 912**	540 912	10 000 000	-	-
Zambia	**16 296 898**	3 471 019	12 825 879	-	-
Zimbabwe	**22 588 722**	6 103 850	16 208 009	276 863	-
	94 580 522	**27 970 575**	**66 117 101**	**276 863**	**215 983**

NORSAD FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

4. *Financial Risk Management (continued)*

b) Credit Risk (continued)

Cash and cash equivalents

The group held cash and cash equivalents of USD 14 430 175 as at 31 December 2015. The cash and cash equivalents with banks are held with financial institution counterparties which are rated Baa3 (above non-investment grade) per Moody's ratings.

c) Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

(i) Management of liquidity risk

The Board of Directors sets the group's strategy for managing liquidity risk and is responsible for the implementation of this policy. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The key elements of the group's liquidity strategy are as follows:

— carrying a portfolio of highly liquid assets, diversified by currency and maturity; and

— monitoring liquidity ratios, maturity mismatches, behavioural characteristics of the group's financial assets and liabilities, and the extent to which the group's assets are encumbered and so not available as potential collateral for obtaining funding.

(ii) Maturity analysis for financial assets and financial liabilities

The table below sets out the remaining contractual maturities of the group's financial assets and financial liabilities for 2015.

Exposure to liquidity risk

Group	*Note*	Carrying amount	Less than 1 month	Within 1 year	1 to 5 years	More than 5 years
31 December 2015						
Asset by type						
Cash and cash equivalents	*15*	14 430 175	14 430 175	-	-	-
Fixed deposit investments	*16*	17 297 285	17 297 285	-	-	-
Loans and advances	*18*	95 443 020	2 347 342	16 853 908	53 735 874	22 505 896
Investment securities	*17*	188 267	-	-	-	188 267
Total assets by maturity		**127 358 747**	**34 074 802**	**16 853 908**	**53 735 874**	**22 694 163**
Liability by type						
Borrowings	*23*	3 653 044	-	1 217 698	2 435 346	-
Total liabilities by maturity		**3 653 044**	**-**	**1 217 698**	**2 435 346**	**-**
Liquidity maturity gap		**123 705 703**	**34 074 802**	**15 636 210**	**51 300 528**	**22 694 163**

NORSAD FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

4. *Financial Risk Management* (continued)

c) Liquidity risk (continued)

The above tables show the undiscounted cash flows on the group's non-derivative financial assets and liabilities, including issued financial guarantee contracts, and unrecognised loan commitments on the basis of their earliest possible contractual maturity. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called. As part of the management of its liquidity risk arising from financial liabilities, the group holds liquid assets comprising cash and cash equivalents for which there is an active and liquid market so that they can be readily sold to meet liquidity requirements.

(iii) Commitments

At the year end the group had four approved projects to the value of USD 14,450,000 (2014, USD 19,537,333), that were awaiting disbursement to clients, upon the conditions precedent of the loans, being met.

d) Market risks

Market risk is the risk that changes in market prices, such as interest rates, equity prices and foreign exchange rates will affect the group's income or the value of its holdings of financial instruments. The objective of the group's market risk management is to manage and control market risk exposures within acceptable parameters in order to ensure the group's solvency while optimising the return on risk.

Exposure to interest and exchange rate risk

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates.

Interest rate movements affect reported equity in the following ways:

— retained earnings arising from increases or decreases in net interest income and the fair value changes reported in profit or loss; and

— fair value reserves arising from increases or decreases in fair values of available-for-sale financial instruments reported directly in equity

Equity price risk is subject to regular monitoring by the Board of Directors, but is currently not significant in relation to the overall results and financial position of the group.

e) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the group's processes, personnel, technology and infrastructure, and from other external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the group's operations.

The group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the group's reputation with overall cost effectiveness and innovation. In all cases, the group policy requires compliance with all applicable legal and regulatory requirements.

NORSAD FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

5. *Use of estimates and judgements*

Management discusses with the Audit and Risk Committee the development, selection and disclosure of the group's critical accounting policies and their application, and assumptions made relating to major estimation uncertainties. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year and about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is disclosed below.

