

Citizen Entrepreneurial Development Agency (CEDA)  
(Registration number BW00000557286)  
Consolidated and Separate Financial statements  
for the year ended 31 March 2020

# **Citizen Entrepreneurial Development Agency (CEDA)**

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## **Contents**

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	<b>Page</b>
General information	2
Directors' Responsibilities and Approval	3
Directors' Report	4 - 5
Independent Auditor's Report	6 - 9
Statements of Profit or Loss and Other Comprehensive Income	10
Statements of Financial Position	11
Statements of Changes in Capital and Funding	12 - 13
Statements of Cash Flows	14
Accounting Policies	15 - 46
Notes to the Group Financial Statements	47 - 82

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## General Information

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<b>Country of incorporation and domicile</b>	Botswana
<b>Nature of business and principal activities</b>	<p>The Citizen Entrepreneurial Development Agency ('CEDA') was established by the Government of the Republic of Botswana to provide financial and technical support for business development with the view of promoting viable and sustainable citizen owned business enterprises. CEDA was incorporated as a company limited by guarantee on 12 April 2001 and commenced operations in June 2001.</p> <p>In order to fulfill its objectives CEDA provides the following services:</p> <ul style="list-style-type: none"><li>•Financial assistance to enterprises in the form of loans which are offered at subsidized interest rates and guarantees issued on behalf of entrepreneurs;</li><li>•Training and mentoring providing management and marketing skills to the managers of its customers in order to enhance their opportunities for success;</li><li>•Provision of loan finance to young farmers;</li><li>•Provide access to finance for Small Micro and Medium Enterprises (SMME) and to assist businesses operating in the SMME sector of the economy to fulfil the security requirements of commercial banks and other development financial institutions; and</li><li>•Provision of risk capital to citizen owned projects and joint ventures between citizens and non- citizens through CEDA Venture Capital Fund.</li></ul>
<b>Registered office</b>	Plot 54350 Four Thirty Square Phillip Matante Road CBD Gaborone
<b>Business address</b>	Plot 54350 Four Thirty Square Phillip Matante Road CBD Gaborone
<b>Postal address</b>	Private Bag 00504 Gaborone
<b>Bankers</b>	Standard Chartered Bank Botswana Limited Absa Bank of Botswana Limited First National Bank of Botswana Limited BancABC Limited Stanbic Bank Botswana Limited Bank Gaborone Limited
<b>Auditors</b>	Deloitte & Touche
<b>Secretary</b>	Cynthia Sebonego
<b>Company registration number</b>	BW00000557286

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Directors' Responsibilities and Approval

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

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

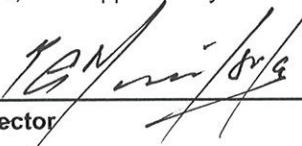
The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities the directors set standards for internal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

The directors are of the opinion based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the group 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 and group's cash flow forecast for the 12 month period from the date of authorization of the financial statements and in the light of this review and the current financial position they are satisfied that the company and group have or have access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the consolidated and separate financial statements. The group and company financial statements have been examined by the group's external auditors and their report is presented on pages 6 to 9.

The consolidated and separate financial statements set out on pages 10 to 82, which have been prepared on the going concern basis, were approved by the directors on 02 June 2023 and were signed on their behalf by:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Directors' Report

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The directors have pleasure in submitting their report on the consolidated and separate financial statements of Citizen Entrepreneurial Development Agency (CEDA) (company) and its subsidiaries and associates (the group) for the year ended 31 March 2020.

### 1. Incorporation

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

### 2. Review of financial results and activities

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards. The accounting policies have been applied consistently compared to the prior year, except for the adoption of IFRS 16 which is a new standard applicable for the first time in the year 31 March 2020.

Full details of the financial position, results of operations and cash flows of the group are set out in these consolidated consolidated and separate financial statements and separate financial statements.

### 3. Capital Reserve

There were no changes in the stated capital of the group during the year under review.

### 4. Dividends

No dividends were declared or paid to the members during the year (2019 P Nil).

### 5. Directors

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

Directors	Nationality	Changes
Dr. A Tsheboeng - Chairperson	Motswana	
W Mosweu	Motswana	
G K Mosimaneotsile	Motswana	
B Bogopa	Motswana	Resigned 30 November 2021
D Mading	Motswana	Resigned 08 August 2021
A T Khunwana	Motswana	Resigned 30 November 2019
M Mbaakanyi	Motswana	
T S Mampame	Motswana	Resigned 31 January 2020
P N Nuku-Basaakane	Motswana	
G Mmolawa	Motswana	Resigned 30 September 2021
W T Danke	Motswana	Appointed 01 March 2023
L T Monamodi	Motswana	Appointed 01 March 2023

### 6. Property, plant and equipment

There was no change in the nature of fixed assets of the company and the group or in the policy regarding their use.

### 7. Events after the reporting period

Refer to note 40 on the material subsequent events that occurred from the reporting date to the date of approval of the financial statements.

### 8. Going concern

The consolidated and separate 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. Refer to note 39 for the details on the consideration of going concern by the Directors.

# **Citizen Entrepreneurial Development Agency (CEDA)**

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## **Directors' Report**

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### **9. Secretary**

The company secretary is Cynthia Sebonego.

Postal address:

Private Bag 00504  
Gaborone

### **10. Auditors**

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

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

### Opinion

We have audited the Consolidated and Separate Financial Statements ('the financial statements') of Citizen Entrepreneurial Development Agency ('the Agency') and its subsidiaries ('the Group'), set out on pages 11 to 82, which comprise the consolidated and separate statements of financial position as at 31 March 2020, the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in capital and funding, consolidated and separate statements of cash flows for the year then ended, and a summary of significant accounting policies including the notes to the Consolidated and Separate Financial Statements.

In our opinion, the Consolidated and Separate Financial Statements give a true and fair view of the consolidated and separate financial position of the Group and the Agency as at 31 March 2020, and their consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group and the Agency in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Botswana, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

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

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

Key Audit Matter	How the matter was addressed in the audit
<b>Impairment of Loans and Advances, other receivables and guarantees (Consolidated and Separate)</b>	
<p>The Group applies IFRS 9 - Financial Instruments ("IFRS 9"), which requires it to assess allowances for impairment of loans and advances, other receivables and guarantees on an expected loss basis. Accordingly, the Group measures such allowances using its own impairment model to calculate Expected Credit Losses ("ECLs").</p> <p>The impairment of advances, other receivables and guarantees was considered to be a matter of significant importance to our current year audit due to the following:</p> <ul style="list-style-type: none"> <li>Advances, other receivables and guarantees are material to the financial statements;</li> <li>The level of subjective judgement applied in determining the ECL on advances, other receivables and guarantees;</li> <li>Significant assumptions applied in the recognition and measurement of credit risk.</li> </ul> <p>In determining the ECLs, the following key judgements were applied by the Group:</p> <ul style="list-style-type: none"> <li>Appropriate model and assumptions for the measurement of ECLs;</li> <li>Establishing groups of similar financial assets for the purpose of measuring ECLs;</li> <li>The input assumptions and methodologies applied to estimate the probability of default (PD), exposure at default (EAD) and loss given default (LGD) within the ECL calculations;</li> <li>The assessment of whether there has been a Significant Increase in Credit Risk ('SICR') since origination date of the exposure to the reporting date;</li> <li>Determination of relevant macroeconomic forecasts and forward-looking information; and</li> <li>The determination of the lifetime of a financial instrument subject to ECL assessment.</li> </ul> <p>Related disclosures in the Consolidated and Separate Financial statements:</p> <ul style="list-style-type: none"> <li>Note 1.4 - Accounting policy for financial instruments;</li> <li>Note 3 - significant judgements and sources of estimation uncertainty;</li> <li>Note 16 – Loans and Advances;</li> <li>Note 16.1 - Impairment of Loans and advances;</li> <li>Note 17 – Other assets;</li> <li>Note 17.1 – Impairment of other assets;</li> <li>Note 30 – Financial guarantees contracts; and</li> <li>Note 36 - Financial risk management.</li> </ul>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> <li>We evaluated the design and implementation and tested the operating effectiveness of controls relating to credit origination, and stage calculation of arrears and days past due;</li> <li>Tested the information with respect to loans and advances utilised in the model to underlying accounting records and other information maintained by the Agency;</li> <li>With the assistance of our quantitative specialists, we assessed the design and implementation of the ECL model used by management in the various ECL model components (PD, EAD, LGD) and assessed these against the requirements of IFRS 9: Financial Instruments (IFRS 9) and best practice;</li> <li>Confirmed that the latest available and relevant probability weighted forward-looking information has been appropriately incorporated within the impairment model by comparing these to widely available market data;</li> <li>Evaluated the adequacy of the financial statement disclosures including key assumptions, judgements and sensitivities.</li> </ul> <p>Out of model adjustments and overlays</p> <ul style="list-style-type: none"> <li>We challenged the validity and reasonableness of overlays recorded by management by ensuring each overlay was related to a known model weakness or model limitation;</li> <li>We challenged the key assumptions and judgements related to each overlay to ensure that these were reasonable and supportable using available Agency information or other widely available market data; and</li> <li>Considered the need for any other overlays not considered by management based on our judgement.</li> </ul> <p>In conclusion, we determined the impairment of loans and advances to customers, other receivables and guarantees is not materially misstated and the related disclosures are appropriate.</p>

## INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF CITIZEN ENTREPRENEURIAL DEVELOPMENT AGENCY

### Other Information

The Directors are responsible for the other information. The other information comprises the Directors' Report and Directors' Responsibilities and Approval of the Consolidated and Separate Financial Statements. The other information does not include the Consolidated and Separate Financial Statements and our auditor's report thereon.

Our opinion on the Consolidated and Separate Financial Statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Consolidated and Separate Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially consistent with the Consolidated and Separate Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The Directors are responsible for the preparation and fair presentation of the Consolidated and Separate Financial Statements in accordance with International Financial Reporting Standards and for such internal control as the Directors determine is necessary to enable the preparation of Consolidated and Separate Financial Statements that are free from material misstatement, whether due to fraud or error.

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

The directors are responsible for overseeing the Group's and Agency's financial reporting process.

### Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

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

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

- Identify and assess the risks of material misstatement of the Consolidated and Separate Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and 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.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF CITIZEN ENTREPRENEURIAL DEVELOPMENT AGENCY

### Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements (continued)

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated and Separate Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated and Separate Financial Statements, including the disclosures, and whether the Consolidated and Separate Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the Consolidated and Separate Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Deloitte & Touche  
Firm of Certified Auditors  
Practicing Member: Cecilia Veeta Ramatlapeng (CAP 008 2023)

9 June 2023  
Gaborone

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Statements of Profit or Loss and Other Comprehensive Income

Figures in Pula	Note(s)	Group		Company	
		2020	2019	2020	2019
Revenue	5	82,813,072	91,058,378	78,549,266	86,552,053
Cost of sales	6	(539,614)	(711,410)	-	-
<b>Gross profit</b>		<b>82,273,458</b>	<b>90,346,968</b>	<b>78,549,266</b>	<b>86,552,053</b>
Government grants	7	285,814,780	274,314,780	285,814,780	274,314,780
Other operating income	8	3,655,805	4,723,164	3,598,433	3,900,414
Loss on revaluation of property plant and equipment	22	(2,893,204)	-	(2,893,204)	-
Operating expenses	9	(95,957,539)	(82,644,465)	(91,456,935)	(77,816,690)
Staff expenses	10	(152,440,352)	(148,121,271)	(151,052,679)	(146,614,701)
Provision for guarantee claims		(3,546,551)	9,822,687	(3,546,551)	9,822,687
(Loss) / gain on revaluation of other financial assets	11	(7,245,966)	2,248,484	(7,245,966)	2,248,484
(Charge) / release for impairment	12	(27,733,099)	81,658,465	(31,532,908)	82,805,140
<b>Operating profit</b>		<b>81,927,332</b>	<b>232,348,812</b>	<b>80,234,236</b>	<b>235,212,167</b>
Finance costs	14	(7,339,430)	(378,660)	(7,315,999)	(371,794)
Loss from equity accounted investments	13	(2,825,119)	(1,380,688)	-	-
<b>Profit for the year</b>		<b>71,762,783</b>	<b>230,589,464</b>	<b>72,918,237</b>	<b>234,840,373</b>
<b>Other comprehensive income:</b>					
<b>Items that may be reclassified subsequently to profit or loss:</b>					
Revaluation of property, plant and equipment	22	9,632,040	-	9,632,040	-
<b>Other comprehensive income for the year net of taxation</b>		<b>9,632,040</b>	<b>-</b>	<b>9,632,040</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>81,394,823</b>	<b>230,589,464</b>	<b>82,550,277</b>	<b>234,840,373</b>
<b>Profit (loss) attributable to:</b>					
Owners of the parent		72,056,425	230,931,108	72,918,237	234,840,373
Non-controlling interest		(293,642)	(341,644)	-	-
		<b>71,762,783</b>	<b>230,589,464</b>	<b>72,918,237</b>	<b>234,840,373</b>
<b>Total comprehensive income (loss) attributable to:</b>					
Owners of the parent		81,688,465	230,931,108	82,550,277	234,840,373
Non-controlling interest		(293,642)	(341,644)	-	-
		<b>81,394,823</b>	<b>230,589,464</b>	<b>82,550,277</b>	<b>234,840,373</b>

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Statements of Financial Position as at 31 March 2020

Figures in Pula	Note(s)	Group		Company	
		2020	2019 Restated *	2020	2019 Restated *
<b>Assets</b>					
Cash and cash equivalents	15	419,903,850	344,661,248	360,244,390	284,997,567
Loans and advances	16	1,035,799,983	1,043,835,412	1,035,799,983	1,043,835,412
Other assets	17	231,527,671	213,730,406	231,476,349	213,610,483
Other financial assets	18	40,129,936	47,375,903	40,129,936	47,375,903
Investments in subsidiaries	19	-	-	59,567,662	59,221,098
Investments in associates	20	8,481,136	11,306,255	2,163,878	6,200,000
Inventories	21	255,016	128,406	-	-
Property, plant and equipment	22	49,665,719	43,576,522	49,658,010	41,601,036
Right-of-use assets	23	57,804,679	-	57,575,051	-
Intangible assets	24	493,827	323,464	493,827	323,464
<b>Total Assets</b>		<b>1,844,061,817</b>	<b>1,704,937,616</b>	<b>1,837,109,086</b>	<b>1,697,164,963</b>
<b>Capital funding and liabilities</b>					
<b>Capital and funding</b>					
Capital reserve *		-	576,000	-	576,000
Revaluation reserve	25	19,376,462	13,021,710	9,632,040	3,277,288
Retained income *		1,671,053,391	1,595,143,678	1,677,350,683	1,600,579,158
Capital and funding attributable to owners of the parent		1,690,429,853	1,608,741,388	1,686,982,723	1,604,432,446
Non-controlling interest		(427,470)	(133,828)	-	-
<b>Total capital and funding</b>		<b>1,690,002,383</b>	<b>1,608,607,560</b>	<b>1,686,982,723</b>	<b>1,604,432,446</b>
<b>Liabilities</b>					
Loans from shareholders	26	73,840	71,000	-	-
Other financial liabilities	27	17,773,936	21,529,924	17,773,936	21,483,367
Finance lease	28	30,925	1,334,095	30,925	1,334,095
Lease liabilities	23	63,436,556	-	63,211,664	-
Trade and other payables	29	48,321,761	52,519,172	44,687,422	49,039,190
Financial guarantee contracts	30	24,422,416	20,875,865	24,422,416	20,875,865
<b>Total liabilities</b>		<b>154,059,434</b>	<b>96,330,056</b>	<b>150,126,363</b>	<b>92,732,517</b>
<b>Total capital funding and liabilities</b>		<b>1,844,061,817</b>	<b>1,704,937,616</b>	<b>1,837,109,086</b>	<b>1,697,164,963</b>

\*Please refer to note 33 for details of the restatement.

