

# Compilation Engagements

Presenters: **Caryn Maitland CA(SA)**

**17 MARCH 2022**

Draft Companies Act Compliant Annual Financial

# Presenter: Caryn Maitland

Caryn is a qualified CA(SA and RA, who has lectured extensively at UKZN (and other institutes) where she lectured Advanced Financial Accounting up until 2011 as well as co-ordinating the module on the Pietermaritzburg campus and was appointed Section Head of Financial Accounting and Deputy Head of the School of Accounting (managing the Pietermaritzburg campus) prior to leaving UKZN.

She has conducted independent workshops and seminars for professional accountants since 2006 on various topics and has consulted on a number of technical issues. Since January 2011, she has focused on her own business as technical freelance consultant and trainer to those working within the accounting profession. Caryn is a technical advisor to the SAICA Eastern Region Midlands District, Northern District and Southern District Associations, as well as the Small Practice Interest Group in Durban – specialising in financial reporting (IFRS, IFRS for SME's and general accounting), assurance, legislation and ethics. Caryn has a passion for Corporate Governance, which together with her Companies Act specialism and Financial Management for Non Financial Management lecturing background, has served her well in consulting and advising various Boards of Directors in recent years.

Caryn is also a platform presenter for various institutes as well as many small to medium accounting practices across the country and into Southern Africa. Maitland was appointed as a visiting Associate Professor to the University of Limpopo tasked with mentoring their Financial Accounting staff (Aug 2011 to Dec 2013).

Maitland's passion is IFRS and IFRS for SME's and was delighted at the opportunity granted in 2013 to serve on the APC subcommittee constituted to investigate the need for Micro GAAP and the role of IFRS for SME's for small and medium sized practitioners. Caryn, also serves on the Joint Accountants, Auditors and Attorneys Committee of SAICA, and is part of the School Governing Body project initiated by SAICA in KwaZulu-Natal, and has been appointed as an alternative member to the APC in June 2020

Caryn was elected as the first woman Chairperson for the Midlands District Association for SAICA in 2018 and also serves on the Eastern Region SMP Committee as well as the Local Subvention Committee for SAICA. In 2019 Caryn was appointed to the SAICA Eastern Region Council. As someone who is committed to environmental affairs, Caryn serves as a non-executive director for the Institute of Natural Resources, a Non Profit Company focusing on research. Since 2018 Caryn has worked extensively with commerce and industry, assisting analysts, directors and other users of financials to interpret, prepare, analyse and forecast based on the results of financial statements.



# Agenda

- Companies Act requirements and considerations
- Draft Companies Act Amendment issues
- Drafting vs Compilation: Is there a difference?
  - ISRS4410 Compilation Engagements
- Considerations in your financial statements

# Companies Act requirements and considerations

## S4 Solvency and Liquidity Test

These are now defined:

Section 4(1) For any purpose of this Act, a company satisfies the solvency and liquidity test at a particular time if, considering all reasonably foreseeable financial circumstances of the company at that time—

(a) the assets of the company, as **fairly valued**, equal or exceed the liabilities of the company, as fairly valued; and

(b) it appears that the company will be able to pay its debts as they become due in the ordinary course of business for a period of—

(i) 12 months after the date on which the test is considered; or

(ii) in the case of a distribution contemplated in paragraph (a) of the definition of “distribution” in section 1, 12 months following that distribution.

# Companies Act requirements and considerations

## S22 Reckless Trading Prohibited

**1) A company must not carry on its business recklessly, with gross negligence, with intent to defraud any person or for any fraudulent purpose.**

(2) If the Commission has reasonable grounds to believe that a company is engaging in conduct prohibited by subsection (1), or is unable to pay its debts as they become due and payable in the normal course of business, the Commission may issue a notice to the company to show cause why the company should be permitted to continue carrying on its business, or to trade, as the case may be.

# Companies Act requirements and considerations

## **S45 Loans or other financial assistance to directors**

(1) In this section, “financial assistance” —

(a) includes lending money, guaranteeing a loan or other obligation, and securing any debt or obligation; but

(b) does not include—

(i) lending money in the ordinary course of business by a company whose primary business is the lending of money;

(ii) an accountable advance to meet—

(aa) legal expenses in relation to a matter concerning the company; or

(bb) anticipated expenses to be incurred by the person on behalf of the company; or

(iii) an amount to defray the person’s expenses for removal at the company’s request.

(2) Except to the extent that the Memorandum of Incorporation of a company provides otherwise, **the board may authorise** the company to provide direct or indirect financial assistance to a director or prescribed officer of the company or of a related or inter-related company, or to a related or inter-related company or corporation, or to a member of a related or inter-related corporation, or to a person related to any such company, corporation, director, prescribed officer or member, **subject to subsections (3) and (4).**

(5) If the **board of a company adopts a resolution** to do anything contemplated in subsection (2), the company **must provide written notice of that resolution to all shareholders**, unless every shareholder is also a director of the company, **and to any trade union representing its employees**—

*(a)* **within 10 business days** after the board adopts the resolution, **if the total value of all loans, debts, obligations or assistance** contemplated in that resolution, together with any previous such resolution during the financial year, **exceeds one-tenth of 1% of the company's net worth at the time of the resolution**; or

*(b)* **within 30 business days after the end of the financial year**, in any other case.



(6) A **resolution by the board** of a company to provide financial assistance contemplated in subsection (2), or an agreement with respect to the provision of any such assistance, **is void to the extent that the provision of that assistance would be inconsistent** with—

(a) this section; or

(b) a prohibition, condition or requirement contemplated in subsection (4).

(7) If a **resolution or an agreement is void** in terms of subsection (6) a **director of a company is liable** to the extent set out in section 77 (3) (e) (v) if the director—

(a) **was present at the meeting** when the board approved the resolution or agreement, **or participated in the making of such a decision** in terms of section 74; and

(b) **failed to vote against the resolution or agreement, despite knowing that the provision of financial assistance was inconsistent** with this section or a prohibition, condition or requirement contemplated in subsection (4).

# Companies Act requirements and considerations

## S36 to S48 Capitalisation of Company

- 1) **Securities – Debt vs Equity**
- 2) **Types of shares**
- 3) **What does your MOI say?**
- 4) **Stated vs Share capital**
  - 1) Contributed tax capital????
- 5) **Share buy backs**
- 6) **Distributions**
- 7) **How does this affect your disclosure?**

# Companies Act requirements and considerations

## Directors and Shareholders

- 1) Special Resolutions
  - 1) Financial Assistance
  - 2) Directors remuneration
- 2) Directors
  - 1) Directors Reports
  - 2) Companies Act Amendments – Social and Ethics Committee
  - 3) Companies Act Amendments – Remuneration Report