Fair value

The determination of fair value for financial assets and financial liabilities for which there is no observable market price requires the use of valuation techniques as described in Note 3(g)(vi). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The group's accounting policy on fair value measurements is discussed in Note 3(g)(vi).

The group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

— Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

— Level 2: Valuation techniques based on observable inputs, either directly - i.e. as prices – or indirectly - i.e. derived from prices. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

— Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses the level of fair value hierarchy of financial instruments that are traded in active markets are based on quoted market prices:

Group	*Note*	**Level 1**	**Level 2**	**Level 3**	**Total**
31 December 2015					
Investment securities	*17*	188 267	-	-	188 267
		188 267	**-**	**-**	**188 267**

Group	*Note*	**Level 1**	**Level 2**	**Level 3**	**Total**
31 December 2014					
Investment securities	*17*	276 863	-	-	276 863
		276 863	**-**	**-**	**276 863**

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FOR THE YEAR ENDED 31 DECEMBER 2015

6. *Financial assets*

Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of the group's financial assets:

Group	*Note*	Loans and receivables	Available for sale	Total carrying amount	Fair value
31 December 2015					
Cash and cash equivalents	*15*	14 430 175	-	14 430 175	14 430 175
Fixed deposit investments	*16*	17 297 285	-	17 297 285	17 297 285
Loans and advances	*18*	95 443 020	-	95 443 020	95 443 020
Investment securities	*17*	-	188 267	188 267	188 267
		127 170 480	**188 267**	**127 358 747**	**127 358 747**

Group	*Note*	Loans and receivables	Available for sale	Total carrying amount	Fair value
31 December 2014					
Cash and cash equivalents	*15*	3 691 423	-	3 691 423	3 691 423
Fixed deposit investments	*16*	20 918 400	-	20 918 400	20 918 400
Loans and advances	*18*	94 087 676	-	94 087 676	94 087 676
Investment securities	*17*	-	276 863	276 863	276 863
		118 697 499	**276 863**	**118 974 362**	**118 974 362**

	Group		Company	
	2015	**2014**	**2015**	**2014**
7. *Interest income from loans and advances*				
Loans and advances to financial institutions	5 594 814	5 106 022	5 697 206	5 211 311
Loans and advances direct to customers	2 717 390	2 461 409	2 523 893	2 270 759
	8 312 204	**7 567 431**	**8 221 099**	**7 482 070**
8. *Other operating income*				
Income from loans written off	78 481	175 570	78 481	175 570
	78 481	**175 570**	**78 481**	**175 570**
9. *Personnel expenses*				
Wages and salaries	1 331 453	1 153 576	1 331 453	1 153 576
Other employee benefits	448 433	448 100	448 433	448 100
Gratuity and pension costs	132 280	112 814	132 280	112 814
Performance incentive expenses	94 855	123 180	94 855	123 180
	2 007 021	**1 837 670**	**2 007 021**	**1 837 670**

At year end the number of staff employed by the company was 19 (2014: 20)