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Statements of Changes in Capital and Funding

	Capital reserve	Revaluation reserve	Retained income	Total attributable to equity holders of the group / company	Non-controlling interest	Total equity
Figures in Pula						
<b>Group</b>						
<b>Balance at April 1, 2018</b>	<b>1,283,228,162</b>	<b>15,179,634</b>	<b>78,826,484</b>	<b>1,377,234,280</b>	<b>207,816</b>	<b>1,377,442,096</b>
Profit for the year	-	-	230,931,108	230,931,108	(341,644)	230,589,464
<b>Total comprehensive income for the year</b>	<b>-</b>		<b>230,931,108</b>	<b>230,931,108</b>	<b>(341,644)</b>	<b>230,589,464</b>
Transfer from revaluation reserve- Revaluation portion of depreciation	-	(2,157,924)	2,157,924	-	-	-
Donated land	576,000	-	-	576,000	-	576,000
Reclassification of capital to retained earnings	(317)	-	317	-	-	-
<b>Contributions by and distributions to owners of company recognised directly in equity</b>	<b>575,683</b>	<b>(2,157,924)</b>	<b>2,158,241</b>	<b>576,000</b>	<b>-</b>	<b>576,000</b>
<b>Opening balance as previously reported</b>	<b>1,283,803,845</b>	<b>13,021,710</b>	<b>311,915,833</b>	<b>1,608,741,388</b>	<b>-</b>	<b>1,608,741,388</b>
Reclassification of capital reserve to retained income-Prior period error (Note 33) *	(1,283,227,845)	-	1,283,227,845	-	-	-
<b>Balance at 01 April 2019 as restated</b>	<b>576,000</b>	<b>13,021,710</b>	<b>1,595,143,678</b>	<b>1,608,741,388</b>	<b>(133,828)</b>	<b>1,608,607,560</b>
Profit for the year	-	-	72,056,425	72,056,425	(293,642)	71,762,783
Revaluation reserve (note 25)	-	9,632,040	-	9,632,040	-	9,632,040
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>9,632,040</b>	<b>72,056,425</b>	<b>81,688,465</b>	<b>(293,642)</b>	<b>81,394,823</b>
Reclassifications of capital reserve to retained income	(576,000)	-	576,000	-	-	-
Transfer from revaluation reserve-Revaluation portion of the depreciation	-	(3,277,288)	3,277,288	-	-	-
<b>Contributions by and distributions to owners of company recognised directly in equity</b>	<b>(576,000)</b>	<b>(3,277,288)</b>	<b>3,853,288</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance at 31 March 2020</b>	<b>-</b>	<b>19,376,462</b>	<b>1,671,053,391</b>	<b>1,690,429,853</b>	<b>(427,470)</b>	<b>1,690,002,383</b>

Note(s)

25

\* Please refer to note 33 for details of the restatement.

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Statements of Changes in Capital and Funding

	Capital reserve	Revaluation reserve	Retained income	Total attributable to equity holders of the group / company	Non-controlling interest	Total equity
Figures in Pula						
<b>Company</b>						
<b>Balance at April 1, 2018</b>	<b>1,283,228,162</b>	<b>5,435,212</b>	<b>80,352,699</b>	<b>1,369,016,073</b>		<b>- 1,369,016,073</b>
Profit for the year	-	-	234,840,373	234,840,373	-	- 234,840,373
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>234,840,373</b>	<b>234,840,373</b>		<b>- 234,840,373</b>
Transfer from revaluation reserve-Revaluation portion of depreciation	-	(2,157,924)	2,157,924	-	-	-
Donated land	576,000	-	-	576,000	-	576,000
Reclassification of capital to retained earnings	(317)	-	317	-	-	-
<b>Contributions by and distributions to owners of company recognised directly in equity</b>	<b>575,683</b>	<b>(2,157,924)</b>	<b>2,158,241</b>	<b>576,000</b>		<b>- 576,000</b>
<b>Opening balance as previously reported</b>	<b>1,283,803,845</b>	<b>3,277,288</b>	<b>317,351,313</b>	<b>1,604,432,446</b>		<b>- 1,604,432,446</b>
Reclassification of capital reserve to retained income-Prior period error (Note 33) *	(1,283,227,845)	-	1,283,227,845	-	-	-
<b>Balance at 01 April 2019 as restated</b>	<b>576,000</b>	<b>3,277,288</b>	<b>1,600,579,158</b>	<b>1,604,432,446</b>		<b>- 1,604,432,446</b>
Profit for the year	-	-	72,918,237	72,918,237	-	- 72,918,237
Revaluation reserve (note 25)	-	9,632,040	-	9,632,040	-	- 9,632,040
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>9,632,040</b>	<b>72,918,237</b>	<b>82,550,277</b>		<b>- 82,550,277</b>
Transfer from revaluation reserve-Revaluation portion of depreciation	-	(3,277,288)	3,277,288	-	-	-
Reclassification of capital reserve to retained income	(576,000)	-	576,000	-	-	-
<b>Contributions by and distributions to owners of company recognised directly in equity</b>	<b>(576,000)</b>	<b>(3,277,288)</b>	<b>3,853,288</b>			<b>-</b>
<b>Balance at 31 March 2020</b>	<b>-</b>	<b>9,632,040</b>	<b>1,677,350,683</b>	<b>1,686,982,723</b>		<b>- 1,686,982,723</b>

Note(s)

25

\* Please refer to note 33 for details of the restatement.

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Statements of Cash Flows

Figures in Pula	Note(s)	Group		Company	
		2020	2019	2020	2019
<b>Cash flows from operating activities</b>					
Cash generated from operations	32	100,385,841	67,500,189	100,145,205	67,290,744
<b>Net cash from operating activities</b>		<b>100,385,841</b>	<b>67,500,189</b>	<b>100,145,205</b>	<b>67,290,744</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	22	(10,978,030)	(8,374,941)	(10,846,253)	(8,258,505)
Proceeds on disposal of property, plant and equipment		25,830	620,703	25,830	620,703
Purchase of intangible assets	24	(353,106)	(330,688)	(353,106)	(330,688)
Interest received from Norsad Finance		-	803,706	-	803,706
<b>Net cash to investing activities</b>		<b>(11,305,306)</b>	<b>(7,281,220)</b>	<b>(11,173,529)</b>	<b>(7,164,784)</b>
<b>Cash flows from financing activities</b>					
Repayment of shareholders loan		2,843	-	-	-
Repayment of finance lease		(1,303,168)	(1,713,633)	(1,303,168)	(1,713,633)
Interest paid	14	(1,160,737)	(378,660)	(1,138,507)	(371,794)
Interest paid on lease liabilities	23	(6,178,693)	-	(6,177,494)	-
Payment of lease liabilities	23	(5,123,579)	-	(5,105,684)	-
<b>Net cash to financing activities</b>		<b>(13,763,334)</b>	<b>(2,092,293)</b>	<b>(13,724,853)</b>	<b>(2,085,427)</b>
<b>Total cash movement for the year</b>		<b>75,317,201</b>	<b>58,126,676</b>	<b>75,246,823</b>	<b>58,040,533</b>
Cash and cash equivalents at the beginning of the year		344,661,248	286,534,572	284,997,567	226,957,034
Effect of foreign exchange rate changes		(74,599)	-	-	-
<b>Cash and cash equivalents at year end</b>	15	<b>419,903,850</b>	<b>344,661,248</b>	<b>360,244,390</b>	<b>284,997,567</b>

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Accounting Policies

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### 1. Presentation of Group Financial Statements

The financial statements of Citizen Entrepreneurial Development Agency ("CEDA" or "Company") and its subsidiaries ("the group") have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretation Committee ("IFRIC") interpretations issued by the International Accounting Standards Board and effective at the time of preparation of these financial statements. The consolidated and separate financial statements have been prepared on the historical cost basis as modified by the revaluation of property plant and equipment and incorporate the principal accounting policies set out below. The principal accounting policies applied in the presentation of these group and company financial statements have been consistently applied to all the years presented except for the adoption of IFRS 16 in the current year. They are presented in Botswana Pula.

#### 1.1 Consolidation

##### Basis of consolidation

The group financial statements incorporate the financial statements of the company and all investees which are controlled by the group and investees where the group has significant influence. These accounting policies are consistent with the previous period except for the adoption of IFRS 16 Leases.

##### Investments in subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group and de-consolidated from the date that control ceases.

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

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

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

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

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

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

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

a) the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus

b) any costs directly attributable to the purchase of the subsidiary.

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Accounting Policies

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### 1.1 Consolidation (continued)

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

#### Non-controlling interests

Non-controlling interests in subsidiaries are identified separately from the group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the company.

When the group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

#### Investments in Associates

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

Investments in associates are accounted for using the equity method, except when the investment is classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated Statement of Financial Position at cost adjusted for post-acquisition changes in the group's share of net assets of the associate, less any impairment losses.

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

Any goodwill on acquisition of an associate is included in the carrying amount of the investment, however, a gain on acquisition is recognised immediately in profit or loss. Profits or losses on transactions between the group and an associate are eliminated to the extent of the group's interest therein.

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

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Accounting Policies

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### 1.2 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to or replace part of or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment the carrying amount of the replaced part is derecognised. Property, plant and equipment is depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for motor vehicles and buildings which are carried at revalued amount less accumulated depreciation and any impairment losses. The revaluation of motor vehicles and buildings is done every two years. If an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

When an item of property, plant and equipment is revalued, the carrying amount of that asset is adjusted to the revalued amount. At the date of the revaluation, the asset is treated in one of the following ways:

(a) the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The gross carrying amount is restated by reference to observable market data or restated proportionately to the change in the carrying amount. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses; or

(b) the accumulated depreciation is eliminated against the gross carrying amount of the asset. Excess depreciation on revalued assets is transferred from the revaluation reserve to retained earnings.

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

Item	Average useful life
Land	Not depreciated
Buildings	Shorter of useful life and lease period
Motor vehicles	4 years
Furniture and fixtures	10 years
Computer hardware and equipment	4 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds if any and the carrying amount of the item.

### 1.3 Intangible assets

The cost of software acquired is reflected at historical cost less accumulated amortisation and accumulated impairment losses. The software is amortised over its expected economic life using straight line method. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The expected useful life applied is;

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Item	Average useful life
Computer software	3 years

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# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Accounting Policies

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### 1.4 Financial instruments

#### Classification and measurement

Financial instruments are recognised initially when the group becomes a party to the contractual provisions of the instruments. The group classifies financial instruments or their component parts on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition. Classification is re-assessed on an ongoing basis except for financial assets designated as at fair value through profit or loss which shall not be classified out of the fair value through profit or loss category. Financial instruments held by the group are classified in accordance with the provisions of IFRS 9 - Financial Instruments. The group classifies financial assets and financial liabilities into the following broad categories:

#### Financial assets measured at amortised cost

A financial asset is classified as subsequently measured at amortised cost under IFRS 9 if it meets both of the following criteria:

- a) Hold to collect business model test – The asset is held within a business model whose objective is to hold the financial asset in order to collect contractual cash flows; and
- b) Solely payments of principal and interest (SPPI) contractual cash flow characteristics test – The contractual terms of the financial asset give rise to cash flows that are SPPI on the principal amount outstanding on a specified date.

Examples of financial instruments that the group classified and accounted for at amortised cost under IFRS 9 include:

- a) Cash and cash equivalents;
- b) Trade receivables;
- c) Loans and advances;
- d) Other financial assets; and
- e) Other assets.

#### Hold to collect business model

The group has a financial asset in a 'hold to collect business' for which the objective is to hold financial assets in order to collect contractual cash flows rather than with a view to selling the asset to realise a profit or loss.

The hold to collect business model does not require that financial assets should always be held until their maturity. The group's business model can still be to hold financial assets to collect contractual cash flows, even when sales of financial assets occur. There is a specific exception where financial assets are sold as a result of an increase in the assets' credit risk

The following would not be consistent with the hold to collect business model:

- a) The objective for managing the debt investments is to realise cash flows through sale;
- b) The performance of the debt investment is evaluated on a fair value basis; or
- c) A portfolio of assets that meets the definition of held for trading.

The financial assets are accounted for using the effective interest method with interest income recognised in profit or loss. These assets are also subject to impairment losses recognised in profit or loss.

#### The SPPI contractual cash flow characteristics test

The second condition for a financial asset to qualify for amortised cost classification is that the financial asset must meet the SPPI contractual cash flow characteristics test.

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Accounting Policies

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### 1.4 Financial instruments (continued)

The group considers contractual cash flows to be SPPI if the contractual terms of the financial asset only give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates (i.e. the contractual cash flows are consistent with a basic lending arrangement).

Principal is the fair value of the financial asset at initial recognition, which may be different from the contractually stated principal (e.g. a bond that is purchased or originated at a premium or discount).

#### Debt instruments measured at fair value through comprehensive income (FVOCI)

The group applies the new category under IFRS 9 of debt instruments measured at fair value through comprehensive income (FVOCI) when both of the following conditions are met:

- a) The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- b) The contractual terms of the financial asset meet the SPPI (solely payments of principal and interest) criterion.

This business model typically involves greater frequency and volume of sales than the hold to collect business model. Integral to this business model is an intention to sell the instrument before the investment matures. Under this new FVOCI category, fair value changes are recognised in OCI while dividends are recognised in profit or loss (unless they clearly represent a recovery of part of the cost of the investment).

The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The accounting requirements for debt instruments classified as FVOCI are:

- a) Interest income is recognised in profit or loss using the effective interest rate method that is applied to financial assets measured at amortised cost;
- b) Foreign exchange gains and losses on the amortised cost are recognised in profit or loss;
- c) Credit impairment losses/reversals are recognised in profit or loss using the same credit impairment methodology as for financial assets measured at amortised cost;
- d) Other changes in the carrying amount on remeasurement to fair value are recognised in OCI;
- e) The cumulative fair value gain or loss recognised in OCI is recycled from OCI to profit or loss when the related financial asset is derecognised.

#### Equity investments at FVOCI

IFRS 9 requires all equity investments to be measured at fair value.