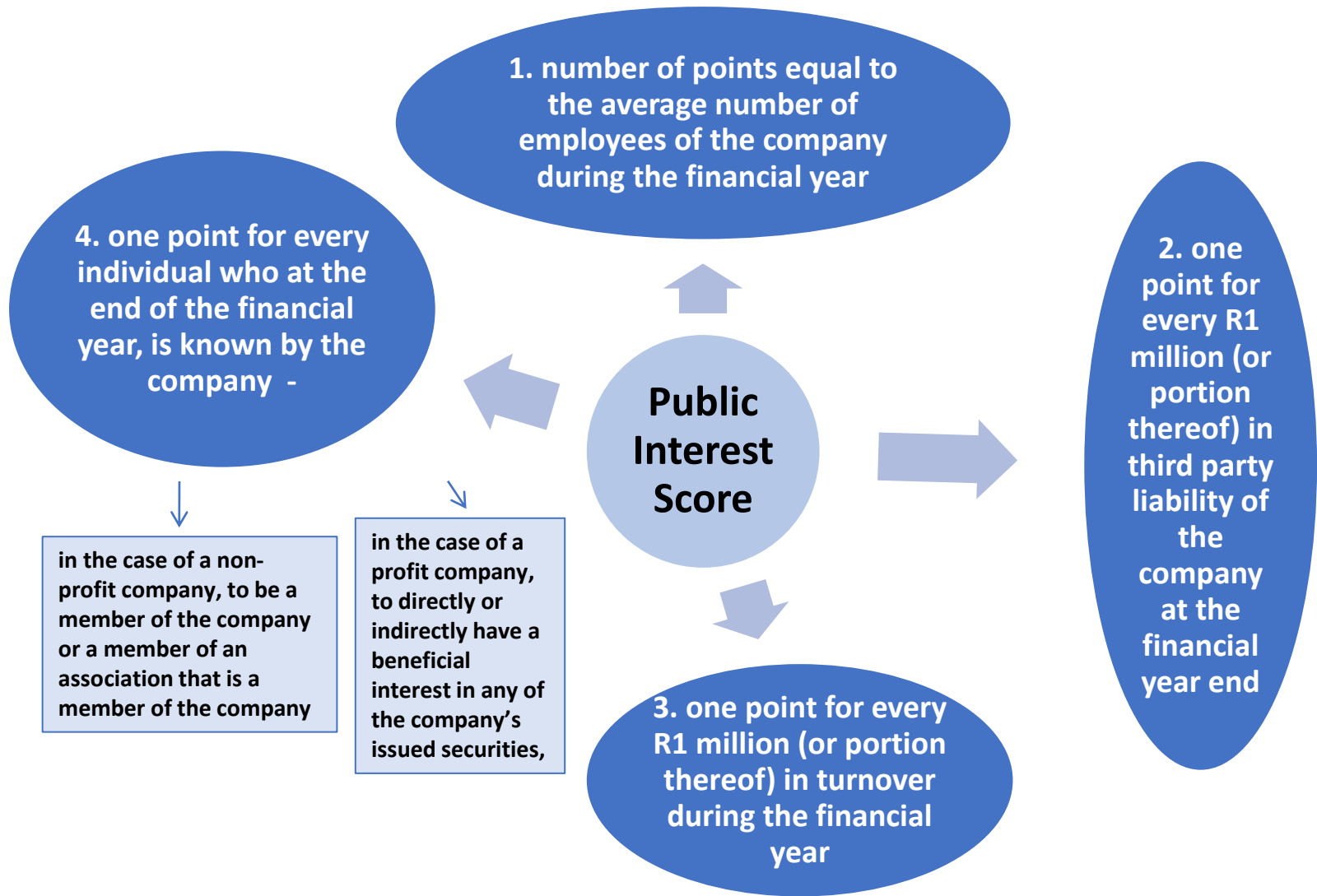
# Companies Act requirements and considerations

## Directors and Shareholders

- 1) Special Resolutions
  - 1) Financial Assistance
  - 2) Directors remuneration
- 2) Directors
  - 1) Directors Reports
  - 2) Companies Act Amendments – Social and Ethics Committee
  - 3) Companies Act Amendments – Remuneration Report

# Accounting and Assurance

## Calculating the PI Score



# Who is an employee? (Per labour law)

- A person who works for, or provides services to, another person is presumed to be an employee if:
  - His or her manner or hours of work are subject to control or direction
  - He or she forms part of the employer's organisation
  - He or she has worked for the other person for at least 40 hours per month over the previous three months
  - He or she is economically dependent on the other person
  - He or she is provided with his or her tools or work equipment; or
  - He or she only works for, or renders service to, one person

# Turnover vs Revenue

## Beneficial owner (DEFINITION PER FIC Act)

- Beneficial owner in respect of a legal person, means a natural person who, independently or together with another person, directly or indirectly:
  - Owns the legal person
  - Exercises effective control of the legal person



# PI Score levels

- Audit:
  - over 350 pts
  - 100 to 349 pts and internally compiled
- Independent Review
  - 100 to 349 pts and externally compiled
- CC's still need Accounting Officer's Report
- Social and Ethics committee (500 PI Score)
- Accounting framework

# Exemption from assurance...

- S30(2A) Exemption from audit or independent review
  - If every person who is a holder of, or has beneficial interest in, any securities issued by the company
  - Is also a director of the company,
  - That company is exempt from audit/independent review
- Applies to those companies that have a PI Score of less than 350
- If another law requires, not exempt

# Independent Review vs. Audit

	Always require an audit (never exempt)	
Over 350 points		
Between 100 and 350	AFS's internally compiled (by Co employee)	AFS's externally compiled (by an independent accounting professional)
	Will require an audit (never exempt)	Will be independently reviewed unless exempt per S30(2A) – owner managed
Under 100 points	Will be independently reviewed unless exempt per S30(2A) – owner managed	

# Accounting Framework

- IFRS
- IFRS for SME's
- Entity specific accounting policies
- FAIR PRESENTATION....
- Professional risk of a professional accountant

# Accounting Records

## S24 Forms & Standards for Co records

- Any documents, accounts, books, writing, records or other information
  - Kept in writing or a form that allows info to be convertible in a reasonable time
  - 7 years or longer if required by another public regulation
- Must keep
  - MOI & rules if applicable
    - Amendments and alterations
  - Record of directors
    - Details per sub (5) for current
    - Past directors – above info kept for 7 years after dir retires from Co
  - Securities (NPO= Members) Register
  - Company Secretary and Auditors Register

- 7 year rule applies to all
  - Reports presented at AGM's
  - AFS
  - Accounting records
  - Notice & minutes of shareholders meetings
    - resolutions adopted
    - any document made available for resolution
  - Copies of any written communication to shareholders
  - Directors and committee meetings (incl Audit Committee's)
- Minister may protect personal privacy wrt former names

# S25 Location of Company Records

- Accessible from the Company's registered office or another location(s) within RSA
- File notice if
  - a place other than the registered office is used
  - Move records to another location

# S26 Access to Company records

- Any shareholder (beneficial interest/securities/NPO member)
  - Has the right to inspect and copy
  - without charge or prescribed max fee (R100)
  - Information in the following records
    - MOI and Rules
    - Register of directors
    - Reports to annual meetings and AFS
    - Notice and minutes of annual meetings
    - Securities register
- Other persons
  - Securities register & Register of Directors
- Can adjust in MOI provided Promotion of Access to Info Act, 2000, not diminished



- A person may exercise their right to access
  - During reasonable business hours
  - By direct request personally or through an attorney or other in writing
  - Per Promotion of Access to Info Act, 2000
- Company has 14 business days to respond to written request
- Directors Register and Shareholders must be open for inspection during business hours for a reasonable amount of time
- Rights of access in addition to Constitution , Promotion of Access to Info Act, or any other public regulations
- Minister can make any changes
- It is an offence to fail to comply with this section
  - Failure to accommodate or impeded/interfere/attempt to frustrate

# S27 Financial year of company

- Must have a financial year end stated in MOI
- First Y/E
  - Begins on date that incorporation is registered
  - Ends on date set out in Notice of Incorp, which may not be more than **15 months** after date Co started.
- Second financial year = 12 months
  - Begins when previous year ends
  - Ends on the anniversary date contemplated in S27(a) = Registration date(?)
  - Unless Y/E changed
- Can change a Y/E
  - Once a year max
  - New date must be later than date notice is filed
  - Financial year can not exceed 15 months
  - New date overrides previous dates
- Financial YE = Annual accounting period

# S28 Accounting records

- Applies to CC's
- A Co must keep accurate & complete accounting records in 1 of the official languages
  - As necessary to satisfy the Act and produce AFS
  - Including any other records in the prescribed format
- Must be kept at Registered Office and kept in accessible form
- An offence to
  - Falsify, mislead, intent to deceive by failing to keep accurate records, or records in prescribed format
  - Or permit another to do so
- Compliance Notice may be issued,
  - “irrespective whether failure constitutes an offence”