NORSAD FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

	Group		Company	
	2015	2014	2015	2014
10. *Other operating expenses*				
Board of Director meeting costs	148 728	134 782	148 728	134 782
Financial charges and losses	144 648	45 805	143 984	45 805
Travel and promotion expenses	99 368	84 305	99 368	84 305
Legal and consultancy expenses	87 741	76 815	87 741	76 815
Staff training costs	46 214	72 150	46 214	72 150
Auditors remuneration	25 700	25 700	20 700	20 700
	552 399	**439 557**	**546 735**	**434 557**
11. *Impairment provisions on loans and advances*				
Specific provisions for impairment	966 266	987 795	(374 868)	987 795
Collective provisions for impairment	289 876	-	285 853	-
Specific impairment of subsidiary	-	-	1 287 470	-
	1 256 142	**987 795**	**1 198 455**	**987 795**
Specific Impairment Control Account				
Balance as at 1 January	950 119	1 635 194	950 119	1 635 194
Charge/(write-back) for the period	966 266	987 795	(374 868)	987 795
Write-offs	-	(1 672 870)	-	(1 672 870)
Balance as at 31 December	**1 916 385**	**950 119**	**575 251**	**950 119**
Collective Impairment Control Account				
Balance as at 1 January	-	-	-	-
Charge/(write-back) for the period	289 876	-	285 853	-
Balance as at 31 December	**289 876**	**-**	**285 853**	**-**
12. *Foreign Exchange Losses on loans & advances*				
Realised Losses on ZAR loans and advances	318 207	8 399	318 207	8 399
Realised Losses on ZMW loans and advances	2 467 899	-	2 467 899	-
Total Realised Losses on loans and advances	2 786 106	8 399	2 786 106	8 399
Unrealised Losses on ZAR loans and advances	2 262 369	799 965	2 262 369	799 965
Unrealised Losses on ZMW loans and advances	-	156 567	-	156 567
Total Unrealised Losses on loans and advances	2 262 369	956 532	2 262 369	956 532
Total Losses on loans and advances	**5 048 475**	**964 931**	**5 048 475**	**964 931**
Exposure				
ZAR loans and advances	7 264 601	10 622 742	7 264 601	10 622 742
ZMW loans and advances	-	6 762 176	-	6 762 176
Total forex loan and advance exposure	**7 264 601**	**17 384 918**	**7 264 601**	**17 384 918**

NORSAD FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

13. *Gain on Loan Restructuring*

During the year, due to a significant change in market conditions, the company was facing substantial unrealised losses on an otherwise performing loan denominated in Zambian Kwacha (ZMW). The company embarked on a restructuring of the facility to mitigate the risk of foreign currency exposure.

This resulted in an early full repayment of the ZMW loan and replacement by a United States Dollar (USD) loan to the Holding Company of the Zambian entity. The loan with a nominal value of USD 7 million was transacted at an issue price of USD 4.9 million. The principal repayment of the noted USD loan is a minimum of USD 7 million throughout the life of the loan.

Exchange losses on the repayment of the ZMW loan were realised in 2015, therefore the company has realised the day one discount value gain on the USD loan amounting to USD 2.1 million in the profit for the 2015 financial year. This judgement has been made considering the component parts of the restructuring as an entirety, however if the company's usual accounting policies had been applied to this transaction the discount would have been recognised over the life of the loan.

	Group		Company	
	2015	**2014**	**2015**	**2014**
14. *Current Taxation*				
Taxation reconciliation				
Taxation at the rate of 15% on taxable profit	401 211	643 740	401 211	643 740
Taxation at the rate of 22% on taxable profit	-	18 713	-	-
Foreign withholding tax suffered	173 930	-	173 930	-
Deferred taxation charge per profit or loss	2 274	1 350	2 274	1 350
Taxation per statement of profit or loss	**577 415**	**663 803**	**577 415**	**645 090**
15. *Cash and cash equivalents*				
Balances with banks	14 425 446	3 685 859	14 342 645	3 680 724
Petty cash	4 729	5 564	4 729	5 564
	14 430 175	**3 691 423**	**14 347 374**	**3 686 228**
16. *Fixed deposit investments*				
Investments held	**17 297 285**	**20 918 400**	**17 297 285**	**20 918 400**

Fixed USD deposit investments are held with regulated financial institutions with a rating above Baa3 (Moody's). Maximum duration is 6 months with a USD 10million limit to any one institution.

	Group 2015	Group 2014	Company 2015	Company 2014
17. *Equity investments*				
Market value on 1 January	276 863	243 539	276 863	243 639
Market price movements in the period	(88 596)	33 224	(88 596)	33 224
Market value on 31 December	**188 267**	**276 863**	**188 267**	**276 863**