The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

Financial assets measured at fair value through profit or loss (FVTPL) - held for trading

Fair value through profit or loss (FVTPL) is the residual category in IFRS 9. A financial asset is classified and measured at FVTPL if the financial asset is:

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Accounting Policies

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### 1.4 Financial instruments (continued)

- a) a held-for-trading financial asset;
- b) a debt instrument that does not qualify to be measured at amortised cost or FVOCI; and
- c) an equity investment which the entity has not elected to classify as at FVOCI.

The group only designates an instrument at FVTPL upon initial recognition when one of the following criteria is met:

- a) the designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or
- b) the liabilities are part of a group of financial liabilities, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- c) the liabilities containing one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract or it is clear with little or no analysis that separation is prohibited.

Dividend income from equity instruments measured at FVTPL is recorded in profit or loss as other operating income when the right to the payment has been established.

#### Classification and measurement of financial liabilities

Financial liabilities are classified as either:

- a) Financial liabilities at amortised cost; or
- b) Financial liabilities as at fair value through profit or loss (FVTPL).

#### Financial liabilities measured at amortised cost

Financial liabilities are measured at amortised cost unless either:

- a) The financial liability is held for trading and is therefore required to be measured at FVTPL (e.g. derivatives not designated in a hedging relationship); or
- b) The entity elects to measure the financial liability at FVTPL (using the fair value option).

For financial liabilities to be measured at amortised cost, the group analyses the financial liabilities to determine whether they contain any embedded derivatives that are required to be accounted for separately at FVTPL. The group measures financial liabilities at amortised cost.

#### Financial liabilities designated at fair value through profit or loss

The group may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss when it contains embedded derivatives or it is a group of financial liabilities and its performance is evaluated on a fair value.

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

#### Impairment of financial assets

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as exposure varies with changes in market conditions, expected cashflows and the passage of time. The group measures credit risk using the Expected Credit Loss (ECL) model which is a discounted product of probability of default (PD), exposure at default (EAD), loss given default (LGD). This ensures earlier recognition of provisions as loss allowances are recognised at inception to cover future losses regardless of whether a credit event has occurred or not. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss (Lifetime ECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months expected credit loss (12-month ECL).

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Accounting Policies

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### 1.4 Financial instruments (continued)

The 12-month ECL is the portion of Lifetime ECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both Lifetime ECL and 12-month ECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

Based on the above process, the group categorised its loans into Stage 1, Stage 2 and Stage 3 in calculating the credit loss of the financial instruments, as described below:

#### Group categories of loans and advances

**Stage 1:** When loans are first recognised, the group recognises an allowance based on 12-month ECLs.

**Stage 2:** IFRS 9 proposes a 30 day past due as the maximum level of account delinquency permissible for Stage 1 provisioning – beyond 30 days, the loan accounts provisions are to be categorised as Stage 2 or Stage 3.

When a loan has shown a significant increase in credit risk since origination, the group records an allowance for the lifetime ECL. If a significant increase in credit risk (SICR) from the date of origination has occurred and is not considered low, full lifetime expected credit losses are recognised in profit or loss. Accounts having undergone SICR have provisions categorised under Stage 2. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

**Stage 3:** These are loans that are considered credit-impaired. The group records an allowance for the Lifetime ECL. Stage 3 consist of provisions on accounts whereas the credit risk of a financial asset increases to the point that it is considered credit-impaired, interest revenue is calculated based on the amortised cost (i.e. the gross carrying amount less the loss allowance). The group adopts 90 days past due as the minimum level of delinquency permissible for an account to be classified as default.

The group calculates ECLs based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an effective interest rate (EIR). The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

#### Probability of Default (PD)

This is an estimate of the likelihood of a borrower defaulting on its financial obligation as per the definition of default either over a given time horizon after the reporting date. The probability of default is calculated using historical data of defaults. This can be either over the next 12 months (12-month PD) or over the remaining lifetime of the obligation (Lifetime PD).

#### Exposure at Default (EAD)

The EAD is an estimate of the exposure at a future default date, considering expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities. The EAD is based on the amounts that the group expects to be owed at the time of default, over the next 12 months (12-month EAD) or over the remaining contractual lifetime (Lifetime EAD).

#### Loss Given Default (LGD)

The Loss Given Default is an estimate of the loss arising on default. It represents the group's expectation of the extent of loss on a defaulted exposure. It is based on the contractual cash flows that the group expects to receive as recoveries. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). The LGD is calculated on a 12-month or lifetime basis if default occurs in the next 12 months or over the remaining expected lifetime of the loan respectively.

When estimating the ECLs, the group incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

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

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Accounting Policies

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### 1.4 Financial instruments (continued)

#### Forward looking information

The group's macro-economic model was built using reasonable and supportive information from the Bank of Botswana and the International Monetary Fund (IMF). The macro-economic factors were applied to the PD, EAD and LGD and the group also evaluated how macro-economic influence SICR, stage allocation and the subsequent rolls into different stages.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments are made by the group as temporary adjustments when such differences are significantly material.

#### Loan modification

The group considers a loan restructure when concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the group would not have agreed to them if the borrower had been financially healthy. If an account is restructured when already in arrears, the account is moved into default. Consistent cure probation rules are applied to restructures as in the case of accounts in default.

#### Loan commitments, financial guarantees and other off-balance sheet exposures

The group has two guarantee schemes, CEDA Credit Guarantee Scheme (CCGS) and Supplier Credit Guarantee (SCG). The group estimates the expected portion of the loan commitment that will be drawn down over its expected life. Given the low volumes of data and low exposures, a simplified methodology for impairment calculation is used by the group. For good CCGS accounts and inhouse good accounts the lifetime credit loss is based on the history of claims in the past five years. The balance at the date of the guarantee pay-out can reduce in the case of CCGS due to collections and liquidation by the commercial bank, however the group adopted EAD and LGD of 100%. The participating banks lodge claims with the group for their net loss upon the conclusion of their litigation process and sale of any collateral.

#### Write-off

Write-offs relate to a financial asset in its entirety or to a portion of it where the group has no reasonable prospects of recovering any further cash flows from the financial asset. Post write-off recoveries are excluded from the estimation of the LGDs in calculating the impairment, as they subsequently recognised directly in the profit or loss. No impairment provisions are calculated for accounts that have been written-off.

#### Loans to/ (from) related parties

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

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

#### Loans to directors, managers and employees.

Loans to directors are classified as loans and advances, loans to managers and employees are classified as other assets.

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Accounting Policies

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### 1.4 Financial instruments (continued)

#### Other assets

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

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

Trade and other receivables are classified as other assets.

#### Trade payables and other payables

Trade payables and other payables are initially measured at fair value and are subsequently measured at amortised cost.

#### Other financial liabilities

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

#### Cash and cash equivalents

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

#### Bank overdrafts and borrowings

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

### 1.5 Tax

#### Current tax assets and liabilities

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

#### Deferred tax assets and liabilities

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

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

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Accounting Policies

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### 1.5 Tax (continued)

#### Tax expenses

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

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

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

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

CEDA and CVCF are exempt from income tax. One of the subsidiaries Ta Shebube (Pty) Ltd is not exempt. However the subsidiary has been making successive losses over the years and these losses are available for set off against future profits.

### 1.6 Inventories

Inventories are measured at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

### 1.7 Assets held for sale (disposal groups)

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

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

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

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

### 1.8 Impairment of non-financial assets

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

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

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

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

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

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

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Accounting Policies

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### 1.8 Impairment of non-financial assets (continued)

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

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

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

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

### 1.9 Stated capital and equity

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

Ordinary shares are classified as equity

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

### 1.10 Employee benefits

#### Short-term employee benefits

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

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

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

#### Defined contribution plans

Payments to defined contribution retirement plans are charged as an expense as they fall due.

### 1.11 Provisions and contingencies

Provisions are recognised when:

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

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

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

Provisions are not recognised for future operating losses.

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Accounting Policies

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### 1.11 Provisions and contingencies (continued)

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

A constructive obligation to restructure arises only when an entity:

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 36.

### 1.12 Government grants

Government grants are recognised when there is reasonable assurance that:

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

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

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

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

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

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

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

### 1.13 Revenue from contracts with customers

The group assesses the contract and determines whether the fees identified in the contract are in the scope of IFRS 15. If so, the revenue will be recognised only when the group can:

- a) Identify the contract(s) with a customer.
- b) Identify the performance obligations in the contract.
- c) Determine the transaction price.
- d) Allocate the transaction price to the performance obligations in the contract.

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Accounting Policies

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### 1.13 Revenue from contracts with customers (continued)

e) Recognise revenue when (or as) the entity satisfies a performance obligation.

The group is able to identify the contract when both the client and the group have accepted the terms of the agreement. The contract will also identify all the services (performance obligations) the group will render to the client. Based on this, the transaction price is allocated to each identified performance obligation. The group recognises the revenue once the performance obligation is satisfied, which may occur over time or at a point in time.

### Interest Income

Interest income is recorded in profit or loss using the effective interest rate (EIR) method for all financial instruments measured at amortised cost and financial instruments designated at fair value through profit or loss (FVPL). The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. This method takes into account the expected timing and amount of cash flows. When calculating the effective interest rate, the group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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

### Dividends

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

Dividend income from financial assets classified at fair value through profit or loss is recognised on the last date to register.

### Salvage and subrogation reimbursements

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

### Service fees

When the outcome of a transaction involving rendering of services can be estimated reliably as per IFRS 15, revenue associated with the transaction is recognised with reference to the stage of completion of the transaction at the reporting date. Income is recognised when;

- a) the amount of revenue can be measured reliably;
- b) it is probable that economic benefits associated with the transaction will flow to the company;
- c) the stage of completion of the transaction at the reporting date can be measured reliably; and
- d) the costs incurred for the transaction and costs to completion can be measured reliably.

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

### Recovery of Micro Credit Scheme debts

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

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Accounting Policies

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### 1.13 Revenue from contracts with customers (continued)

#### Guarantee Premiums

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

### 1.14 Cost of sales

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

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

### 1.15 Borrowing costs

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

### 1.16 Translation of foreign currencies

#### Foreign currency transactions

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

At the end of the reporting period:

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

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 consolidated and separate financial statements are recognised in profit or loss in the period in which they arise.

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

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

### 1.17 Guarantee claim expenses

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

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

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

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Accounting Policies

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### 1.18 Financial guarantee contracts

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

Financial guarantees are off balance sheet transactions, call up of the guarantees is taken to profit or loss under other operating expenses. As per the requirements of IFRS 9 an impairment charge is applied on the active guarantees as at year end to account for any possible losses in future.

Outstanding claims payable

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

Impairment for guaranteed contracts

The Agency Agreement defines that a borrower is deemed to be in default on a loan, if they fail to meet their scheduled payment obligations for four consecutive months before a participating bank can submit a claim under the scheme. In compliance with IFRS 9 requirement, the group also uses the simplified method to compute impairment on performing financial guarantees. Under this method the group measures the loss allowance at an amount equal to lifetime expected credit losses.

A staging assessment is done to classified account exposures into the respective performing, under-performing and non-performing stages;

Stage 1 – Current

Stage 2 – Bank has indicated the intention to claim (applies to CEDA Credit guarantees Scheme (CCGS) only)

Stage 3 – Guarantee has been claimed

The Exposure at Default (EAD) and Loss given Default (LGD) are taken as 100% for stages 2 and 3. The participating banks lodge claims with the group for their net loss upon the conclusion of their litigation process and sale of any collateral. For good CCGS accounts and inhouse guarantees a lifetime loss is adopted based on the history of claims for the past 5 years.

### 1.19 Assets (disposal groups) held for sale or distribution to owners

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

Assets (or disposal groups) held for sale (distribution to owners) are measured at the lower of their carrying amount and fair value less costs to sell (distribute).

Asset is not depreciated (or amortised) while it is classified as held for sale (held for distribution to owners), or while it is part of a disposal group classified as such.

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

No impairment loss is allocated to inventories or financial assets, which continue to be measured in accordance with the Group's other accounting policies. An non-current asset/disposal group that ceases to be classified as held for sale or as held for distribution to owners are measured at the lower of:

- its carrying amount before it was classified as held for sale or as held for distribution to owners, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset/disposal group not been classified as held for sale or as held for distribution to owners; and
- its recoverable amount measured under IAS 36 at the date of the decision not to sell or distribute.

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Accounting Policies

### 1.20. Changes in accounting policy

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

#### IFRS 16 Leases (Post 1 April 2019)

The group has adopted all the requirements of IFRS 16 effective 1 April 2019 (initial application). IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported in terms of IAS 17 and IFRIC 4: Determining whether an arrangement contains a lease. The group adjusted the accrued operating lease liability recognized on the statement of financial position immediately before the date of initial application against the lease asset.

The group elected the practical expedient to apply IFRS 16 only to contracts that were previously identified as leases, excluded initial direct costs from the measurement of right-of-use assets at the date of initial application and applied a single discount rate to a portfolio of leases with similar characteristics.

In the application of this model, the group has recognized the following at the date of initial application (unless the lease term is shorter than 12 months or the underlying asset is of low value):

- A lease liability for all leases previously classified as operating leases, measured at the present value of the remaining lease payments, discounted using the applicable entity's incremental borrowing rate at the date of initial application; and
- A right-of-use asset, measured retrospectively, using the applicable borrowing rate at the date of initial application.

The group recognizes a right-of-use asset and a lease liability at the commencement date of the contract for all leases conveying the right to control the use of identified assets for a specific period. The commencement date is the date on which a lessor makes an underlying asset available for use to the lessee.

The right-of-use assets are initially measured at cost, which comprises the amount of initial measurement of the lease liability adjusted for:

- any lease payments made at or before the commencement date.
- plus any initial direct costs incurred by the lessee;
- plus an estimate of costs to be incurred by the lessee in dismantling and removing the underlying assets or restoring the site on which the asset is located; and
- any lease incentives.
- The group has used the following practical expedients when applying the cumulative catch up approach to lease previous classified as operating leases applying IAS 17.
- The group has applied a single discount rate to a portfolio with reasonably similar characteristics. The group has adjusted the right-of-use asset at the date initial application by the deferred lease balances previously recognised under IAS 17 Leases.
- The group has elected not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application
- The group has excluded initial direct costs from the measurement of the right-of-use assets and lease liabilities to leases which the lease term ends within 12 months of the date of initial application.
- The group has used hindsight when determining the lease term where the contracts contained option to extend or terminate the lease.

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Accounting Policies

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### 1.20. Changes in accounting policy (continued)

#### IFRS 16: Leases (Post 1 April 2019) (continued)

Subsequent to initial measurement, the right-of-use assets are depreciated from the commencement date using the straight-line method over the shorter of the estimated useful lives of the right-of-use assets or the end of the lease term.

However, if the lease transfers ownership of the underlying asset or the cost of the right of use asset reflect that the group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement of the lease. The right-of-use assets are depreciated over the lease period.

Right-of-use Asset	Useful Life
Buildings	Lease period
Equipment	Lease period

After the commencement date, the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses adjusted for any re-measurement of the lease liability.

The incremental borrowing rate applied to determine the lease liability recognized on 1 April 2019 was 9.75%.