# S29 Financial Statements

- Applies to CC's
- If any financial statements including AFS are provided to another, they must
  - Satisfy the financial reporting standards, if prescribed
    - Under 100 PI points(?)
  - Fairly present and explain transactions
  - Show assets, liabilities, equity, income & expenses
  - Date financials published and accounting period they apply to
- S29(e) FS must bear on 1<sup>st</sup> page, a ***prominent notice***, including
- Whether the statements
  - Have been audited in compliance with Act
  - If not audited – independently reviewed
  - Haven't been audited or independently reviewed
- **The name & professional designation, if any, of the individual who prepared, or supervised the preparation**

- FS's prepared must not be false or misleading or be incomplete
- Can provided summary of FS, provided
  - Comply with the prescribed requirements
  - 1<sup>st</sup> page must “prominently” disclose
    - Summary and dates covered
    - Audited, independently reviewed or not
    - Name & designation of preparer or supervisor
    - How person can get the full set of AFS
- Minister after consulting FRSC may make regulations prescribing
  - Financial reporting standards
  - Form & content of summaries
- Any regulations must
  - Promote sound & consistent accounting policies
  - Public Co – in accordance with IFRS set by IASB
- Regulations may establish reporting standards for profit & non profit Co's, and sub categories of profit Co's

- Subject to S214(2) “*False statements, reckless conduct & non compliance*” a person is guilty of an offence if the person is **party to preparation, approval, dissemination, or publication** of
  - Any FS or summary of FS knowing that those statements fail to comply or are misleading

# S30 Annual Financial Statements

- Applies to CC's
- Must prepare FS's within 6 months of YE (can be shorter if necessary to get notice out for AGM)
- Must be audited if Public, state owned or required by Regulations
  - Primary activity to hold assets in a fiduciary capacity of > R5 million
  - NPO: state involvement or foreign
- Can be voluntarily audited
- Independently reviewed if required by Regulations
- Public interest score (Reg 26(2)):
  - Average no of employees during yr = no. of points
  - 1 point for each R 1 million (part thereof) of third party debt
  - 1 point for each R 1 million (part thereof) of turnover
  - 1 point per owner (beneficial interest)
- Audit:
  - over 350 pts
  - 100 to 349 pts and internally compiled

- Independent Review
  - 100 to 349 pts and externally compiled
- CC's still need Accounting Officer's Report
- Annual Financial Statements must include
  - Auditors report
  - Directors Report
  - Approved by BoD and signed by an authorised director
  - Be presented at the 1<sup>st</sup> shareholders meeting after approval
- **S30 (4) to (6) Additional disclosure if AFS audited:**
  - Remuneration & benefits received by
    - Each director
    - Individuals who hold (have held) a prescribed office
  - Pensions paid by the Co or to a pension scheme for.
    - Current & past directors
    - Individuals who hold (have held) a prescribed office
  - Compensation paid for loss of office
    - Current & past directors
    - Individuals who hold (have held) a prescribed office



- **S30 (4) to (6) Additional disclosure if AFS audited:**

- No. & class of any securities held plus compensation received by Co for securities
  - by the directors or prescribed officers
  - Anyone related to them
- Details of service contracts
  - Each director
  - Individuals who hold (have held) a prescribed office
- Remuneration or benefits paid or receivable by Directors or Prescribed officers
  - As directors/prescribed officers
  - Includes
    - for being a Director/PO of another Co in Group
    - In connection with carrying on the affairs of the Co/another Co in Group

- Remuneration includes:
  - Fees paid to directors for services rendered by them to Co/ on behalf of Co
    - Includes amount received for accepting office
  - Salary, bonuses, performance related payments
  - Expense allowances
    - Director not required to account for
  - Contributions paid under pension scheme not otherwise required to be disclosed
- Remuneration includes (cont):
  - The value of any option/right given directly/indirectly
    - to current/past/future director (or any person related to them)
  - Financial Assistance to subscribe/purchase securities
    - to current/past/future director (or any person related to them)
    - Contemplated by S44

- Any loan or other financial assistance by the co
  - to current/past/future director (or any person related to them)
  - Or any loan made by a 3<sup>rd</sup> party to any such person, (Contemplated by S45) if the Co is guarantor of that loan
  - Disclose the value of interest (deferred, waived, forgiven; or
  - Disclose the differential value between market interest rate for similar transaction and that interest rate granted (if less than FV)
- S30(7) Minister has authority to have different requirements for different categories of Co
  - Audit vs independent review
  - Details of independent review
- S30(8) independent review not an audit in terms of APAct

# Accounting Frameworks

- IFRS vs. IFRS for SME's vs. SA GAAP
- Micro GAAP?
- Less than 100 PI pts, FS compiled internally??
  - Wild west
- General vs. Special Purpose Reporting
- Public Accountability (IFRS style)

	General vs Special Purpose Reporting	Publicly Accountable?
IFRS	General	Yes
IFRS for SME's	General	No
Micro GAAP	Special	No

# S31 Access to FS & related info

- In addition to S26
- S/h or person with beneficial interest
  - Entitled without demand to receive notice of publication of FS (steps to obtain)
  - Get a copy of AFS at no expense on demand
- Judgement creditor
  - Informed that there is appears to be insufficient disposable property to satisfy judgement
  - Can demand copy of AFS (5 bus days to deliver without charge)
- Trade Unions through the Commission (conditional) to start Business Rescue
- Offence not to accommodate a reasonable request made by an appropriate person
  - Impede, interfere or attempt to frustrate

# Draft Companies Act Amendment issues

## \*True Owner\*

- Means Natural person
- Who would in all circumstances be considered the ultimate and true owner of the relevant securities
- Whether by reason of being capable of directly or indirectly
  - Directing the registered holders of the securities or
  - Because of being the person whose benefit the securities enure
  - (last person in the chain)

# \*\*S30A Remuneration Report

- **Duty to Prepare and present the company's remuneration policy and the remuneration report**
- Public and State owned
- For directors and PO – requires an ORDINARY RESOLUTION at AGM
- Remuneration Policy must be presented and approved
  - Prospectively 3 years or when there is material change
- **Report must include**
  - Background statement
  - Remuneration policy set out separately in report
  - Implementation report containing S30 (4-6) detail
  - Total remuneration of highest paid employee (CEO or other PO)
  - Total remuneration of lowest paid employee (CEO or other PO)
  - Average, median and remuneration gap (5% of top to 5% of lowest) of all employees

# \*\*S30A Renumeration Report

- **Report must be**

- Approved by the board
- Presented at the AGM
- Voted by shareholders for approval
- Need to vote on Renumeration policy and report separately
- Implementation report and rem policy construed as separate reports both require ordinary resolution
- If rem policy not approved, must be presented at next AGM
- Any changes to rem policy must be implemented once shareholder approval obtained

- **Where the implementation report is not approved**

- Remco/director committee must present an explanation at the next AGM on matters of concern raised by SHs and how addressed
- **NON executive directors that served on Remco or similar committee shall be required to stand down for re-election every year of such rejection of the implementation report**



# Companies Act Amendment Bill

## **Section 72 – Social and Ethics Com**

2021 – emphasis on exemption through the Tribunal and Holding Co can cover the function

Minister may prescribe minimum qualifications

40 day vacancy rule

Content of Report

Approved by Ordinary resolution of SHs

Steps if report is rejected

# Companies Act Amendment Bill

## Section 72 – Board committees

- The proposed amendment requires all public (*no longer only listed public companies, PI Score requirement??*) and state-owned companies to appoint a social and ethics committee.
- The amendments also require that the **social and ethics committee report must be externally assured** and be presented at the shareholder meeting.
- Much of the requirements currently included in the Companies **Regulations have now been added to the draft Bill**. The Regulations currently only require the social and ethics committee to report, through one of its members, to the shareholders at the company's annual general meeting on the matters within its mandate

# Drafting vs Compilation: Is there a difference?

- ISRS4410 Compilation Engagements

# Importance of AFS

- Why prepare financials?
  - Draft vs compile?
  - Level of assurance
- Financial Reporting
  - Accounting vs Presentation and Disclosure
- Type of entity
- Who are the users?