NORSAD FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

	Group		Company	
	2015	2014	2015	2014
18. *Loans and advances*				
Loans and advances to financial institutions	63 547 468	67 067 220	63 547 468	67 067 220
Loans and advances direct to customers	34 101 813	27 970 575	31 419 546	25 314 139
Gross Loan Balance as at 31 December	97 649 281	95 037 795	94 967 014	92 381 359
Less specific allowance for impairment	(1 916 385)	(950 119)	(575 251)	(950 119)
Less general allowance for impairment	(289 876)	-	(285 853)	-
Net Loan Balance as at 31 December	**95 443 020**	**94 087 676**	**94 105 910**	**91 431 240**
Loan Control Account				
Balance transferred at 1 January	95 037 795	72 222 187	92 381 359	69 588 196
Loan disbursements	34 164 203	39 966 954	34 138 372	39 944 509
Repayment of loan principal	(28 641 481)	(14 513 545)	(28 641 481)	(14 513 545)
Exchange losses on foreign exchange loans	(5 011 236)	(964 931)	(5 011 236)	(964 931)
Discount on loan value	2 100 000	-	2 100 000	-
Write-offs against provisions	-	(1 672 870)	-	(1 672 870)
Gross Loan Balance as at 31 December	**97 649 281**	**95 037 795**	**94 967 014**	**92 381 359**
19. *Investment in subsidiary*				
Opening balance at 1 January	-	-	2 551 765	2 635 915
Advances to subsidiary	-	-	113 175	135 850
Repayments from subsidiary	-	-	(90 000)	(220 000)
Gross balance at 31 December	-	-	2 574 940	2 551 765
Less specific allowance for impairment	-	-	(1 287 470)	-
Net Loan Balance at 31 December	**-**	**-**	**1 287 470**	**2 551 765**

The entity holds 100% of the issued stated capital of Norsad Finance (Botswana) Limited comprising 100 shares at no par value.

	Group 2015	Group 2014	Company 2015	Company 2014
20. *Other Assets*				
Accrued interest from loans	107 420	304 695	107 420	304 695
Loans and advances to employees	73 157	95 346	73 157	95 346
Prepayments and deposits	807 914	103 448	807 914	103 448
Income and other taxes	96 859	171 989	92 921	171 989
	1 085 350	**675 478**	**1 081 412**	**675 478**

NORSAD FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

21. *Plant and Equipment*

	Motor vehicles	Computer equipment	Office Equipment	Total
Cost				
Balance as at 31 December 2013	161 812	47 899	46 929	256 640
Additions	28 377	7 807	8 276	44 460
Disposals	(38 297)	-	-	(38 297)
Balance as at 31 December 2014	**151 892**	**55 706**	**55 205**	**262 803**
Additions	-	24 305	6 333	30 638
Disposals	-	(14 605)	(6 153)	(20 758)
Balance as at 31 December 2015	**158 892**	**65 406**	**55 385**	**272 683**
Accumulated depreciation				
Balance as at 31 December 2013	50 985	21 677	13 366	86 028
Charge for the period	30 391	9 763	10 896	51 050
Disposals	(16 247)	-	-	(16 247)
Balance as at 31 December 2014	**65 129**	**31 440**	**24 262**	**120 831**
Charge for the period	21,691	16 785	11 906	50 382
Disposals	-	(13 967)	(5 572)	(19 539)
Balance as at 31 December 2015	**86 820**	**34 258**	**30 596**	**151 674**
Carrying amounts				
As at 31 December 2015	**65 072**	**31 148**	**24 789**	**121 009**
As at 31 December 2014	86 763	24 266	30 943	141 972

As at 1 January 2015 computer equipment was separated from office equipment and a quicker depreciation charge over three years was applied, resulting in a charge for 2015 of USD 16,785. Had the previous estimate of a five year write off period still been in place, the charge would have been USD 13,081.

22. *Deferred taxation*

	2015	2014
Movement in deferred taxation		
Deferred taxation at beginning of year	23 283	224 675
Movement per profit or loss	(2 274)	(1 350)
Movement per other comprehensive income	13 574	(200 042)
Deferred taxation at end of year	**34 583**	**23 283**
Analysis of deferred taxation		
Accelerated capital allowances on property, plant and equipment	(3 624)	(1 350)
Fair value adjustments on available for sale financial assets	38 207	24 633
	34 583	**23 283**

NORSAD FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

23. *Borrowings*

	Group & Company 2015	Group & Company 2014
Opening balance as at 1 January	6 488 550	-
Borrowing advanced/(repaid)	(1 463 686)	6 818 470
Foreign exchange gain	(1 371 820)	(329 920)
Closing balance as at 31 December	**3 653 044**	**6 488 550**

The loan with Rand Merchant Bank is for the equivalent of ZAR 56,250,000 (2014: ZAR 75,000,000) and was used solely for lending to a customer and is repayable in sixteen equal instalments by 31 March 2019.