#### Impact of adopting IFRS 16 on the financial statements

The adoption of IFRS 16 resulted in the group recognizing fifteen leases for concessions of land and buildings on 1 April 2019. These were previously treated as operating leases in terms of IAS 17. On 1 April 2019, the previously recognized equalization of operating lease liabilities in terms of IAS 17 was derecognized from trade and other payables. On transition leases were recognized using the modified retrospective approach.

When measuring the right-of-use asset, set the right-of-use at an amount equal to the lease liability and thus the equalization of operating lease liabilities in terms of IAS 17 is set off against the right-of-use asset.

The group presents the right-of-use asset separately under Assets and the Lease Liability separately under Liabilities.

The group applies the short term lease recognition exemption to the short term leases of property (leases less than 12 months from the commencement date). The group also applies the lease recognition exemption on leases for office equipment considered to be of low value.

#### IAS 17: Leases (Comparatives)

Leases in which a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight line basis over the period of the lease. The group recognises the lease payments associated with these leases as an expense on a straight line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted. Any contingent rents are expensed in the period they are incurred.

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Accounting Policies

### 1.20. Changes in accounting policy (continued)

#### Impact of adopting IFRS 16 on the financial statements (continued)

The following table summarizes the impact of adopting IFRS 16 as at 1 April 2019:

Figures in Pula	Group	Company
Operating lease commitments as at 31 March 2019	101,683,495	101,417,526
Effecting of discounting lease commitments at an annual rate of 9.75%	(33,123,365)	(33,100,179)
Lease liability recognized on the statement of financial position as at 1 April 2019	<b>68,560,130</b>	<b>68,317,347</b>
Current portion	5,123,575	5,105,682
Long term portion	68,436,555	63,211,665
	<b>68,560,130</b>	<b>68,317,347</b>

#### Group

The right-of-use asset recognized on 1 April 2019 was P67,134,638 which is equal to the lease liability recognized of P68,560,130 less straight-line lease adjustment of P1,425,492 for operating leases as at 1 April 2019.

#### Company

The right-of-use asset recognized on 1 April 2019 was P66,891,855 which is equal to the lease liability recognized of P68,317,347 less straight-line lease adjustment of P1,425,492 for operating leases as at 1 April 2019.

#### Determining the lease term of contracts with renewal and termination options – group as lessee

The group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The group has several lease contracts that include extension and termination options. The group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g. construction of significant leasehold improvements or significant customisation to the leased asset).

The group included the renewal period as part of the lease term for leases except leases for motor vehicles since it typically leases motor vehicles for not more than five years and hence is not exercising any renewal options. The group typically exercises its option to renew for these leases because there will be a significant negative effect on operations if a replacement asset is not readily available.

Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain to be exercised.

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Accounting Policies

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### 2. New Standards and Interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the group has adopted the following standards and interpretations that are effective for the current financial year:

Standard/ Interpretation:	Effective date: Years beginning on or after	Impact:
• Plan Amendment, Curtailment or Settlement - Amendments to IAS 19	01 January 2019	No material impact.
• Long-term Interests in Joint Ventures and Associates - Amendments to IAS 28	01 January 2019	No material impact.
• Prepayment Features with Negative Compensation - Amendment to IFRS 9	01 January 2019	No material impact.
• Amendments to IFRS 3 Business Combinations: Annual Improvements to IFRS 2015 - 2017 cycle	01 January 2019	No material impact.
• Amendments to IFRS 11 Joint Arrangements: Annual Improvements to IFRS 2015 - 2017 cycle	01 January 2019	No material impact.
• Amendments to IAS 12 Income Taxes: Annual Improvements to IFRS 2015 - 2017 cycle	01 January 2019	No material impact.
• Amendments to IAS 23 Borrowing Costs: Annual Improvements to IFRS 2015 - 2017 cycle	01 January 2019	No material impact.
• Uncertainty over Income Tax Treatments	01 January 2019	No material impact.
• IFRS 16 Leases	01 January 2019	No material impact. The impact of the standard is set out in note 1.20 Changes in accounting policy.

#### 2.2 Standards and Interpretations not yet effective

The following new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2020 and have not been applied in preparing these financial statements.

##### Amendments to References to Conceptual Framework in IFRS Standards

The IASB decided to revise the Conceptual Framework because certain important issues were not covered and certain guidance was unclear or out of date. The revised Conceptual Framework, issued by the IASB in March 2018, includes:

- A new chapter on measurement;
- Guidance on reporting financial performance;
- Improved definitions of an asset and a liability, and guidance supporting these definitions; and
- Clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The IASB also updated references to the Conceptual Framework in IFRS Standards by issuing Amendments to References to the Conceptual Framework in IFRS Standards. This was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction.

Although this is expected to be rare, some companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Accounting Policies

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### 2. New Standards and Interpretations (continued)

#### Definition of a Business (Amendments to IFRS 3)

Defining a business is important because the financial reporting requirements for the acquisition of a business are different from the requirements for the purchase of a group of assets that does not constitute a business. The proposed amendments are intended to provide entities with clearer application guidance to help distinguish between a business and a group of assets when applying IFRS 3.

In October 2018 the IASB issued this amendment to make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets. The amendments:

- Confirm that a business must include inputs and a process, and clarified that: (i) the process must be substantive and (ii) the inputs and process must together significantly contribute to creating outputs.
- Narrow the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and
- Add a test that makes it easier to conclude that the Group has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period. Earlier application is permitted. The amendment is not expected to have any impact on the Group's financial statements.

#### Definition of Material (Amendments to IAS 1 and IAS 8)

The IASB refined its definition of material to make it easier to understand. It is now aligned across IFRS Standards and the Conceptual Framework.

The changes in Definition of Material (Amendments to IAS 1 and IAS 8) all relate to a revised definition of 'material' which is quoted below from the final amendments.

"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The Board has also removed the definition of material omissions or misstatements from IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The amendments are effective from 1 January 2020 but may be applied earlier. The amendment is not expected to have a significant impact on the group's financial statements.

#### Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

Amendments to IFRS 9, IAS 39 and IFRS 7 have now been issued to address uncertainties related to the ongoing reform of InterBank Offered Rates (IBOR). The amendments provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to IBOR reform.

The amendments address issues affecting financial reporting in the period leading up to IBOR reform, are mandatory and apply to all hedging relationships directly affected by uncertainties related to IBOR reform.

The amendments are effective from 1 January 2020. Early application is permitted. The amendments are not expected to have a significant impact on the financial statements of the group.

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Accounting Policies

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### 2. New Standards and Interpretations (continued)

#### 2.2 Standards and Interpretations not yet effective (continued)

##### COVID-19-Related Rent Concessions (Amendments to IFRS 16)

The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The resulting accounting will depend on the details of the rent concession. The practical expedient will only apply if:

- the revised consideration is substantially the same or less than the original consideration;
- the reduction in lease payments relates to payments due on or before 30 June 2021; *(a subsequent amendment released in March 2021 has extended this date to 30 June 2022)* and
- no other substantive changes have been made to the terms of the lease.

Lessees applying the practical expedient are required to disclose:

- that fact, if they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and
- the amount recognised in profit or loss for the reporting period arising from application of the practical expedient.

The original version of the practical expedient was, and remains, optional. However, the subsequent amendment is, in effect, not optional. This is because a lessee that chose to apply the practical expedient introduced by the 2020 amendment would have to consistently apply the extension to similar rent concessions.

The subsequent amendment is applicable retrospectively with the cumulative effect of initially applying it being recognised in opening retained earnings. The disclosure requirements of Paragraph 28(f)1 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors do not apply on initial application of the subsequent amendment. Lessees may need to reverse previous lease modification accounting if a rent concession was ineligible for the original practical expedient under the 2020 amendment but becomes eligible as a result of the extension.

The amendments are effective for periods beginning on or after 1 June 2020 (the subsequent amendment is effective on or after 1 April 2021), with earlier application permitted. A lessee applies the amendments retrospectively and recognises the cumulative effect of initially applying them in the opening retained earnings of the reporting period in which they are first applied.

##### Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Amendments)

Under the detailed rules of IFRS 9 Financial Instruments, modifying a financial contract can require recognition of a significant gain or loss in the income statement. However, the amendments introduce a practical expedient if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 Leases for lessees when accounting for lease modifications required by IBOR reform.

The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting. The following disclosures will also be necessary:

- the nature and extent of risks to which the company is exposed arising from financial instruments subject to IBOR reform and how it manages those risks; and
- the company's progress in completing its transition to alternative benchmark rates and how it is managing that transition.

The amendment apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met.

The amendment is effective for annual periods beginning on or after 1 January 2022. Early adoption is permitted. The standard is not expected to have an impact on the group's financial statements.

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Accounting Policies

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### 2. New Standards and Interpretations (continued)

#### 2.2 Standards and interpretations not yet effective (continued)

##### **Onerous Contracts: Cost of Fulfilling a Contract (Amendments to IAS 37)**

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets, issued by the International Accounting Standards Board, clarify that the 'costs of fulfilling a contract' when assessing whether a contract is onerous comprise both:

- the incremental costs – e.g. direct labour and materials; and
- an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.

The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments will be recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives will not be restated. Earlier application is permitted.

##### **Annual Improvements to IFRS Standards 2018-2020**

IFRS 1 First-time Adoption of International Financial Reporting Standards: The amendment permits a subsidiary (as a first-time adopter of IFRS that applies IFRS later than its parent) that applies IFRS 1.D16(a) to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.

IFRS 9 Financial Instruments: The amendment clarifies that for the purpose of performing the "10 per cent test" for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

IFRS 16 Leases: The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, this example is not clear as to why such payments are not a lease incentive.

IAS 41 Agriculture: The amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13 Fair Value Measurement.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 with earlier application permitted. These standards are not expected to have an impact on the group's financial statements.

##### **Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)**

The amendment prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

Proceeds from selling items before the related item of property, plant and equipment is available for use should be recognised in profit or loss, together with the costs of producing those items. IAS 2 Inventories should be applied in identifying and measuring these production costs.

Companies will therefore need to distinguish between:

- costs associated with producing and selling items before the item of property, plant and equipment is available for use; and
- costs associated with making the item of property, plant and equipment available for its intended use.

Making this allocation of costs may require significant estimation and judgement.

The amendments apply for annual reporting periods beginning on or after 1 April 2022, with earlier application permitted.

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Accounting Policies

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### 2. New Standards and Interpretations (continued)

#### 2.2 Standards and interpretations not yet effective (continued)

##### Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) (continued)

The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments. The standard is not expected to have an impact on the group's financial statements.

##### Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendment has:

- updated IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework;
- added to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination and
- added to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendment is effective for annual periods beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier. The standard is not expected to have an impact on the group's financial statements.

##### Classification of liabilities as current or non-current (Amendments to IAS 1)

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.

There is limited guidance on how to determine whether a right has substance and the assessment may require management to exercise interpretive judgement.

The existing requirement to ignore management's intentions or expectations for settling a liability when determining its classification is unchanged. The amendments are to be applied retrospectively from the effective date and are not expected to have a significant impact on the financial statements of the group.

##### IFRS 17 Insurance Contracts (and its related amendments)

IFRS 17 supersedes IFRS 4 *Insurance Contracts* and aims to increase comparability and transparency about profitability. The new standard introduces a new comprehensive model ("general model") for the recognition and measurement of liabilities arising from insurance contracts. In addition, it includes a simplified approach and modifications to the general measurement model that can be applied in certain circumstances and to specific contracts, such as:

- Reinsurance contracts held;
- Direct participating contracts; and
- Investment contracts with discretionary participation features.

Under the new standard, investment components are excluded from insurance revenue and service expenses. Entities can also choose to present the effect of changes in discount rates and other financial risks in profit or loss or OCI. The new standard includes various new disclosures and requires additional granularity in disclosures to assist users to assess the effects of insurance contracts on the entity's financial statements.

The entity is in the process of determining the impact of IFRS 17 and will provide more detailed disclosure on the impact in future financial statements.

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Accounting Policies

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### 2. New Standards and Interpretations (continued)

#### 2.2 Standards and interpretations not yet effective (continued)

##### IFRS 17 Insurance Contracts (and its related amendments) (continued)

The standard is effective for annual periods beginning on or after 1 April 2023. Early adoption is permitted only if the entity applied IFRS 9. The standard is not expected to have an impact on the group's financial statements.

##### Disclosure Initiative: Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

Making information in financial statements more relevant and less cluttered has been one of the key focus areas for the International Accounting Standards Board (the Board).

The Board has issued amendments to IAS 1 *Presentation of Financial Statements* and an update to IFRS Practice Statement 2 *Making Materiality Judgements* to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed;
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements;
- accounting policy information may be material because of its nature, even if the related amounts are immaterial;
- accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and
- the amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are consistent with the refined definition of material. The amendments are effective from 1 January 2023 but may be applied earlier.

The standard is effective for annual periods beginning on or after 1 January 2023. Early adoption is permitted. The standard is expected to have an impact on the group's financial statements.

##### Definition of accounting estimates (Amendments to IAS 8)

Distinguishing between accounting policies and accounting estimates is important because changes in accounting policies are generally applied retrospectively, while changes in accounting estimates are applied prospectively.

The changes to IAS 8 focus entirely on accounting estimates and clarify the following:

- The definition of a change in accounting estimates is replaced with a definition of accounting estimates.
- Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".
- Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.
- The Board clarified that a change in accounting estimate that results from new information or new developments is not

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Accounting Policies

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### 2. New Standards and Interpretations (continued)

#### 2.2 Standards and interpretations not yet effective (continued)

##### Definition of accounting estimates (Amendments to IAS 8) (continued)

- the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.
- A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

The amendments are effective for periods beginning on or after 1 April 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments. The standard is not expected to have a material impact on the group financial statements.

##### Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendment to IAS 12)

The amendment clarifies that the initial recognition exemption does not apply to transactions that give rise to equal and offsetting temporary differences such as leases and decommissioning obligations. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments. The standard is not expected to have an impact on the group's financial statements.

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Accounting Policies

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### 3. Significant judgements and sources of estimation uncertainty

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

#### Trade receivables and other financial assets

A simplified methodology has been adopted for trade receivables, contract assets and lease receivables, whereas an entity shall always measure the loss allowance at an amount equal to lifetime expected credit losses. Under the simplified approach, the group is not required to monitor significant increase in credit risk. IFRS 9 allows an entity to select its accounting policy in selecting to deploy a simplified or general approach. An entity may select its accounting policy for trade receivables, lease receivables and contract assets independently of each other. The group therefore has chosen to use the simplified method of calculating the expected credit loss.

#### Impairment losses on loans and advances

In measuring credit risk of loan and advances to customers at a counterparty level, the group reflects three components (i) Stage 1; A loss allowance should be recognised as soon as a financial instrument is originated or purchased, whereas 12-month Expected credit loss (ECL) is expected ; (ii) stage 2, it is required to monitor at each reporting date if a significant increase in credit risk (SICR) has occurred since origination whereas a subsequent lifetime ECL should be recognised at that stage. IFRS 9 specify the rebuttable presumption of 30 days past due for the backstop for SICR and (iii) stage 3, once the financial instrument is 90 days past due or more, IFRS 9 terms the financial instrument to be credit-impaired under the rebuttable presumption/backstop. Once credit-impaired, the group raise lifetime ECL loss allowances under this stage.