What are the duties of the independent compiler?

What are the risks for the independent compiler?

# Importance of Financial Statements

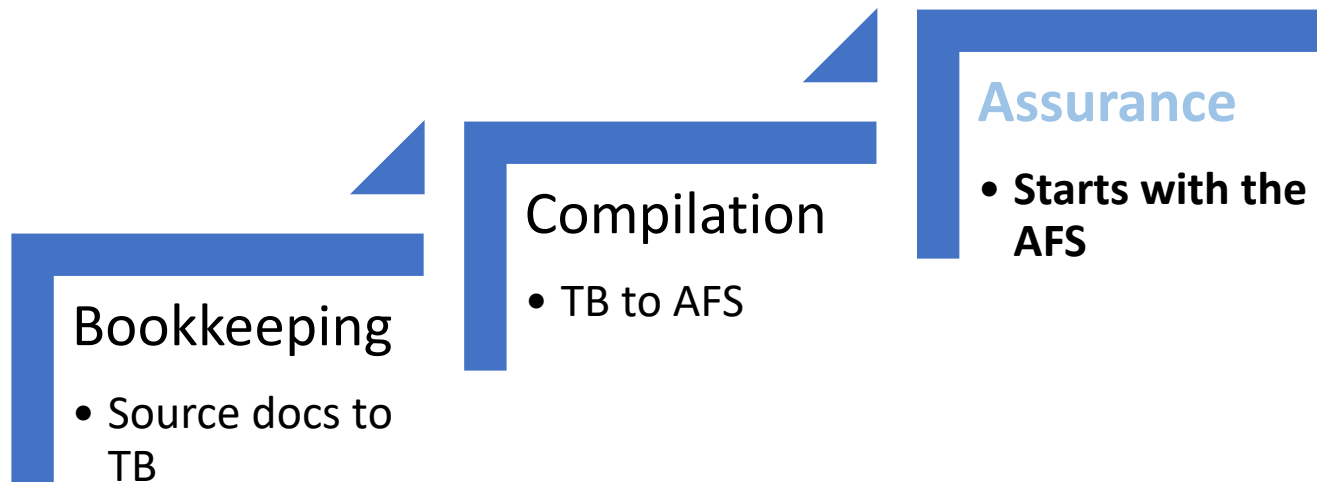
- Who are the users?
- What story is being told?
- Communication and summarization
- Objective

# What is the objective of AFS?

- To inform and empower users to make good economic decisions
- To assess the stewardship of management

# What is the role of the compiler?

- Is there a difference between a drafter and a compiler?





# Do we take the time to ponder?

- Understand our clients business and risks
- Assess the accounting framework our client has adopted
  - Is it appropriate?
- Do the accounting policies fairly present?

# Companies Act issues

- When does a company require an independent compiler?
- Which accounting framework is prescribed to companies and CC's
- Are compiler and accounting officers the same thing?

# Scope of IFRS for SME's vs IFRS

## The disclosure initiative

- Management's Commentary
- Material Judgement
- The narrative and context is critical

# Responsibilities of a compiler

What are the risks of an independent compiler?

# ISRS4410 Compilation Engagements

- There is a process...
- Do I include a report or not?

# Sections to consider

- Going concern
- Subsequent events
- Judgements and assumptions
- Accounting policies
- Impairments
- Fair values/Market values
  - Investments
  - Residual values, etc
- Provisions
- Restatements and Errors.....
- Related parties
- Debt vs Equity
- Current vs Non Current

# Digging into the Annual Financial Statements

- Fictitious financials
- Prepared based on IFRS for SME's





## **CARYN & CARON PROPRIETARY LIMITED**

**(Registration number 2019/123456/07)**

**Trading as Knowledge for You**

**Annual Financial Statements**

**for the year ended 31 December 2016**

These annual financial statements were prepared by:

N Mischief

Chartered Accountant (S.A.)

These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.

Published 31 January 2017

## **Summary: Cover Page and General**

- Legality
- Accuracy in terms of the numbers used
- Accuracy in terms of the wording used
- The end user of the financials – layout important – many business owners lay persons.
- Continuity – with previous years
- Formatting to be consistent over the whole set of AFS

# Caryn & Caron Proprietary Limited

(Registration number 2019/123456/07)

Trading as Knowledge for You

Annual Financial Statements for the year ended 31 December 2016

## General Information

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<b>Country of incorporation and domicile</b>	South Africa
<b>Nature of business and principal activities</b>	Educational Toy Production & Training Services
<b>Directors</b>	R Read S Spelling
<b>Registered office</b>	1234 Reading Road Toyland Estate Reading South Africa 5678
<b>Postal address</b>	PO Box 9876 Reading South Africa 5680

<b>Ultimate holding company</b>	Caryn Holdings (Pty) Ltd incorporated in South Africa
<b>Bankers</b>	My Bank Limited
<b>Auditors</b>	Audit Firm Incorporated Chartered Accountants (S.A.) Registered Auditors
<b>Company registration number</b>	2019/123456/07
<b>Tax reference number</b>	My tax number
<b>Level of assurance</b>	These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.
<b>Preparer</b>	The annual financial statements were independently compiled by: N Mischief Chartered Accountant (S.A.)
<b>Published</b>	31 January 2017

# Caryn & Caron Proprietary Limited

(Registration number 2019/123456/07)

Trading as Knowledge for You

Annual Financial Statements for the year ended 31 December 2016

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# Directors Responsibilities & Approval

# **Caryn & Caron Proprietary Limited**

(Registration number 2019/123456/07)

Trading as Knowledge for You

Annual Financial Statements for the year ended 31 December 2016

## **Directors' Responsibilities and Approval**

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The directors are required by the Companies Act 71 of 2008, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the International Financial Reporting Standard for Small and Medium-sized Entities. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

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

The external auditor is responsible for independantly auditing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on pages 5-6.

The external auditors are responsible for independently auditing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on pages 4-5.

The annual financial statements set out on pagess 7 to 26, which have been prepared on the going concern basis, were approved by the directors on 31 January 2017 and were signed on its behalf by:

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**R Read**

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**S Spelling**

Pietermaritzburg

31 January 2017





# **Independent Auditor's Report**

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**To the shareholders of Caryn & Caron Proprietary Limited**

**Qualified opinion**

I have audited the Annual Financial Statements of Caryn & Caron Proprietary Limited set out on pages 8 to 24, which comprise the Statement of Financial Position as at 31 December 2016, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the Annual Financial Statements, including a summary of significant accounting policies.

In my opinion, except for the possible effect of the matter described in the basis for qualified opinion section of my report, the Annual Financial Statements present fairly, in all material respects, the financial position of Caryn & Caron Proprietary Limited as at 31 December 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act 71 of 2008.

**Basis for qualified opinion**

I conducted my audit in accordance with International Standards on Auditing. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Financial Statements section of my report. I am independent of the company in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. I have fulfilled my other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **Material uncertainty related to going concern**

I draw attention to note 27 in the Annual Financial Statements, which indicates that the company incurred a net loss of R- during the year ended 31 December 2016 and, as of that date, the company's current liabilities exceeded its total assets by R-. As stated in note 27, these events or conditions, along with other matters as set forth in note 27, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### **Responsibilities of the directors for the Annual Financial Statements**

The directors are responsible for the preparation and fair presentation of the Annual Financial Statements in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act 71 of 2008, and for such internal control as the directors determine is necessary to enable the preparation of Annual Financial Statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

## **Independent Auditor's Report**

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

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

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**Audit Firm Incorporated**  
**Partner**  
**Chartered Accountant (S.A.)**  
**Registered Auditors**

**31 January 2017**  
**Reading**



## Practitioner's Compilation Report

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### To the shareholders of Caryn & Caron Proprietary Limited

I have compiled the Annual Financial Statements of Caryn & Caron Proprietary Limited, as set out on pages 8 - 24, based on the information you have provided. These Annual Financial Statements comprise the statement of financial position of Caryn & Caron Proprietary Limited as at 31 December 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

I performed this compilation engagement in accordance with International Standard on Related Services 4410 (Revised), Compilation Engagements.