24. *Accruals and other liabilities*

	Group 2015	Group 2014	Company 2015	Company 2014
Accruals	231 872	194 641	226 872	189 541
Employee and payroll liabilities	44 928	143 456	44 928	143 456
Income and other taxes	15 926	1 081	15 926	-
	292 726	**339 178**	**287 726**	**332 997**

25. *Stated capital*

	Group 2015	Group 2014	Company 2015	Company 2014
Ordinary shares				
8 800 shares at nil par value	73 071 690	73 071 690	73 071 690	73 071 690
Preference shares				
5 265 (2014: 4 084 shares) at USD 8 279 per share	43 588 935	33 811 436	43 588 935	33 811 436
	116 660 625	**106 883 126**	**116 660 625**	**106 883 126**

Shareholder name	Domicile	31 December 2015 Number of shares Ordinary	Preference
Banco de Desenvolvimento de Angola	Angola	400	400
Citizen Entrepreneurial Development Agency	Botswana	400	128
Development Bank of Namibia	Namibia	400	400
Development Bank of Zambia	Zambia	400	120
Export Development Fund	Malawi	400	-
Finnish Fund for Industrial Cooperation Ltd	Finland	968	906
Infrastructure Development Bank of Zimbabwe	Zimbabwe	400	-
Instituto de Gestão das Participações de Estado	Mozambique	400	-
Investment Fund for Developing Countries	Denmark	968	1 161
Lesotho Postbank Limited	Lesotho	400	-
National Industrial Development Cooperation of Swaziland	Swaziland	400	-
Norwegian Investment Fund for Developing Countries	Norway	968	1 123
Swedfund International AB	Sweden	1 496	894
TIB Development Bank Ltd	Tanzania	400	133
The State Investment Corporation Ltd	Mauritius	400	-
Total shares		**8 800**	**5 265**

NORSAD FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

25. *Stated capital (continued)*

During the year Development Bank of Zambia subscribed for 400 preference shares. As at the 31 December 2015 payment has only been received for 120 preference shares. The outstanding amount due to be paid is USD 2,311,600 which has not been shown as an asset due for payment in these statements.

There were no other subscribed but unpaid preference shares as at 31 December 2015.

The holders of ordinary and preference shares are entitled to one vote per share at meetings of the group. The distribution of any dividends declared from time to time shall ensure that the amount paid to a preference share shall be twice the amount paid as dividend to an ordinary share. Preference shares rank in priority over ordinary shares with regard to the group's residual assets.

26. *Related party transactions*

During 2013, the group invested USD 6,000,000 in fixed rate unsubordinated development bonds issued by Infrastructure Development Bank of Zimbabwe. The coupon rate is 10% per annum and one third of the face value is to be repaid at each anniversary until redemption. The bonds are secured by the Government of Zimbabwe and a cash security account. The facility was repaid in full during 2015.

During 2014, the group advanced a credit facility of USD 10,000,000 to TIB Development Bank Limited. The net interest rate is 6.5% per annum plus 3months Libor, to be repaid within three years. There were no provisions for impairment as at 31 December 2015 when the outstanding amount was USD 6,000,000.

27. *Key management personnel*

In total, members of the Board of Directors were paid USD 16,500 (2014: USD 9,900) for attending Board meetings during 2015 and USD 10,500 (2014: 2,700) for attending Board Committee meetings

Total remuneration paid to Management staff during 2015 was USD 1,006,965 (2014: USD 780,307) comprising salary of USD 670,688 (2014: USD 512,724) and other benefits of USD 336,277 (2014: USD 267,583).

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