Measuring Expected Credit Losses – Explanation of inputs, assumptions and estimation techniques

#### Probability of Default (PD)

This is an estimate of the likelihood of a borrower defaulting on its financial obligation as per the definition of default either over a given time horizon after the reporting date. The probability of default is calculated using historical data of defaults. This can be either over the next 12 months (12-month PD) or over the remaining lifetime of the obligation (Lifetime PD).

Two types of PDs are used for calculating ECLs:

- 12-month PDs – This is the estimated probability of default occurring within the next 12 months (or over the remaining life of the financial instrument if that is less than 12 months). This is used to calculate 12-month ECLs.
- Lifetime PDs – This is the estimated probability of a default occurring over the remaining life of the financial instrument. This is used to calculate lifetime ECLs for 'Stage 2' and 'Stage 3' exposures.

#### Exposure at Default (EAD)

The EAD is an estimate of the exposure at a future default date, considering expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities. The EAD is based on the amounts that the group expects to be owed at the time of default, over the next 12 months (12-month EAD) or over the remaining contractual lifetime (Lifetime PAD).

The modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, including:

- Required repayments/amortisation schedule.
- Full early repayment (e.g. early refinancing).
- Monthly overpayments (i.e. payments over and above required repayments but not for the full amount of the loan).
- Changes in utilisation of an undrawn commitment within agreed credit limits in advance of default.

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Accounting Policies

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### Loss given Default (LGD)

The Loss given Default is an estimate of the loss arising on default. It represents the group's expectation of the extent of loss on a defaulted exposure. The LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. It is based the contractual cash flows that the group expects to receive as recoveries, including from sale collateral. LGD is expressed as a percentage loss per unit of exposure at the time of default. The LGD is calculated on a 12 month or lifetime basis where 12-month LGD is the percentage of loss expected to be incurred if default occurs in the next 12 months and the lifetime LGD is the percentage of loss expected to be incurred if default occurs over the remaining expected lifetime of the loan.

The group measures and monitors significant increase in credit risk since origination at each reporting period.

The three stage Expected Credit Losses (ECL) impairment model for loans and advances is described as follows:

#### Stage 1

Impairment provision is recognised as soon as a financial instrument is originated or purchased, whereas 12-month expected credit losses are recognised in profit or loss and a loss allowance. It consists of provisions on accounts that are still within the same level of risk as assumed at loan origination. For financial assets, the group calculates interest revenue on the gross carrying amount (i.e. without deduction for expected credit losses). IFRS 9 proposes a 30 day past due as the maximum level of account delinquency permissible for Stage 1 provisioning – beyond 30 days, the account's provisions are to be categorised as Stage 2 or Stage 3.

#### Stage 2

If a significant increase in credit risk (SICR) from the date of origination has occurred and is not considered low, full lifetime expected credit losses are recognised in profit or loss. Accounts having undergone SICR have provisions categorised under Stage 2. The group monitors at each reporting date if a SICR has occurred since origination whereas a subsequent lifetime ECL is recognised. This is interpreted as lifetime losses on all possible defaults within the remaining life of the loan account. The calculation of interest revenue is on the gross carrying amount (i.e. without deduction for expected credit losses).

#### Significant increase in credit risk (SICR)

At each reporting date, the group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition, using reasonable and supportable information that is available without undue cost or effort. SICR therefore can be established based on qualitative triggers or a quantitative assessment. For quantitative assessment, the group quantifies the relation of credit risk at reporting date to that of origination date in terms of the PD. In addition, the group identifies qualitative triggers that suggest/anticipate an increase in credit risk, such as account-level deterioration, customer-level evaluation, collective product/industry assessments, 30-day past due backstop. If an account is flagged as 30 days past due, the account is moved to Stage 2.

Specific industries/accounts are monitored internally based on subject-matter expertise by the Credit Department. In the event, that a specific industry/account credit risk increases, the industry/accounts will be flagged as stage 2 or stage 3. An account is classified under watch list based on expert judgement when it belongs to an industry or an employer with an unfavourable economic outlook, including strikes, disruptions, and closures.

#### Stage 3

Stage 3 consist of provisions on accounts whereas the credit risk of a financial asset increases to the point that it is considered credit-impaired, interest revenue is calculated based on the amortised cost (i.e. the gross carrying amount less the loss allowance). The group adopted 90 days past due as the maximum level of delinquency permissible for an account to not be classified as default. Once the financial instrument is 90 days past due or more, IFRS 9 terms the financial instrument to be credit-impaired under the rebuttable presumption/backstop. Loans with periodic principal instalments and/or interest repayments where the amount due and payable is not paid in full within 90 days of the instalment/payment due date are credit-impaired and as such the group will raise lifetime ECL loss allowances under Stage 3.

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Accounting Policies

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### 3. Significant judgements and sources of estimation uncertainty (continued)

#### Impairment losses on loans and advances (continued)

##### Definition of default and credit impaired assets

Loans and advances are considered credit impaired if they meet the definition of default. Like the 30-day backstop for SICR, IFRS 9 also presents a 90-day backstop for default events. Default definition has been aligned to the IFRS 9 rebuttable presumption whereas default occur when a financial asset is 90 days past due. A financial asset is credit-impaired therefore when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Credit-impaired assets are accounted and provided for under Stage 3.

The group identifies quantitative triggers that suggest/anticipate an increase in credit risk which influenced the movement of loan accounts to stage 3. Evidence that a financial asset is credit-impaired include observable data about the following events;

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the group for economic or contractual reasons relating to the borrower's financial difficulty, have granted to the borrower a concession(s) that the group would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The group has applied the default definition consistently to model probability of default (PD), exposure at default (EAD), loss given default (LGD) throughout the expected credit losses calculation.

If an account is restructured when already in arrears, the account is moved into default. The group applies consistent cure probation rules to restructures as in the case of defaulted accounts.

##### Summary of credit loss measurement and recognition requirements

Category	Description	Objective criteria
Stage 1	Performing loans	0-30 days loans in arrears, 12-month expected credit loss
Stage 2	Under-performing loans	31-90 days in arrears, lifetime expected credit loss
Stage 3	Non-performing loans	Loans over 91 days in arrears, lifetime expected credit loss

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### Forward looking information incorporated in the ECL Models

IFRS 9 requires that the entity should support its future credit loss estimate with forward looking judgement, in order to adjust expectations where the future may reasonably be expected to be different to the past, (as reflected in the historical data which is used in the loss provision models). This may be achieved through either calculating an adjustment factor for the underlying credit risk models.

The assessment of SICR and ECL provisions incorporate forward-looking adjustment using reasonable and supportive information that is available without undue cost and effort at the reporting date about past events, current conditions and forecasts of future economic conditions to ensure more timely recognition of provisions. This includes measuring significant increase in credit risk since origination at each reporting period and forward-looking adjustments based on future expectations. The group's macro-economic model was built using reasonable and supportive information from the Bank of Botswana and the International Monetary Fund (IMF).

At macro-economic level, the probability weighted ECL is based on 3 different economic scenarios, namely Stress, Normal and Favourable.

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Accounting Policies

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### 3. Significant judgements and sources of estimation uncertainty (continued)

#### Impairment losses on loans and advances (continued)

##### Cure definition

A cure event is identified when an account that have previously been classified as default, as per default definition, no longer meets the criteria to be classified as default. A probation period is introduced in order to manage the volatility in the portfolio provisions for redefaults. A 9-month cure-rule is applied by the group to defaulted accounts to avoid multiple defaults which is in line with international standards. An account will be kept in Stage 3 category for monitoring for 9 consecutive months after a cure event before reverting normal stage allocation as re-performing after defaulting or falling past due.

For this probation period, an account will be monitored to sustain a 9-month consecutive performance whereas an account is not in default or does not lapse back to default. The stage allocation rules associated with this cure probation period is implemented as followed:

- If an account sustains performance for 9-months since default, the account will be moved to Stage 1 in month 10 of performance;
- In the event that the account lapses within the subsequent period, i.e. return to default, the account probation period will be reset.

All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. The reversal of the impairment loss is recognised in profit or loss.

##### Write-offs

Write-off occur when it is not economical to pursue further recoveries i.e. there is no reasonable expectation of recovering the carrying amount of the asset (gross amount less specific impairments raised): As per the accounting policy, a write-off should be recognised when there is no further expectation of future recovery. Post write-off recoveries are excluded from the estimation of the LGDs in calculating the impairment, as they are subsequently recognised directly in the P&L.

Write-offs relate to a financial asset in its entirety or to a portion of it where the group has no reasonable prospects of recovering any further cash flows from the financial asset. There were no write offs effected during 2019/2020. No provisions are calculated for accounts that have been written-off.

A loan may be written off under the following conditions (but not limited to):

- There are no prospects for loan repayment
- The promoter is deceased
- The project is not operating
- All the assets used as security for facilities provided to the project have been disposed off
- Further collection on the project is not cost effective
- Promoter's liability becomes prescribed
- There is inadequate security to pay off a doubtful debt

##### Loss allowance

- The loss allowance recognised in the period is impacted by a variety of factors as described below;
- Transfers between stage 1 and stages 2 and 3 due to financial instruments experiencing significant increase (or decrease) of credit risk or becoming credit impaired during the period;
- Additional allowances for new financial instruments recognised during the period as well as releases for financial instruments derecognised during the period
- Impact on the measurement of ECL due to changes in PDs, EAD and LGDs during the period, arising from regular refreshing of inputs and assumptions to models;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslation for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period as well as write offs of allowances related to assets that were written off during the period.

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Accounting Policies

### Significant judgements and sources of estimation uncertainty (continued)

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

31 March 2020	Existing impairment allowance	Impact on changes in PD		Impact on changes in EAD		Impact on changes in LGD		Impact on changes in Discount Factor	
P'000		(+) 5%	(-) 5%	(+) 5%	(-) 5%	(+) 5%	(-) 5%	(+) 5%	(-) 5%
Stage 1	49,752	42,495	27,842	37,020	33,318	41,404	28,933	36,993	33,344
Stage 2	18,049	15,711	13,514	15,401	13,825	17,204	12,022	15,377	13,845
Stage 3	1,357,984	1,425,111	1,289,385	1,425,111	1,289,385	1,446,423	1,268,073	1,425,111	1,289,385
<b>Total Provision</b>	<b>1,425,785</b>	<b>1,483,317</b>	<b>1,330,741</b>	<b>1,477,532</b>	<b>1,336,528</b>	<b>1,505,031</b>	<b>1,309,028</b>	<b>1,477,481</b>	<b>1,336,574</b>

31 March 2019	Existing impairment allowance	Impact on changes in PD		Impact on changes in EAD		Impact on changes in LGD		Impact on changes in Discount Factor	
P'000		(+) 5%	(-) 5%	(+) 5%	(-) 5%	(+) 5%	(-) 5%	(+) 5%	(-) 5%
Stage 1	38,179	50,047	36,626	45,550	41,123	51,925	34,738	45,587	41,087
Stage 2	33,230	36,151	32,214	36,016	32,349	40,965	27,400	35,965	32,400
Stage 3	1,275,322	1,295,664	1,172,267	1,295,664	1,172,267	1,316,120	1,151,811	1,295,664	1,172,267
<b>Total Provision</b>	<b>1,346,731</b>	<b>1,381,862</b>	<b>1,241,107</b>	<b>1,377,230</b>	<b>1,245,739</b>	<b>1,409,010</b>	<b>1,213,949</b>	<b>1,377,216</b>	<b>1,245,754</b>

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Accounting Policies

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### 3. Significant judgements and sources of estimation uncertainty (continued)

#### Impairment losses on investments

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

#### Revaluation reserve

In assessing the carrying amounts of property, plant and equipment Management has considered the condition of the assets and their life span on an item by item basis in determining fair values. The following methods and assumptions were adopted by the professional valuer and car dealers:

- Land and Buildings: fair values were determined using the market comparable approach.
- Motor vehicles: values were determined using the market value approach.

Refer to note 1.2 and note 36 for more information on the estimates and assumptions used to determine the fair value of property and motor vehicles and note 22 for the carrying amount of property, plant and equipment.

#### Residual values and useful lives of property, plant and equipment

Residual values are based on expected future circumstances measured at current prices. Useful lives are assessed on yearly basis and where it is determined that there is a need to amend, the useful lives are then adjusted.

#### Provisions

Provisions for guarantees represent contingent liabilities (obligations that are not probable or not reliably measurable). Provisions are measured at the best estimate (including risks and uncertainties) of the expenditure required to settle the present obligation. The expected net loss recognised by the group relates to the loss upon the conclusion of the litigation process by the participating banks.

Provisions are raised when management determine an estimate based on the information available. Provisions for Guarantees as at year end were P24,422,416 (2019: 20,875,865) (note 30). The net loss is unknown until a final claim is submitted by the bank.

#### Fair value of investment in subsidiaries and associates

The carrying value of the company's investments in subsidiaries and associates amounted to P64 million (2019: P65 million) at the reporting date. The company assesses its investment in subsidiaries and associates whenever circumstances may indicate the presence of impairment indicators. The value of the investments is determined using generally accepted valuation methods that are based on overall strategic business models and the current financial position and past performance of these subsidiaries and associates.

Management compares the carrying values of the investments in subsidiaries and associates with the respective net asset values per the financial statements. Management also takes into consideration information available at the reporting date which may have contributed to the current performance or which is expected to improve future performance of the subsidiaries and associates. The assessment of these investments for impairment therefore requires the application of judgment and the use of significant assumptions in determining future profitability and the current value of assets held by the subsidiaries and associates.

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Accounting Policies

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### 4. Reclassifications

#### (a) Effective interest income impairment adjustment- prior year

Impairment provisions relating to adjustment on effective interest income were historically reported under the loans and advances gross amount. With effect from the current financial year, this is reported as part of impairment provision as the impairment relating to adjustment on effective interest income is directly attributable or incremental to the impairment provision and not the loans and advances gross amount. The effective interest income impairment adjustment as at 31 March 2019 amounted to P19 320 368. This change in presentation had no impact on the profit or loss and only affected presentation of items within net loans and advances.

#### (b) Adjustment on stage 3 effective interest income

The adjustment on stage 3 effective interest income was historically reported within the line item 'Impairment (charge)/release on loans and advances' under the (charge)/release for impairment. With effect from the current financial year, the amount has been separately reported under the line item 'Adjustment on stage 3 effective interest income' as part of the (charge)/release for impairment. This disclosure better reflects the treatment of stage 3 effective interest income impairment adjustment. This change in presentation had no impact on the profit or loss and only affected presentation of items within the impairment (charge)/release on loans and advances.