I have applied my expertise in accounting and financial reporting to assist you in the preparation and presentation of these Annual Financial Statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities. I have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

These Annual Financial Statements and the accuracy and completeness of the information used to compile them are your responsibility.

Since a compilation engagement is not an assurance engagement, I am not required to verify the accuracy or completeness of the information you provided to me to compile these Annual Financial Statements. Accordingly, I do not express an audit opinion or a review conclusion on whether these Annual Financial Statements are prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities.

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**Another Audit Firm Incorporated**  
**N Mischief**  
**Director**  
**Chartered Accountant (S.A.)**

# **Caryn & Caron Proprietary Limited**

(Registration number 2019/123456/07)

Trading as Knowledge for You

Annual Financial Statements for the year ended 31 December 2016

## **Directors' Report**

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The directors have pleasure in submitting their report on the annual financial statements of Caryn & Caron Proprietary Limited for the year ended 31 December 2016.

### **1. Incorporation**

The company was incorporated on 04 March 2013 and obtained its certificate to commence business on the same day.

### **2. Nature of business**

Caryn & Caron Proprietary Limited was incorporated in South Africa with interests in the educational production and service sector. The company operates in South Africa.

There have been no material changes to the nature of the company's business from the prior year.

### **3. Review of financial results and activities**

The annual financial statements have been prepared in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act 71 of 2008. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the company are set out in these annual financial statements.

### **4. Share capital**

There have been no changes to the authorised or issued share capital during the year under review.

## 5. Dividends

Given the current state of the global economic environment, the directors believes that it would be more appropriate for the company to conserve cash and maintain adequate debt headroom to ensure that the company is best placed to withstand any prolonged adverse economic conditions. Therefore the directors has resolved not to declare a dividend for the financial year ended 31 December 2016.

## 6. Directors

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

<b>Directors</b>	<b>Designation</b>
R Read	Executive
S Spelling	Executive

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

## 7. Directors' interests in contracts

During the financial year, no contracts were entered into which directors or officers of the company had an interest and which significantly affected the business of the company.

## 8. Events after the reporting period

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

## 9. Going concern

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

# Statement of Financial Position



# Caryn & Caron Proprietary Limited

(Registration number 2019/123456/07)

Trading as Knowledge for You

Annual Financial Statements for the year ended 31 December 2016

## Statement of Financial Position as at 31 December 2016

	Note(s)	2016 R	2015 R
<b>Assets</b>			
<b>Non-Current Assets</b>			
Plant and equipment	2	109 908 520	69 134 776
<b>Current Assets</b>			
Inventories	3	58 994 374	55 410 042
Loans to shareholders	4	-	10 159 737
Trade and other receivables	5	87 786 253	57 929 801
Other financial assets	6	28 596 638	9 433 885
Current tax receivable		954 874	748 017
Cash and cash equivalents	7	1 200 221	223 761
		<b>177 532 360</b>	<b>133 905 243</b>
<b>Total Assets</b>		<b>287 440 880</b>	<b>203 040 019</b>

## Equity and Liabilities

### Equity

Share capital	8	100	100
Retained income		59 207 153	44 972 058
		<b>59 207 253</b>	<b>44 972 158</b>

### Liabilities

#### Non-Current Liabilities

Other financial liabilities	9	25 318 157	12 578 163
Deferred tax	10	12 736 868	8 914 693
		<b>38 055 025</b>	<b>21 492 856</b>

#### Current Liabilities

Trade and other payables	11	97 663 194	96 409 675
Loans from shareholders	4	13 737 969	-
Other financial liabilities	9	19 866 462	11 928 133
Bank overdraft	7	58 251 098	28 237 197
Commercial loan	12	659 879	-
		<b>190 178 602</b>	<b>136 575 005</b>

#### Total Liabilities

#### Total Equity and Liabilities

<b>228 233 627</b>	<b>158 067 861</b>
<b>287 440 880</b>	<b>203 040 019</b>

# Statement of Comprehensive Income

## Caryn & Caron Proprietary Limited

(Registration number 2019/123456/07)

Trading as Knowledge for You

Annual Financial Statements for the year ended 31 December 2016

### Statement of Comprehensive Income

	Note(s)	2016 R	2015 R
Revenue	13	694 938 324	438 679 556
Cost of sales	14	(577 210 523)	(360 534 049)
<b>Gross profit</b>		<b>117 727 801</b>	<b>78 145 507</b>
Other income	15	2 621 470	7 439 055
Operating expenses		(90 799 795)	(69 498 924)
<b>Operating profit</b>	16	<b>29 549 476</b>	<b>16 085 638</b>
Investment revenue	17	7 285 290	515 386
Finance costs	18	(17 018 753)	(4 204 431)
<b>Profit before taxation</b>		<b>19 816 013</b>	<b>12 396 593</b>
Taxation	19	(5 580 918)	(3 514 133)
<b>Profit for the year</b>		<b>14 235 095</b>	<b>8 882 460</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>14 235 095</b>	<b>8 882 460</b>

## Caryn & Caron Proprietary Limited

(Registration number 2019/123456/07)

Trading as Knowledge for You

Annual Financial Statements for the year ended 31 December 2016

### Statement of Changes in Equity

	Share capital	Retained income	Total equity
	R	R	R
<b>Balance at 01 January 2015</b>	<b>100</b>	<b>36 089 598</b>	<b>36 089 698</b>
Profit for the year	-	8 882 460	8 882 460
Other comprehensive income	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>8 882 460</b>	<b>8 882 460</b>
<b>Balance at 01 January 2016</b>	<b>100</b>	<b>44 972 058</b>	<b>44 972 158</b>
Profit for the year	-	14 235 095	14 235 095
Other comprehensive income	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>14 235 095</b>	<b>14 235 095</b>
<b>Balance at 31 December 2016</b>	<b>100</b>	<b>59 207 153</b>	<b>59 207 253</b>

Note

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# Statement of Cash Flows

## Caryn & Caron Proprietary Limited

(Registration number 2019/123456/07)

Trading as Knowledge for You

Annual Financial Statements for the year ended 31 December 2016

### Statement of Cash Flows

	Note(s)	2016 R	2015 R
<b>Cash flows from operating activities</b>			
Cash receipts from customers		695 045 468	456 858 890
Cash paid to suppliers and employees		(681 960 946)	(428 817 157)
Cash generated from operations	21	13 084 522	28 041 733
Interest income		7 285 290	515 386
Finance costs		(4 091 825)	(2 617 315)
Tax paid	22	(1 965 600)	(659 886)
<b>Net cash from operating activities</b>		<b>14 312 387</b>	<b>25 279 918</b>

**Cash flows from investing activities**

Purchase of plant and equipment	2	(54 296 145)	(29 692 333)
Sale of plant and equipment	2	268 227	124 624
Advance on financial assets		(96 527 572)	(89 718 955)
Repayments of financial assets		77 364 819	80 665 151
<b>Net cash from investing activities</b>		<b>(73 190 671)</b>	<b>(38 621 513)</b>

**Cash flows from financing activities**

Proceeds from other financial liabilities		3 099 802	268 282
Repayment of other financial liabilities		17 578 521	5 763 761
Movement in commercial loan		659 879	-
Proceeds from shareholders loan		(32 494 862)	(55 535 671)
Repayment of shareholders loan		56 392 568	50 456 910
Finance lease payments		(15 395 065)	(4 055 253)
<b>Net cash from financing activities</b>		<b>29 840 843</b>	<b>(3 101 971)</b>

**Total cash movement for the year**

Cash at the beginning of the year		(29 037 441)	(16 443 566)
		(28 013 436)	(11 569 870)

**Total cash at end of the year**

	7	<b>(57 050 877)</b>	<b>(28 013 436)</b>
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# Accounting Policies

## **Caryn & Caron Proprietary Limited**

(Registration number 2019/123456/07)

Trading as Knowledge for You

Annual Financial Statements for the year ended 31 December 2016

### **Accounting Policies**

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#### **1. Presentation of annual financial statements**

The annual financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and the Companies Act 71 of 2008. They are presented in South African Rands.