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Notes to the Group Financial Statements

	Group		Company	
Figures in Pula	2020	2019	2020	2019

### 5. Revenue

The amount included in revenue arising from exchanges of goods or services are as follows:

Interest income	77,697,718	85,758,637	77,554,854	85,514,630
Interest from associates	883,880	803,706	883,880	803,706
Gross premiums - Credit Guarantee Scheme	110,533	233,717	110,532	233,717
Lodging	4,019,513	4,176,268	-	-
Game drive and bar sales	101,428	86,050	-	-
	<b>82,813,072</b>	<b>91,058,378</b>	<b>78,549,266</b>	<b>86,552,053</b>

#### 5.1. Interest Income

Interest from advances	46,106,394	61,473,622	46,106,394	61,473,622
Interest from staff loans	19,204,833	13,629,464	19,204,833	13,629,464
Interest from short term investments	12,386,491	10,655,551	12,243,627	10,411,544
	<b>77,697,718</b>	<b>85,758,637</b>	<b>77,554,854</b>	<b>85,514,630</b>

### 6. Cost of sales

Sale of goods	539,614	711,410	-	-
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### 7. Government Grants

Funds received from Government - CEDA	285,814,780	274,314,780	285,814,780	274,314,780
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### 8. Other operating income

Other income	(548,920)	2,064,786	(606,292)	1,242,036
Profit on disposal of plant and equipment	19,680	334,102	19,680	334,102
Legal and hypothecation fees	2,211,239	1,927,949	2,211,239	1,927,949
Bad debt recovery	1,973,806	396,327	1,973,806	396,327
	<b>3,655,805</b>	<b>4,723,164</b>	<b>3,598,433</b>	<b>3,900,414</b>

### 9. Operating expenses

Auditor's remuneration	2,427,531	1,773,355	2,421,931	1,767,755
Depreciation of property, plant and equipment	11,621,518	11,829,251	9,521,964	9,417,068
Depreciation of right of use asset	9,329,959	-	9,316,804	-
Amortisation of intangible asset	182,743	13,888	182,743	13,888
Directors' emoluments	194,200	167,400	194,200	167,400
Mentoring expenses	3,739,747	2,434,052	3,739,747	2,434,052
Consultancy fees	8,417,981	4,890,287	7,986,491	4,559,831
Operating leases	1,905,922	12,292,387	1,531,963	11,835,619
Security expenses	2,072,767	2,183,963	2,072,767	2,183,967
Computer and IT support costs	7,982,770	6,311,568	7,969,650	6,298,583
Postage and telephone	2,583,300	2,409,555	2,480,645	2,396,279
Legal costs	6,066,397	5,777,664	6,066,397	5,777,664
Public relation expenses	12,114,921	8,945,604	12,114,921	8,902,428
Training expenses	397,811	159,104	396,911	159,104
ACGS Insurance	4,349,503	4,717,048	4,349,503	4,717,048
Insurance	1,862,553	2,063,069	1,674,894	1,893,939
Strategy	3,146,571	1,125,594	3,146,571	1,125,594
Due diligence expense	160,588	56,080	160,588	56,080

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Notes to the Group Financial Statements

	Group		Company	
Figures in Pula	2020	2019	2020	2019
Printing and stationery	1,235,686	1,267,357	1,219,262	1,240,593
Other administration expenses	16,165,071	14,227,239	14,908,983	12,869,798
	<b>95,957,539</b>	<b>82,644,465</b>	<b>91,456,935</b>	<b>77,816,690</b>

### 10. Staff expenses

#### Employee costs

Salaries and wages	100,422,651	101,396,358	99,141,492	99,889,788
Medical aid contributions	6,949,226	6,005,718	6,948,206	6,005,718
Staff travelling and other expenses	14,462,311	11,274,456	14,444,083	11,274,456
Leave pay provision charge	3,560,806	4,179,585	3,556,599	4,179,585
Staff training costs	7,735,430	7,163,829	7,735,430	7,163,829
Pension scheme contributions	9,863,158	9,372,377	9,863,158	9,372,377
Gratuity	9,446,770	8,728,948	9,363,711	8,728,948
	<b>152,440,352</b>	<b>148,121,271</b>	<b>151,052,679</b>	<b>146,614,701</b>

### 11. (Loss) / Gain on valuation of other financial assets

Gains on valuation of Norsad Finance Limited	3,252,627	2,248,484	3,252,627	2,248,484
Loss on valuation of United Refineries Pty Ltd	(10,498,593)	-	(10,498,593)	-
	<b>(7,245,966)</b>	<b>2,248,484</b>	<b>(7,245,966)</b>	<b>2,248,484</b>

### 12. (Charge)/Release for impairment

Impairment (charge)/release on loans and advances (note 16.1)	(59,733,207)	71,599,531	(59,733,207)	71,599,531
Adjustment on stage 3 effective interest income (note 4(b))	34,516,915	-	34,516,915	-
Staff loan impairment release	-	10,883,217	-	10,883,217
Impairment release on investments in subsidiaries (note 12.1)	-	-	346,564	470,457
Impairment release/(charge) on investment in associates (note 12.2)	-	1,312,379	(4,036,122)	2,593,184
Loan write off	(60,577)	-	(60,577)	-
Impairment charge on other receivables (note 12.3)	(2,456,230)	(2,136,662)	(2,566,481)	(2,741,249)
	<b>(27,733,099)</b>	<b>81,658,465</b>	<b>(31,532,908)</b>	<b>82,805,140</b>

#### 12.1 Impairment of investment in subsidiary:

CEDA Venture Capital Fund	-	-	346,564	470,457
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#### 12.2 Impairment of investment in associate

Africa Wild Lodges and Safaris Pty Ltd	-	1,312,379	4,036,122	2,593,184
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#### 12.3 Impairment of other receivables

Staff loans impairment charge	(1,146,276)	(6,225,904)	(1,146,276)	(6,225,904)
Outsourced staff loans impairment release (charge)	183,075	(841,165)	183,075	(841,165)
CVCF Receivable impairment (charge)/release	-	1,209,175	(110,251)	604,588
Africa Wild Lodges and Safaris accrued interest impairment (charge)/release	(1,493,029)	517,842	(1,493,029)	517,842
Impairment release of other assets	-	3,203,390	-	3,203,390
	<b>(2,456,230)</b>	<b>(2,136,662)</b>	<b>(2,566,481)</b>	<b>(2,741,249)</b>

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Notes to the Group Financial Statements

	Group		Company	
Figures in Pula	2020	2019	2020	2019

### 13. Gain/(loss) from equity accounted investments

Africa Wild Lodges and Safaris Pty Ltd	(2,825,119)	(1,380,688)	-	-
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### 14. Finance costs

Lease liabilities	6,178,693	-	6,177,494	-
Finance leases	70,837	40,359	70,837	33,493
Interest expense	1,089,900	338,301	1,067,668	338,301
<b>Total finance costs</b>	<b>7,339,430</b>	<b>378,660</b>	<b>7,315,999</b>	<b>371,794</b>

### 15. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	15,000	15,000	15,000	15,000
Bank balances	38,971,440	48,507,039	38,807,468	48,205,230
Short-term deposits	380,917,410	296,139,209	321,421,922	236,777,337
	<b>419,903,850</b>	<b>344,661,248</b>	<b>360,244,390</b>	<b>284,997,567</b>

Short term deposit represent amounts placed with commercial banks bearing interest rates of 4% per annum (2019:4.0%). All deposits are callable within three months. Cash and cash equivalents include the above for purposes of the statements of cash flows.

### 16. Loans and advances

Loans and advances	1,035,799,983	1,043,835,412	1,035,799,983	1,043,835,412
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The loans have been advanced for a period up to 180 months. Interest on advances is charged at 5% per annum on loans up to P500 000 and 7.5% on loans above P500 000 to P4 million and prime rate for loans above P4 million to P30 million (note 16.2)

	<b>1,035,799,983</b>	<b>1,043,835,412</b>	<b>1,035,799,983</b>	<b>1,043,835,412</b>
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There were no changes in loan interest rates during the year. The group holds mortgages, hypothecation over financed assets and personal sureties as security over the loans advanced (note 36).

#### 16.1. Reconciliation of provision for impairment of loans and advances

Opening balance	(1,346,731,040)	(786,685,173)	(1,346,731,040)	(786,685,173)
Adoption of IFRS 9 impairment loans and advances	-	(642,568,000)	-	(642,568,000)
Adoption of IFRS 9 impairment ex-employees	-	39,385	-	39,385
Effective interest impairment adjustment-prior year (note 4(a))	(19,320,368)	-	(19,320,368)	-
(Impairment) / release of provision loans and advances	(59,733,207)	71,599,531	(59,733,207)	71,599,531
Release of ex-employees impairment	-	10,883,217	-	10,883,217
	<b>(1,425,784,615)</b>	<b>(1,346,731,040)</b>	<b>(1,425,784,615)</b>	<b>(1,346,731,040)</b>

#### 16.2. Loans and advances

Loans and advances	2,461,584,598	2,390,566,452	2,461,584,598	2,390,566,452
Impairment provision (note 16.1)	(1,425,784,615)	(1,346,731,040)	(1,425,784,615)	(1,346,731,040)
	<b>1,035,799,983</b>	<b>1,043,835,412</b>	<b>1,035,799,983</b>	<b>1,043,835,412</b>

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Notes to the Group Financial Statements

	Group		Company	
Figures in Pula	2020	2019	2020	2019
<b>17. Other assets</b>				
Trade receivables	-	92,001	-	-
Staff loans	184,840,182	159,782,002	184,840,182	159,782,002
Prepayment	4,223,888	27,654,795	4,223,888	27,654,795
Deposits	1,041,038	1,294,211	1,040,038	1,287,211
Receivables from related parties (note 34)	20,294,764	19,319,577	27,683,395	26,597,958
Other receivables	51,859,011	33,862,803	51,808,689	33,841,880
Impairment of other assets (note 17.1)	(30,731,212)	(28,274,983)	(38,119,843)	(35,553,363)
	<b>231,527,671</b>	<b>213,730,406</b>	<b>231,476,349</b>	<b>213,610,483</b>

The directors consider the carrying amount of other assets to approximate their fair values. Short term for staff loans amounts to P 19 929 434 ( 2019: P 20 361 066) while long term portion is P 164 910 748 ( 2019: P 139 420 936). The net of related party receivables and impairment for both group and company is nil ( 2019: P 517 842).

### Analysis of other assets

Financial assets	227,303,783	186,075,611	227,252,461	185,955,688
Non-financial assets	4,223,888	27,654,795	4,223,888	27,654,795
	<b>231,527,671</b>	<b>213,730,406</b>	<b>231,476,349</b>	<b>213,610,483</b>

### 17.1. Impairment of other assets

Opening balance	(28,274,983)	(24,353,233)	(35,553,363)	(31,027,026)
Day 1 adjustment of financial guarantees	-	(4,677,387)	-	(4,677,387)
Ta Shebube accrued interest impairment reclassification	-	2,892,299	-	2,892,299
Africa Wild Lodges and Safaris accrued interest impairment	(1,493,029)	-	(1,493,029)	-
Recovery of associate investment impairment	-	517,842	-	517,842
Staff loans impairment	(1,146,276)	(6,225,904)	(1,146,276)	(6,225,904)
Outsourced staff loans impairment	183,076	(841,165)	183,076	(841,165)
Write off of other assets	-	3,807,978	(110,251)	3,807,978
Elimination of related party receivable impairment	-	604,587	-	-
	<b>(30,731,212)</b>	<b>(28,274,983)</b>	<b>(38,119,843)</b>	<b>(35,553,363)</b>

### 18. Other financial assets

#### At fair value through profit or loss - designated

Ordinary shares in Norsad Finance Limited	21,944,004	21,897,973	21,944,004	21,897,973
Preference shares in Norsad Finance Limited	18,185,932	14,979,337	18,185,932	14,979,337
Investment in United Refineries Pty Ltd	-	10,498,593	-	10,498,593
	<b>40,129,936</b>	<b>47,375,903</b>	<b>40,129,936</b>	<b>47,375,903</b>

### 18.1. Other financial assets movements

#### At fair value through profit or loss designated

Opening balance Norsad Finance Limited	36,877,309	34,628,827	36,877,309	34,628,826
Valuation gain/(loss) - Norsad Finance Limited	3,252,627	2,248,483	3,252,627	2,248,484
Opening balance United Refineries (Pty) Ltd	10,498,593	10,498,593	10,498,593	10,498,593
Valuation loss - United Refineries (Pty) Ltd	(10,498,593)	-	(10,498,593)	-
	<b>40,129,936</b>	<b>47,375,903</b>	<b>40,129,936</b>	<b>47,375,903</b>

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Notes to the Group Financial Statements

	Group		Company	
Figures in Pula	2020	2019	2020	2019

### 18. Other financial assets (continued)

#### Fair value of other financial assets

Disclosure of valuation determination

The group holds an effective 3.68% shareholding in Norsad Finance, comprising of ordinary and preference shares in Norsad Finance Limited, a company involved in finance of viable business operations. The fair value of the group's investments in the company is P40 129 936 (2019: P36 877 310). The group holds 18% in United Refineries Pty Ltd a company dealing in refinement of cooking oil, the fair value of the investment is nil (2019: P10 498 592). The full impairment on United Refineries is on account of prolonged litigation, changes in liquidation managers and loss in value of the mortgaged property.

### 19. Investment in subsidiaries

#### 19.1. Interests in subsidiaries

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

#### Group

Name of company	Held by	% voting power 2020	% voting power 2019	% holding 2020	% holding 2019
CEDA Venture Capital Fund	CEDA	100.00 %	100.00 %	100.00 %	100.00 %
PG Industries (Botswana) Pty Ltd	CEDA Venture Capital Fund	51.00 %	51.00 %	51.00 %	51.00 %
Ta Shebube Pty Ltd	CEDA	87.00 %	87.00 %	87.00 %	87.00 %

#### CEDA Venture Capital Fund (CVCF)

CEDA Venture Capital Fund is a company limited by guarantee and wholly owned by CEDA. The Fund was initially set up for a 10 year period and upon completion of this initial period CEDA decided to not extend the life of Fund, therefore the Fund has been dormant since 2013. There is a dispute between the former asset manager and CVCF, the matter is before arbitration, the arbitrator has set the arbitration rules. Part of the rules oblige CVCF to file and deliver all the documents in support of its claim. Almost all the documents have been delivered to the attorneys for onward transmission to the arbitrator. The Attorneys are in discussions with the CEDA Advocate to explain to him how each document proves our respective claims. Once this has been finalised, CEDA will lodge the documents with the Arbitrator and VPB will be obliged to file its defence culminating in setting dates for the arbitration.

#### PG Industries (Botswana) Pty Ltd

On 31 December 2007 PG Industries Botswana Pty Ltd ("PGIB") and Builders Merchants (Botswana) Pty Ltd ("BMB") were amalgamated to create a single business called PG Industries Botswana Pty Ltd. The amalgamation was by way of issuing shares to the existing shareholders of BMB. In previous periods the Fund's 400 000 preference shares valued at P4 million were converted into 2 797 203 fully paid up ordinary shares at an issue value of P1.43 per share. This was as a result of PG Industries (Botswana) Pty Ltd undertaking a non-underwritten rights issue of shares. Subsequent to this the group now holds 13 156 236 shares representing 51% shareholding. PG Industries (Botswana) Pty Ltd was placed under liquidation on 8 May 2014 and hence is classified as held for sale/distribution. Management do not expect any liquidation proceeds and hence the investment was fully impaired.