These principal accounting policies as set out below are consistent with the previous period.

#### **1.1 Significant judgements and sources of estimation uncertainty**

In preparing the annual financial statements, management is required to make judgements, estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

#### **Critical judgements in applying accounting policies**

Management did not make critical judgements in the application of accounting policies, apart from those involving estimations, which would significantly affect the annual financial statements.

### **Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### **Useful lives of plant and equipment**

The company assesses its financial assets measured at cost and amortised cost for impairment at each reporting date. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

### **Impairment testing**

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

### **Taxation**

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

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

**Residual values**

Residual values and useful lives of property, plant and equipment are assessed if there are indicators present that there is a change from the previous estimate. Estimates and judgements in this regard are based on historical experience and expectations of the manner in which assets are to be used, together with the expected proceeds likely to be realised when assets are disposed of at the end of their useful lives. Such expectations could change over time and therefore impact both depreciation charges and carrying values of property, plant and equipment in future. Residual value assessments consider issues such as future market conditions, the remaining life of the assets and projected disposal values.

**Financial assets measured at cost and amortised cost**

The company assesses its financial assets measured at cost and amortised cost for impairment at each reporting date. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

## 1.2 Plant and equipment

Plant and equipment are tangible items that are held for use in the production or supply of goods or services, or for rental to others or for administrative purposes; and are expected to be used during more than one period.

Property, plant and equipment is carried at cost less accumulated depreciation and accumulated impairment losses.

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

Cost includes all costs incurred to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is provided in a manner that reflects the pattern of consumption of economic benefits within the asset method to write down the cost, less estimated residual value over the useful life of the plant and equipment as follows:

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<b>Item</b>	<b>Depreciation method</b>	<b>Average useful life</b>
Plant and machinery	Straight line	5-10 years
Furniture and fixtures	Straight line	6 years
Motor vehicles	Straight line	4 years
Office equipment	Straight line	6 years
IT equipment	Straight line	3 years
Leasehold improvements	Straight line	10 years

If the major components of an item of property, plant and equipment have significantly different patterns of consumption of economic benefits, the cost of the asset is allocated to its major components and each such component is depreciated separately over its useful life.

The residual value, depreciation method and useful life of each asset are reviewed a each reporting period only where there is an indication that there has been a significant change from the previous estimate.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss in the period.

### **1.3 Financial instruments**

#### **Initial measurement**

Financial instruments are initially measured at the transaction price. This includes transaction costs, except for financial instruments which are measured at fair value through profit or loss.

#### **Financial instruments at amortised cost**

These include loans, trade receivables and trade payables. Those debt instruments (such as an account, note or loan receivable or payable), are subsequently measured at amortised cost using the effective interest method. Debt instruments which are classified as current assets or current liabilities are measured at the undiscounted amount of the cash expected to be received or paid, unless the arrangement effectively constitutes a financing transaction.

At each reporting date, the carrying amounts of assets held in this category are reviewed to determine whether there is any objective evidence of impairment. If there is objective evidence, the recoverable amount is estimated and compared with the carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

#### **Financial instruments at cost**

Commitments to receive a loan are measured at cost less impairment.

#### **Financial instruments at fair value**

All other financial instruments are measured at fair value through profit and loss.

## **1.4 Tax**

### **Current tax assets and liabilities**

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

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

### **Deferred tax assets and liabilities**

A deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised for all deductible temporary differences and for the carry forward of unused tax losses and unused tax credits.

Deferred tax assets and liabilities are measured at an amount that includes the effect of the possible outcomes of a review by the tax authorities using tax rates that, on the basis of enacted or substantively enacted tax law at the end of the reporting period, are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax asset balances are reviewed at every reporting date. When necessary, a valuation allowance is recognised against the deferred tax assets so that the net amount equals the highest amount that is more likely than not to be realised on the basis of current or future taxable profit.

### **Tax expenses**

Tax expense is recognised in the same component of total comprehensive income or equity as the transaction or other event that resulted in the tax expense.

## **1.5 Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. All other leases are operating leases.

### **Finance leases – lessee**

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

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

### **Operating leases – lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term unless:

- another systematic basis is representative of the time pattern of the benefit from the leased asset, even if the payments are not on that basis, or
- the payments are structured to increase in line with expected general inflation (based on published indexes or statistics) to compensate for the lessor's expected inflationary cost increases.

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

## **1.6 Inventories**

Inventories are measured at the lower of cost and estimated selling price less costs to complete and sell, on the weighted average cost basis.

## **1.7 Impairment of assets**

The company assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any such indication, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (or group of assets) in prior years. A reversal of impairment is recognised immediately in profit or loss.



## **1.8 Employee benefits**

### **Short-term employee benefits**

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

## **1.9 Provisions and contingencies**

Provisions are recognised when the company has an obligation at the reporting date as a result of a past event; it is probable that the company will be required to transfer economic benefits in settlement; and the amount of the obligation can be estimated reliably.

Provisions are not recognised for future operating losses.

Contingent assets and contingent liabilities are not recognised.

## **1.10 Revenue**

Revenue is recognised to the extent that the company has transferred the significant risks and rewards of ownership of goods to the buyer, or has rendered services under an agreement provided the amount of revenue can be measured reliably and it is probable that economic benefits associated with the transaction will flow to the company. Revenue is measured at the fair value of the consideration received or receivable, excluding sales taxes and discounts.

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

## **1.11 Borrowing costs**

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

## **1.12 Foreign exchange**

### **Foreign currency transactions**

Exchange differences arising on monetary items are recognised in profit or loss in the period in which they arise.

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

At the end of each reporting period: foreign currency monetary items are translated using the closing rate.

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

## **1.13 Statement of cash flows**

The statement of cash flows is prepared on the direct method, whereby the major classes of gross cash receipts and gross cash payments are disclosed.

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and deposits held on call with banks net of bank overdrafts, all of which are available for use by the company unless otherwise stated.

Investing and financing operations that do not require the use of cash and cash equivalents are excluded from the statement of cash flows.

# Notes to the Annual Financial Statements

## Caryn & Caron Proprietary Limited

(Registration number 2019/123456/07)

Trading as Knowledge for You

Annual Financial Statements for the year ended 31 December 2016

### Notes to the Annual Financial Statements

	2016 R	2015 R
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#### 2. Plant and equipment

	2016			2015		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Plant and machinery	116 330 812	(35 262 200)	81 068 612	77 483 610	(26 074 905)	51 408 705
Furniture and fixtures	389 021	(331 909)	57 112	389 021	(289 666)	99 355
Motor vehicles	46 953 032	(22 158 368)	24 794 664	30 140 435	(16 870 494)	13 269 941
Office equipment	357 126	(241 358)	115 768	324 636	(191 464)	133 172
IT equipment	8 220 613	(4 815 256)	3 405 357	7 629 841	(4 583 550)	3 046 291
Leasehold improvements	2 468 137	(2 001 130)	467 007	2 468 137	(1 290 825)	1 177 312
<b>Total</b>	<b>174 718 741</b>	<b>(64 810 221)</b>	<b>109 908 520</b>	<b>118 435 680</b>	<b>(49 300 904)</b>	<b>69 134 776</b>

**Reconciliation of plant and equipment - 2016**

	Opening balance	Additions	Disposals	Depreciation	Total
Plant and machinery	51 408 705	38 847 201	-	(9 187 294)	81 068 612
Furniture and fixtures	99 355	-	-	(42 243)	57 112
Motor vehicles	13 269 941	17 293 818	(40 102)	(5 728 993)	24 794 664
Office equipment	133 172	32 490	-	(49 894)	115 768
IT equipment	3 046 291	590 773	-	(231 707)	3 405 357
Leasehold improvements	1 177 312	-	-	(710 305)	467 007
	<b>69 134 776</b>	<b>56 764 282</b>	<b>(40 102)</b>	<b>(15 950 436)</b>	<b>109 908 520</b>

**Reconciliation of plant and equipment - 2015**

	Opening balance	Additions	Disposals	Depreciation	Total
Plant and machinery	36 446 670	21 444 973	-	(6 482 938)	51 408 705
Furniture and fixtures	75 419	61 618	-	(37 682)	99 355
Motor vehicles	8 675 471	8 178 931	(38 447)	(3 546 014)	13 269 941
Office equipment	178 920	-	-	(45 748)	133 172
IT equipment	2 916 706	1 155 170	-	(1 025 585)	3 046 291
Leasehold improvements	117 916	1 319 778	-	(260 382)	1 177 312
	<b>48 411 102</b>	<b>32 160 470</b>	<b>(38 447)</b>	<b>(11 398 349)</b>	<b>69 134 776</b>

**Plant and equipment encumbered as security**

The following carrying value of assets have been encumbered as security for instalment sales as per note 9:

Plant and machinery	20 395 414	12 879 280
Motor vehicles	8 205 283	8 919 476
IT equipment	560 102	440 319

### 3. Inventories

Raw materials	53 907 942	52 407 400
Finished goods	5 086 432	3 002 642
	<b>58 994 374</b>	<b>55 410 042</b>

### 4. Loans to (from) shareholders

Shareholder Number 1	(13 737 969)	10 159 737
This loan is unsecured, bears interest at 8% (2015: 7.5%) per annum and has no set date of repayment.		
Current assets	-	10 159 737
Current liabilities	(13 737 969)	-
	<b>(13 737 969)</b>	<b>10 159 737</b>

### 5. Trade and other receivables

Trade receivables	82 201 468	56 705 075
Allowance for credit losses	(1 569 450)	(565 100)
Deposits	5 992 065	911 004
Other receivables	1 162 170	878 822
	<b>87 786 253</b>	<b>57 929 801</b>

#### Trade and other receivables pledged as security

Trade and other receivables were pledged as security for overdraft facilities per note 8.

## 6. Other financial assets

### At amortised cost

Related Party Number 1

The loan is unsecured, interest free and has no set date of repayment.

28 596 638      9 433 885

### Current assets

At amortised cost

28 596 638      9 433 885

## 7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand

1 200 221      191 614

Short-term deposits

-      32 147

Bank overdraft

(58 251 098)      (28 237 197)

**(57 050 877)      (28 013 436)**

Current assets

1 200 221      223 761

Current liabilities

(58 251 098)      (28 237 197)

**(57 050 877)      (28 013 436)**

An overdraft facility of R100,000,000 (2015: R50,000,000) is secured as follows:

- Limited letter of surety by Shareholder 1 to the value of R100,000,000
- Unlimited letter of surety by Related Party 1
- Cession of debtors
- General Notarial Bond of R50,000,000
- Cession of fire policy

## Caryn & Caron Proprietary Limited

(Registration number 2019/123456/07)

Trading as Knowledge for You

Annual Financial Statements for the year ended 31 December 2016

### Notes to the Annual Financial Statements

	2016 R	2015 R
<b>8. Share capital</b>		
<b>Authorised</b>		
1000 Ordinary shares of R1 each	1 000	1 000
<b>Issued</b>		
100 Ordinary shares of R1 each	100	100



## 9. Other financial liabilities

### At amortised cost

Instalment sales

45 184 619      22 374 488

It is company policy to lease certain motor vehicles and equipment under finance leases. The average lease term is 4 years (2015: 5 years) and the average effective borrowing rate is 10.5% (2015: 9.5%) per annum. The company's obligations under finance leases are secured by the leased assets.

Commercial bank loan

-      2 131 808

This loan bears interest at rates linked to prime and is repaid in full during the current year. Instalments of - (2015: R135,123). The loan is unsecured.

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**45 184 619      24 506 296**

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### Non-current liabilities

At amortised cost

25 318 157      12 578 163

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### Current liabilities

At amortised cost

19 866 462      11 928 133

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**45 184 619      24 506 296**

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## 10. Deferred tax

### Deferred tax liability

Plant and equipment	(13 667 419)	(9 276 837)
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### Deferred tax asset

Allowance for credit losses	329 585	118 671
Provision for leave pay	169 271	138 920
Operating lease accrual	431 695	104 553
Deferred tax balance from temporary differences other than unused tax losses	930 551	362 144
<b>Total deferred tax asset</b>	<b>930 551</b>	<b>362 144</b>

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

Deferred tax liability	(13 667 419)	(9 276 837)
Deferred tax asset	930 551	362 144
<b>Total net deferred tax liability</b>	<b>(12 736 868)</b>	<b>(8 914 693)</b>

### Reconciliation of deferred tax asset \ (liability)

At beginning of year	(8 914 693)	(6 301 497)
Originating taxable temporary difference on plant and equipment	(4 390 582)	(2 466 591)
Reversing (Originating) deductible temporary differences on provision for credit losses	210 914	(18 609)
Reversing deductible temporary differences on leave pay accrual	30 351	24 814
Reversing (Originating) deductible temporary differences on operating leases	327 142	(152 810)
	<b>(12 736 868)</b>	<b>(8 914 693)</b>

### 11. Trade and other payables

Trade payables	93 305 447	94 254 523
VAT	2 211 439	1 285 606
Accrual for leave pay	604 540	496 143
Accrued expenses	-	1
Operating lease accrual	1 541 768	373 402
	<b>97 663 194</b>	<b>96 409 675</b>

### 12. Commercial loan

This loan bears interest at rates linked to prime and is repaid during the current year. Instalments of 2016 R140,000 (2015: R135,123). The loan is unsecured.

## Caryn & Caron Proprietary Limited

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### Notes to the Annual Financial Statements

	2016 R	2015 R
<b>13. Revenue</b>		
Sale of goods	694 938 324	438 679 556
<b>14. Cost of sales</b>		
<b>Sale of goods</b>		
Cost of goods sold	482 584 331	293 284 527
Manufacturing expenses	94 626 192	67 249 522
	<b>577 210 523</b>	<b>360 534 049</b>

**15. Other income**

Profit on sale of assets	228 125	86 177
Profit and loss on exchange differences	457 963	-
Allowance for credit losses	-	653 715
Sundry income	864 499	617 915
Bad debts recovered	827	1 120
Insurance received	-	215 658
Other income	1 070 056	5 864 470
	<u>2 621 470</u>	<u>7 439 055</u>

**16. Operating profit**

Operating profit for the year is stated after accounting for the following:

**Operating lease charges**

Premises

- Contractual amounts

1 647 176	243 794
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Profit on sale of plant and equipment
Depreciation on plant and equipment
Employee costs

228 125	86 177
15 950 436	11 398 349
20 288 768	14 949 175

### 17. Investment revenue

#### Interest revenue

Bank	7 145 878	240 237
Interest on shareholders loan	139 412	275 149
	<b>7 285 290</b>	<b>515 386</b>

### 18. Finance costs

Instalment sale agreements	12 926 928	1 587 116
Bank overdraft	3 950 858	2 595 959
Other interest paid	140 967	21 356
	<b>17 018 753</b>	<b>4 204 431</b>

## 19. Taxation

### Major components of the tax expense

#### Current

Local income tax - current period

1 758 743      900 937

#### Deferred

Originating and reversing temporary differences

3 822 175      2 613 196

**5 580 918      3 514 133**

### Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

Accounting profit

19 816 013      12 396 593

Tax at the applicable tax rate of 28% (2015: 28%)