#### Ta Shebube Pty Ltd

CEDA had a 49% equity stake in the company in November 2011 and treated Ta Shebube as an associate. During the 2016 financial year 22 471 909 preference shares of P1.00 each together with the accrued interest thereon of P2 892 299 were converted to equity and this resulted in the increase of the CEDA shareholding to 87% from September 2015. As from that date Ta Shebube Pty Ltd has been consolidated as a subsidiary of CEDA. The investment is fully impaired.

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Notes to the Group Financial Statements

	Group		Company	
Figures in Pula	2020	2019	2020	2019

### 19. Investment in subsidiaries (continued)

#### Company

Name of company	Held by	% voting power 2020	% voting power 2019	% holding 2020	% holding 2019	Carrying amount 2020	Carrying amount 2019
CEDA Venture Capital	CEDA	100.00 %	100.00 %	100.00 %	100.00 %	184,000,000	184,000,000
Ta Shebube Pty Ltd		87.00 %	87.00 %	87.00 %	87.00 %	26,741,720	23,849,421
Transfer of Ta Shebube interest from other assets		- %	- %	- %	- %	-	2,892,299
						210,741,720	210,741,720
Impairment of investment in subsidiaries		- %	- %	- %	- %	(151,174,058)	(151,520,622)
						59,567,662	59,221,098

### 19.2. Provision for impairment of investment in subsidiaries

Balance at beginning of the year	151,520,622	149,098,780
Transfer Ta Shebube impaired accrued interest	-	2,892,299
Release of impairment for CVCF for the year	(346,564)	(470,457)
	<b>151,174,058</b>	<b>151,520,622</b>

### 19.3. Impairment per subsidiary

CEDA Venture Capital Fund	(124,432,338)	(124,778,902)
Ta Shebube Pty Ltd	(26,741,720)	(26,741,720)
	<b>(151,174,058)</b>	<b>(151,520,622)</b>

### 19.4 Summarised financial information of subsidiaries-CEDA Venture Capital Fund

Revenue for the year	142,865	987,457
Operating expenses for the year	(14,221)	(82,937)
<b>Profit after tax for the year</b>	<b>128,644</b>	<b>904,520</b>
<b>Statement of financial position</b>		
Current assets	59,559,186	59,454,342
Equity	52,188,824	52,060,180
Total Liabilities	7,370,362	7,394,162
<b>Total equity and liabilities</b>	<b>59,559,186</b>	<b>59,454,342</b>

#### Ta Shebube Pty Ltd

Revenue for the year	4,120,941	4,262,318
Operating expenses for the year	(6,379,728)	(6,890,349)
<b>Loss after tax for the year</b>	<b>(2,258,787)</b>	<b>(2,628,031)</b>

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Notes to the Group Financial Statements

	Group		Company	
Figures in Pula	2020	2019	2020	2019

### 19. Investment in subsidiaries (continued)

#### 19.4 Summarised financial information of subsidiaries (continued)

##### Ta Shebube Pty Ltd (Continued)

##### Statement of financial position

Non-current assets	10,524,158	12,262,310
Current assets	377,216	457,672
<b>Total assets</b>	<b>10,901,374</b>	<b>12,719,982</b>
Equity	6,979,436	9,238,221
Liabilities	3,921,938	3,481,761
<b>Total Equity and Liabilities</b>	<b>10,901,374</b>	<b>12,719,982</b>

### 20. Investments in associates

#### 20.1. Interests in Associates

##### Group

Equity investments	2,571,469	2,571,469
Preference shares	3,628,531	3,628,531
<b>Total cost</b>	<b>6,200,000</b>	<b>6,200,000</b>
Accumulated share of losses in associates	(9,503,992)	(6,678,873)
Group share of revaluation reserve	9,744,422	9,744,422
Impairment release of investments in associates	2,040,706	2,040,706
	2,281,136	5,106,255
<b>Total carrying value</b>	<b>8,481,136</b>	<b>11,306,255</b>

##### Company

Africa Wild Lodges and Safaris Pty Ltd	2,571,469	2,571,469
Equity investments	3,628,531	3,628,531
Preference shares	6,200,000	6,200,000
Impairment of investments in associates	(4,036,122)	-
	2,163,878	6,200,000

Names	Nature of business	Method	%Ownership 2020	%Ownership 2019
Africa Wild Lodges and Safaris Pty Ltd	Tourism	Equity	21%	21%
Pule Modisana Holdings Pty Ltd	Funeral & financial services	Equity	40%	40%
Rim Rock Pty Ltd	Contracting	Equity	40%	40%
Pula Steel Casting and Manufacturing Pty Ltd	Steel casting and manufacturing	Equity	26%	26%

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

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Notes to the Group Financial Statements

	Group		Company	
Figures in Pula	2020	2019	2020	2019

### 20. Investments in associates (continued)

#### 20.1 Interests in associates (continued)

##### Africa Wild Lodges and Safaris Pty Ltd

The group holds 21% of the equity in Africa Wild Lodges and Safaris Pty Ltd through ordinary shares that were acquired in July 2013. The group also holds 3 628 531 preference shares of P1.00 each that were issued in July 2013. Previously the group held 30% in the company before the dilution that occurred in 2016.

Interest on preference shares is calculated at a 15% fixed rate. Cumulative interest payable on the preference shares from 2013 is P1 493 029 which has accumulated since 2013 until 2015 when the investment was impaired. Interest amounting to P883 880 was charged during 2019/2020. The investment has been impaired by P4 036 122. This is due to the decrease of P 7 million in total assets. The method of valuation for the investment is Net Assets Value (NAV).

#### 20.2. Equity investment in associates at cost

Africa Wild Lodges and Safaris Pty Ltd	2,571,469	2,571,469	2,571,469	2,571,469
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#### 20.3. Preference shares investments in associates

Africa Wild Lodges and Safaris Pty Ltd	3,628,531	3,628,531	3,628,531	3,628,531
	<b>6,200,000</b>	<b>6,200,000</b>	<b>6,200,000</b>	<b>6,200,000</b>

#### 20.4. Summarised financial information of associates

Revenue for the year	47,670,181	37,367,715	47,670,181	37,367,715
Total comprehensive (loss)/income for the year	(13,452,949)	18,904,587	(13,452,949)	18,904,587
Non-current assets	121,976,693	129,485,760	121,976,693	129,485,760
Current assets	2,656,788	2,653,778	2,656,788	2,653,778
<b>Total assets</b>	<b>124,633,481</b>	<b>132,139,538</b>	<b>124,633,481</b>	<b>132,139,538</b>
Equity	40,673,927	54,308,597	40,673,927	54,308,597
Total liabilities	83,959,554	77,830,941	83,959,554	77,830,941
<b>Total equity and liabilities</b>	<b>124,633,481</b>	<b>132,139,538</b>	<b>124,633,481</b>	<b>132,139,538</b>

### 21. Inventories

Cutlery and crockery	255,016	128,406	-	-
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## Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

### Notes to the Group Financial Statements

	Group		Company	
Figures in Pula	2020	2019	2020	2019

#### 22. Property, plant and equipment

Group	2020			2019		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land	17,270,700	(6,904,465)	10,366,235	14,365,700	(6,287,798)	8,077,902
Buildings	11,780,409	(10,322,944)	1,457,465	14,079,127	(8,995,199)	5,083,928
Furniture and fixtures	34,235,496	(14,146,634)	20,088,862	27,375,338	(11,492,137)	15,883,201
Motor vehicles	35,806,116	(24,905,346)	10,900,770	28,265,593	(20,600,900)	7,664,693
Computer, hardware and equipment	27,047,384	(20,194,997)	6,852,387	24,701,411	(17,834,613)	6,866,798
<b>Total</b>	<b>126,140,105</b>	<b>(76,474,386)</b>	<b>49,665,719</b>	<b>108,787,169</b>	<b>(65,210,647)</b>	<b>43,576,522</b>

Company	2020			2019		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land	8,020,700	-	8,020,700	5,115,700	-	5,115,700
Buildings	5,239,139	(1,048,848)	4,190,291	6,717,828	(408,037)	6,309,791
Furniture and fixtures	32,225,637	(12,257,715)	19,967,922	25,375,854	(9,509,668)	15,866,186
Motor vehicles	33,881,853	(23,173,508)	10,708,345	26,341,329	(18,817,484)	7,523,845
Office equipment	26,837,388	(20,066,636)	6,770,752	24,550,844	(17,765,328)	6,785,516
<b>Total</b>	<b>106,204,717</b>	<b>(56,546,707)</b>	<b>49,658,010</b>	<b>88,101,555</b>	<b>(46,500,517)</b>	<b>41,601,036</b>

#### Reconciliation of property, plant and equipment - Group - 2020

	Opening balance	Additions	Disposals	Transfers	Revaluations	Property Devaluation	Depreciation	Total
Land	8,077,901	-	-	-	3,575,000	(670,000)	(616,666)	10,366,235
Buildings	5,083,776	303,665	-	150	-	(2,223,204)	(1,706,922)	1,457,465
Furniture and fixtures	15,883,356	6,866,360	(6,151)	(150)	-	-	(2,654,553)	20,088,862
Motor vehicles	7,664,692	1,483,485	-	-	6,057,040	-	(4,304,447)	10,900,770
Computer equipment	6,866,797	2,324,520	-	-	-	-	(2,338,930)	6,852,387
	<b>43,576,522</b>	<b>10,978,030</b>	<b>(6,151)</b>	<b>-</b>	<b>9,632,040</b>	<b>(2,893,204)</b>	<b>(11,621,518)</b>	<b>49,665,719</b>

#### Reconciliation of property, plant and equipment - Group - 2019

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	7,968,868	576,000	-	149,700	(616,667)	8,077,901
Buildings	5,405,766	1,573,258	-	(149,700)	(1,745,548)	5,083,776
Furniture and fixtures	16,622,728	1,530,111	-	-	(2,269,483)	15,883,356
Motor vehicles	10,219,452	2,552,276	(286,602)	-	(4,820,434)	7,664,692
Computer equipment	7,100,620	2,143,296	-	-	(2,377,119)	6,866,797
	<b>47,317,434</b>	<b>8,374,941</b>	<b>(286,602)</b>	<b>-</b>	<b>(11,829,251)</b>	<b>43,576,522</b>

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Notes to the Group Financial Statements

	Group		Company	
Figures in Pula	2020	2019	2020	2019

### 22. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - Company - 2020

	Opening balance	Additions	Disposals	Revaluations	Property Devaluation	Depreciation	Total
Land	5,115,700	-	-	3,575,000	(670,000)	-	8,020,700
Buildings	6,309,793	220,238	-	-	(2,223,204)	(116,536)	4,190,291
Furniture and fixtures	15,866,186	6,855,986	(6,151)	-	-	(2,748,099)	19,967,922
Motor vehicles	7,523,844	1,483,485	-	6,057,040	-	(4,356,024)	10,708,345
Computer equipment	6,785,513	2,286,544	-	-	-	(2,301,305)	6,770,752
	<b>41,601,036</b>	<b>10,846,253</b>	<b>(6,151)</b>	<b>9,632,040</b>	<b>(2,893,204)</b>	<b>(9,521,964)</b>	<b>49,658,010</b>

#### Reconciliation of property, plant and equipment - Company - 2019

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	4,390,000	576,000	-	149,700	-	5,115,700
Buildings	5,138,914	1,482,542	-	(149,700)	(161,963)	6,309,793
Furniture and fixtures	16,566,184	1,504,391	-	-	(2,204,389)	15,866,186
Motor vehicles	9,934,048	2,552,276	(286,602)	-	(4,675,878)	7,523,844
Computer equipment	7,017,055	2,143,296	-	-	(2,374,838)	6,785,513
	<b>43,046,201</b>	<b>8,258,505</b>	<b>(286,602)</b>	<b>-</b>	<b>(9,417,068)</b>	<b>41,601,036</b>

#### Revaluation of property, plant and equipment

The group's motor vehicles, land and buildings are stated at revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are performed every 2 years and in intervening years if the carrying amount of the land and buildings, and motor vehicles differs materially from their fair value. The land is situated at Gaborone, Kanye, Molepolole, Ghanzi, Kalahari Transfrontier Park (Polentswa and Rooiputs), none of the land for the group has been pledged as security for loans taken.

The fair value measurements of land and buildings as at 31 March 2020 were performed by Benedict Kgosilentswe (BSc Estate Management) of Ribbery (Pty) Ltd, Balingi N Dema (BSc Engineering in Property Studies) of Motswere Square Scheme and Kago Motlhanka (BSc Property and construction) of Eccless Properties who are independent valuers not related to the group. The aforementioned are members of the Institute of Valuers and they have the appropriate qualifications and recent experience in the fair value measurement of properties.

The fair value measurements of motor vehicles as at 31 March 2020 were performed by Motor Center, Zambezi Motors, Barloworld Motors and Southern Sky Operations. These are commercial vehicle dealerships and are not related to the group. The aforementioned have the appropriate knowledge and recent experience in the fair value measurement of motor vehicles.

The method of valuation for land and buildings was market based prices. A desktop valuation method was used to value motor vehicles. Motor vehicle mileage and year of acquisition were factors used to determine the value of motor vehicles.

Key assumptions underlying the valuations techniques on motor vehicles, land and buildings are based on unobservable inputs and therefore classified at level 3 in terms of the fair value hierarchy. All other items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The carrying values that would have been recognised if the motor vehicles, land and building were stated at cost are as follows:

#### Motor vehicles

Cost	18,987,935	17,504,450	17,063,671	15,580,186
Accumulated depreciation	(15,448,552)	(13,219,092)	(13,716,714)	(11,435,676)
	<b>3,539,383</b>	<b>4,285,358</b>	<b>3,346,957</b>	<b>4,144,510</b>

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Notes to the Group Financial Statements

	Group		Company	
Figures in Pula	2020	2019	2020	2019
<b>22. Property, plant and equipment (continued)</b>				
<b>Land</b>				
Cost	4,760,945	4,760,945	4,760,945	4,760,945
<b>Buildings</b>				
Cost	14,610,009	14,306,344	7,165,285	6,945,047
Accumulated depreciation	(10,844,461)	(9,076,604)	(666,914)	(489,442)
	<b>3,765,548</b>	<b>5,229,740</b>	<b>6,498,371</b>	<b>6,455,605</b>

In 2019, Government of Botswana allocated the group plot 33156 measuring 300 square meters in Molepolole on a 50 years lease term. The plot was valued by an independent valuer and the market value of the plot has been determined to be P540 000. Furthermore, the group was allocated plot 7851 in Hukuntsi measuring 7851 square meters on a 50 year lease term. The plot has been independently valued at P36 000.

### 23. Leases (group as lessee)

The group leases land and buildings and equipment facilities. The leases typically run for a period of 2 to 5 years, with an option to renew the lease after that date. Lease payments are renegotiated at the expiry of each lease to reflect market rentals. The group leases IT equipment with no contracts up to 30 September 2020. These leases are short term and or leases of low value items. The group has elected not to recognise right-of-use assets and lease liabilities for these leases.