5 548 484      3 471 046

#### Tax effect of adjustments on taxable income

Donations

29 932      31 154

Fines

4 311      5 953

Legal fees

560      5 981

Other

(2 369)      -

**5 580 918      3 514 134**

**20. Auditors remuneration**

Fees

199 959

330 772

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## Caryn & Caron Proprietary Limited

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Annual Financial Statements for the year ended 31 December 2016

### Notes to the Annual Financial Statements

	2016	2015
	R	R
<b>21. Cash generated from operations</b>		
Profit before taxation	19 816 013	12 396 593
<b>Adjustments for:</b>		
Depreciation	15 950 436	11 398 349
Profit on sale of assets	(228 125)	(86 177)
(Profit) loss on foreign exchange	(457 963)	6 298 921
Interest received	(7 285 290)	(515 386)
Finance costs	17 018 753	4 204 431
<b>Changes in working capital:</b>		
Inventories	(3 584 332)	(27 892 571)
Trade and other receivables	(29 856 452)	(19 261 341)
Trade and other payables	1 711 482	41 498 914
	<b>13 084 522</b>	<b>28 041 733</b>

## 22. Tax paid

Balance at beginning of the year	748 017	989 068
Current tax for the year recognised in profit (loss) or loss	(1 758 743)	(900 937)
Balance at end of the year	(954 874)	(748 017)
	<b>(1 965 600)</b>	<b>(659 886)</b>

## 23. Commitments

### Instalment sale agreements

#### Minimum lease payments due

- within one year	19 866 462	12 225 322
- in second to fifth year inclusive	25 318 145	12 604 600
	<b>45 184 607</b>	<b>24 829 922</b>

### Operating leases – as lessee (expense)

#### Minimum lease payments due

- within one year	10 882 064	2 714 175
- in second to fifth year inclusive	38 908 295	-
	<b>49 790 359</b>	<b>2 714 175</b>

Operating lease payments represent rentals payable by the company for certain of its office properties. Leases have been negotiated for a term of five years and end in February 2021. Annual escalation is incorporated into the lease agreements at a rate of 8%. No contingent rent is payable.

## 24. Related parties

### Relationships

Ultimate holding company  
Shareholders with significant influence

Caryn Holdings (Pty) Ltd

Shareholder 1

Shareholder 2

Related Party 1

Related Party 2

Other

R Read

S Spelling

Members of key management

### Related party balances

#### Loan accounts - Owing (to) by related parties

Shareholder 1

(13 737 969) 10 159 737

Related party 1

28 596 637 9 433 885

#### Amounts included in Trade receivable (Trade Payable) regarding related parties

Related party 2

(5 508 151) (5 588 023)

### Related party transactions

#### Interest paid to (received from) related parties

Shareholder 1

(139 412) 515 386

#### Purchases from (sales to) related parties

Related party 2

21 303 495 11 455 392

#### Rent paid to (received from) related parties

Shareholder 2

5 523 322 4 875 878

Related party 1

- (2 482 000)

#### Income paid to (received from) related parties

Related party 1

- (2 639 745)

## 25. Directors' remuneration

### Executive

#### 2016

	Emoluments	Bonus	Total
R Read	71 428	8 467	79 895
S Spelling	700 000	2 500	702 500
	<b>771 428</b>	<b>10 967</b>	<b>782 395</b>

#### 2015

	Emoluments	Total
R Read	724 205	724 205
S Spelling	650 000	650 000
	<b>1 374 205</b>	<b>1 374 205</b>

## 26. Comparative figures

Certain comparative figures have been reclassified. Credit balances found in debtors have been reclassified to creditors. Debit balances found in creditors have been reclassified to debtors.

The effects of the reclassification are as follows:

### Statement of Financial Position

Trade and other receivables	1 492 993	-
Trade and other payables	(1 492 993)	-

**27. Going concern**

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

**28. Events after the reporting period**

The annual financial statements were authorised for issue on Tuesday, 31 January 2017 by the directors of the company.

No material events have taken place after the reporting period that are required to be disclosed in these annual financial statements.

# Detailed Income Statement

## Caryn & Caron Proprietary Limited

(Registration number 2019/123456/07)

Trading as Knowledge for You

Annual Financial Statements for the year ended 31 December 2016

### Detailed Income Statement

	Note(s)	2016 R	2015 R
<b>Revenue</b>			
Sale of goods		694 938 324	438 679 556
<b>Cost of sales</b>			
Opening stock		(3 002 642)	(1 956 214)
Purchases		(579 294 313)	(361 580 477)
Closing stock		5 086 432	3 002 642
	14	<b>(577 210 523)</b>	<b>(360 534 049)</b>
<b>Gross profit</b>		<b>117 727 801</b>	<b>78 145 507</b>
<b>Other income</b>			
Bad debts recovered		827	1 120
Gains on disposal of assets		228 125	86 177
Insurance received		-	215 658
Interest received	17	7 285 290	515 386
Other income		1 070 056	5 864 470
Profit and loss on exchange differences		457 963	-
Allowance for credit losses		-	653 715
Sundry income		864 499	617 915
		<b>9 906 760</b>	<b>7 954 441</b>
<b>Expenses (Refer to page 26)</b>		<b>(90 799 795)</b>	<b>(69 498 924)</b>
<b>Operating profit</b>	16	<b>36 834 766</b>	<b>16 601 024</b>
Finance costs	18	(17 018 753)	(4 204 431)
<b>Profit before taxation</b>		<b>19 816 013</b>	<b>12 396 593</b>
Taxation	19	(5 580 918)	(3 514 133)
<b>Profit for the year</b>		<b>14 235 095</b>	<b>8 882 460</b>

## Caryn & Caron Proprietary Limited

(Registration number 2019/123456/07)

Trading as Knowledge for You

Annual Financial Statements for the year ended 31 December 2016

### Detailed Income Statement

	Note(s)	2016 R	2015 R
<b>Operating expenses</b>			
Advertising		(2 899 504)	(2 876 949)
Auditors remuneration	20	(199 959)	(330 772)
Bad debts		(1 238 019)	(570 735)
Bank charges		(2 900 239)	(2 118 441)
Cleaning		(1 647 107)	(1 049 637)
Commission paid		(10 000)	-
Computer expenses		(1 066 603)	(1 004 801)
Consulting fees		(409 741)	(23 910)
Depreciation, amortisation and impairments		(15 950 436)	(11 398 349)
Donations		(106 900)	(111 265)
Employee costs		(20 288 768)	(14 949 175)
Entertainment		(1 334 703)	(893 218)
Fines and penalties		(15 395)	(21 259)
General expenses		(32 355)	(34 545)
Insurance		(1 068 772)	(845 498)
Lease rentals on operating lease		(1 647 176)	(243 794)
Leasing charges		-	(11 232)
Legal expenses		(457 920)	(213 412)
Loss due to theft		-	(117 269)
Loss on exchange differences		-	(6 298 921)



Minor assets written off	(14 034)	(6 569)
Motor vehicle expenses	(26 821 143)	(18 491 519)
Municipal expenses	107 263	(444 290)
Postage	(1 280)	(2 889)
Printing and stationery	(283 102)	(217 552)
Promotions	(76 000)	(27 118)
Repairs and maintenance	(3 852 243)	(2 715 189)
Repairs and maintenance - Projects	(3 078 081)	-
Security	(591 035)	(566 759)
Sponsorship	(546 640)	(614 897)
Staff welfare	(843 695)	(455 221)
Subscriptions	(95 907)	(70 745)
Telephone and fax	(655 615)	(733 285)
Training	(85 611)	(104 500)
Transport and freight	(1 736 531)	(1 421 986)
Travel - local	(746 931)	(427 400)
Travel - overseas	(205 613)	(85 823)
	<b>(90 799 795)</b>	<b>(69 498 924)</b>