The incremental borrowing rate applied to determine the lease liability recognised on 1 April 2019 was 9.75%.

Details pertaining to leasing arrangements, where the group is lessee are presented below:

#### Right-of-use assets

Adoption of IFRS 16	68,560,135	-	68,317,348	-
Less Straight line lease adjustment	(1,425,497)	-	(1,425,493)	-
Depreciation	(9,329,959)	-	(9,316,804)	-
<b>Closing balance at 31 March 2020</b>	<b>57,804,679</b>	<b>-</b>	<b>57,575,051</b>	<b>-</b>

#### Lease liability

Adoption of IFRS 16	68,560,135	-	68,317,348	-
Add: Interest	6,178,693	-	6,177,494	-
Less: Payments	(11,302,272)	-	(11,283,178)	-
<b>Closing balance 31 March 2020</b>	<b>63,436,556</b>	<b>-</b>	<b>63,211,664</b>	<b>-</b>

#### Maturity analysis - contractual undiscounted cash flows

Within 1 year	11,607,937	-	11,528,088	-
Two to five years	56,839,968	-	56,672,940	-
More than five years	21,933,320	-	21,933,320	-
Total undiscounted lease liabilities at 31 March 2020	90,381,225	-	90,134,348	-
Less: Total finance costs allocated to future periods	(26,944,669)	-	(26,922,684)	-
<b>Lease liability at 31 March 2020</b>	<b>63,436,556</b>	<b>-</b>	<b>63,211,664</b>	<b>-</b>

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Notes to the Group Financial Statements

	Group		Company	
Figures in Pula	2020	2019	2020	2019
<b>23. Leases (group as lessee) (continued)</b>				
Current portion	5,865,723	-	5,708,505	-
Non-current portion	57,570,833	-	57,503,159	-
	<b>63,436,556</b>	<b>-</b>	<b>63,211,664</b>	<b>-</b>
<b>Amounts recognised in Profit/(Loss)</b>				
Finance costs on lease liability	6,178,693	-	6,177,494	-
Depreciation relating to right-of-use assets	9,329,959	-	9,316,804	-
<b>Amounts recognised against Lease Liability</b>				
Capital repayment	5,123,579	-	5,105,684	-
Interest portion	6,178,693	-	6,177,494	-
<b>Total cash outflow for leases</b>	<b>11,302,272</b>	<b>-</b>	<b>11,283,178</b>	<b>-</b>
<b>Operating leases - as lessee (expense)</b>				
- within one year	1,905,922	11,229,596	1,531,963	11,229,596
- in second year and later	-	26,696,857	-	26,696,857
	<b>1,905,922</b>	<b>37,926,453</b>	<b>1,531,963</b>	<b>37,926,453</b>

## 24. Intangible assets

Group	2020			2019		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	6,797,879	(6,304,052)	493,827	6,444,772	(6,121,308)	323,464
<b>Company</b>	<b>2020</b>			<b>2019</b>		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	6,776,427	(6,282,600)	493,827	6,423,320	(6,099,856)	323,464

### Reconciliation of intangible assets - Group and Company - 2020

	Opening balance	Additions	Amortisation	Total
Computer software	323,464	353,106	(182,743)	493,827

### Reconciliation of intangible assets - Group and Company - 2019

	Opening balance	Additions	Amortisation	Total
Computer software	6,664	330,688	(13,888)	323,464

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Notes to the Group Financial Statements

	Group		Company	
Figures in Pula	2020	2019	2020	2019
<b>25. Revaluation reserve</b>				
Opening balance	13,021,710	15,179,634	3,277,288	5,435,212
Gain on property, plant and equipment revaluation	9,632,040	-	9,632,040	-
Transfer to retained earnings upon depreciation	(3,277,288)	(2,157,924)	(3,277,288)	(2,157,924)
	<b>19,376,462</b>	<b>13,021,710</b>	<b>9,632,040</b>	<b>3,277,288</b>

## 26. Loans from shareholders

### Ta Shebube

AKH Ndzingo	21,840	21,000	-	-
The loan is interest free is unsecured and has no fixed terms of repayment.				
JK Sento	52,000	50,000	-	-
The loan is interest free is unsecured and has no fixed terms of repayment				
	<b>73,840</b>	<b>71,000</b>	<b>-</b>	<b>-</b>

### Fair value of loans to/ (from) shareholders of Ta Shebube

The directors consider the carrying amounts of the loans to/ (from) the shareholders to approximate their fair values.

## 27. Other financial liabilities

Held at amortised cost	17,773,936	21,529,924	17,773,936	21,483,367
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### Absa Bank of Botswana Limited

The group sold its staff loan scheme to Absa Bank of Botswana Limited with effect from 1st January 2013. However due to the fact that the group retained the credit risk on these loans, the asset was not derecognised and the group continues to recognise the staff loans under other assets. The amount of proceeds received from the bank is recognised as a financial liability in accordance with IFRS 9. The directors consider the carrying amount of other financial liabilities to approximate their fair value.

The carrying amounts of financial liabilities at amortised cost are denominated in Pula.

## 28. Finance Lease

### Present value of minimum lease payments due

- within one year	30,925	1,303,170	30,925	1,303,170
- in second to fifth year inclusive	-	30,925	-	30,925
	<b>30,925</b>	<b>1,334,095</b>	<b>30,925</b>	<b>1,334,095</b>

It is group policy to lease certain motor vehicles and equipment under finance leases.

The average lease term is 3-5 years and the average effective borrowing rate is 10% (2019: 8%).

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

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

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Notes to the Group Financial Statements

	Group		Company	
Figures in Pula	2020	2019	2020	2019

### 29. Trade and other payables

Trade payables	4,606,327	7,144,959	4,595,196	6,035,736
Other payroll accruals	20,934,777	30,347,366	20,189,804	29,897,089
Amounts received in advance	3,809,108	3,159,321	3,159,321	3,159,321
Accrued audit fees	3,560,210	4,136,398	3,560,210	4,081,452
Other payables	15,411,339	7,731,128	13,182,891	5,865,592
	<b>48,321,761</b>	<b>52,519,172</b>	<b>44,687,422</b>	<b>49,039,190</b>

### Analysis of Trade and other payables

Financial liabilities	22,137,685	51,103,680	21,338,297	47,623,698
Non-financial liabilities	26,184,076	1,415,492	23,349,125	1,415,492
	<b>48,321,761</b>	<b>52,519,172</b>	<b>44,687,422</b>	<b>49,039,190</b>

### Fair value of trade and other payables

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

### 30. Financial guarantees contracts

Financial guarantees contracts	24,422,416	20,875,865	24,422,416	20,875,865
--------------------------------	------------	------------	------------	------------

The group's guarantees loans given to local investors at participating banks that do not have enough security or no security at all. The maximum term for the loans is 12 years. The group guarantees these bank loans and in the event of default by local entities or individuals the group will have to pay the participating banks a maximum of up to 75% of net loss of the participating banks of guarantees in default. The group's guarantee accounts are standing at P13 618 417 (2019: P12 010 854). Additional provision during the year was P5 037 820 while P1 491 268 was reversed because the guarantees were fully paid or expired at the participating banks. The maximum possible group exposure is P132 721 000 (2019: P132 721 000) and the given guarantees cover the time until maturity of underlying bank loans.

### 31. Assets held for sale/distribution

#### Investment in associate held for distribution:

##### Easy Concrete Products Pty Ltd

Cost	21,498,142	21,498,142	-	-
Accumulated impairment	(14,430,900)	(14,430,900)	-	-
Accumulated share of profit/(loss)	(7,067,242)	(7,067,242)	-	-
	-	-	-	-

#### Investment in associate held for distribution:

##### Pule Modisana Holdings Pty Ltd

Cost	16,934,752	16,934,752	16,934,752	16,934,752
Accumulated share of loss	(489,516)	(489,516)	-	-
Accumulated impairment	(16,445,236)	(16,445,236)	(16,934,752)	(16,934,752)
	-	-	-	-

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Notes to the Group Financial Statements

	Group		Company	
Figures in Pula	2020	2019	2020	2019

### 31. Assets held for sale/distribution (continued)

#### Investment in associate held for distribution:

##### Tannery Industries (Botswana) Pty Ltd

Cost	4,453,931	4,453,931	-	-
Accumulated impairment	(4,453,931)	(4,453,931)	-	-
	-	-	-	-

#### Investment in associate held for distribution:

##### Rim Rock Pty Ltd

Cost	18,079,670	18,079,670	18,079,670	18,079,670
Accumulated share of loss	(4,241,818)	(4,241,818)	-	-
Accumulated impairment	(13,837,852)	(13,837,852)	(18,079,670)	(18,079,670)
	-	-	-	-

#### Investment in associate held for distribution:

##### Pula Steel Casting and Manufacturing Pty Ltd

Cost	18,200,000	18,200,000	18,200,000	18,200,000
Accumulated impairment	(18,200,000)	(18,200,000)	(18,200,000)	(18,200,000)
	-	-	-	-

#### Investment in subsidiary held for distribution

##### PG Industries (Botswana) Pty Ltd

Cost	29,258,771	29,258,771	-	-
Accumulated impairment	(29,258,771)	(29,258,771)	-	-
	-	-	-	-

##### Pule Modisana Pty Ltd

The group holds 40% of the equity in Pule Modisana Holdings through ordinary shares acquired in January 2012. The investment in the company has been equity accounted in these group financial statements. 16 934 712 preference shares of P1 each were issued in January 2012. Preferential dividend shall be calculated at a fixed coupon rate of 11.5% per annum. The company went into liquidation during the 2019 financial year. Accumulated preference shares dividend stands at P2 352 997. The liquidation was finalised in December 2022 and CEDA received a total of P 10 738 007.31 as distribution amount from the liquidator.

##### PG Industries (Botswana) Pty Ltd

On 31 December 2007 PG Industries Botswana Pty Ltd ("PGIB") and Builders Merchants (Botswana) Pty Ltd ("BMB") were amalgamated to create a single business called PG Industries Botswana Pty Ltd. The amalgamation was by way of issuing shares to the existing shareholders of BMB. In previous periods the Fund's 400 000 preference shares valued at P4 million were converted into 2 797 203 fully paid up ordinary shares at an issue value of P1.43 per share. This was as a result of PG Industries (Botswana) Pty Ltd undertaking a non-underwritten rights issue of shares. Subsequent to this the group now holds 13 156 236 shares representing 51% shareholding. PG Industries (Botswana) Pty Ltd was placed under liquidation on 8 May 2014 and hence is classified as held for sale/distribution. Management do not expect any liquidation proceeds and hence the company was accounted for at the lower of its carrying amount and fair value less costs to sell. There were no new developments during the year.

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Notes to the Group Financial Statements

	Group		Company	
Figures in Pula	2020	2019	2020	2019

### 31. Assets held for sale/distribution (continued).

#### Easy Concrete Products Pty Ltd

The group holds 49% of the equity in Easy Concrete Products Pty Ltd through ordinary shares acquired in July 2008. The group holds 12 108 591 redeemable cumulative convertible and non-voting preference shares issued on 23 June 2008. The shares carry a dividend rate equivalent to the prime lending rate plus 0.5% as determined by Absa Bank of Botswana from time to time applied on an on going basis. The Easy Concrete Products Pty Ltd was placed under provisional liquidation on 30 March 2012 and the final order was granted in June 2012. As of year-end the management does not expect any liquidation proceeds and hence this investment was classified as assets held for distribution and measured at the lower of its carrying amount and fair value less costs to sell. There were no new developments during the year.

#### Tannery Industries (Botswana) Pty Ltd

The interest in Tannery Industries (Botswana) Pty Ltd was acquired in June 2005. The company went into liquidation in December 2010 and has been accounted for as a held for sale in the financial statements. The residual amount of P4 453 931 on the final liquidation account has not yet been remitted by the liquidator and this has been accounted for as assets held for distribution, the amount is fully impaired. There were no new developments during the year.

#### Rim Rock Pty Ltd

The Agency holds 40% of the equity in Rim Rock Pty Ltd through ordinary shares acquired in March 2012. The investment in the company has been equity accounted in these Agency financial statements.

13 049 020 preference shares of P1 each were issued in March 2012. Preferential dividend shall be calculated at 15% fixed deposit rate. P 'Nil' amount was capitalised as dividends accrued during the financial year ended 31 March 2016 because the investment was considered substantially impaired. Accumulated preference shares dividend stands at P3 378 850. The investment has been held for distribution since 2015. There were no new developments during the year.

#### Pula Steel Casting and Manufacturing Pty Ltd

The interest in Pula Steel Casting and Manufacturing Pty Limited was acquired in March 2012. The Agency holds 26% of the equity in the company. The investment in the group has been cost accounted in these company financial statements. 9% of ordinary shares was sold to BCL Pty Ltd in 2018.

The group holds 13 000 000 debentures shares issued in March 2012. Preferential dividend shall be calculated at a fixed coupon rate of 14% per annum. Nil amount was capitalized as dividend accrued during the financial year ended 31 March 2019 because the investment was impaired in the previous years. Accumulated preference shares dividend stands at P5 256 444 and have been fully impaired. Pula Steel Casting and Manufacturing Pty Ltd was placed under liquidation during financial year ended 31 March 2017. There were no new developments during the year.

The are no gurantees in respect of any of these entities.

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Notes to the Group Financial Statements

	Group		Company	
Figures in Pula	2020	2019	2020	2019
<b>32. Cash generated from operations</b>				
Operating profit	81,927,332	232,348,812	80,234,236	235,212,167
<b>Adjustments for:</b>				
Depreciation and amortisation (note 22)	11,621,518	11,829,251	9,521,964	9,417,068
Depreciation and amortisation (note 24)	182,743	13,888	182,743	13,888
Depreciation on right of use asset (note 23)	9,329,959	-	9,316,804	-
Loan written off	(60,577)	-	(60,577)	-
Income from equity accounted investments	(883,880)	(803,706)	(883,880)	(803,706)
Unrealised exchange losses	74,599	-	-	-
(Gain)/Loss on revaluation of other assets (note 11)	7,245,966	(2,248,484)	7,245,966	(2,248,484)
(Release)/ charge for impairment (note 12)	27,733,099	(81,658,465)	31,532,908	(82,805,140)
Profit on sale of property, plant and equipment	(19,680)	(334,102)	(19,680)	(334,102)
(Gain)/loss on revaluation of property, plant and equipment	2,893,204	-	2,893,204	-
<b>Changes in working capital:</b>				
Inventories	(126,609)	(841)	-	-
Loans and advances	(17,180,863)	(47,358,913)	(17,180,863)	(47,358,913)
Trade and other payables	(2,771,918)	11,044,781	(2,926,275)	11,986,069
Financial guarantees	3,546,551	(10,105,574)	3,546,551	(10,105,574)
Other financial liabilities	(3,755,988)	(4,911,394)	(3,709,431)	(4,805,068)
Other assets	(19,369,615)	(40,315,064)	(19,548,465)	(40,877,461)
	<b>100,385,841</b>	<b>67,500,189</b>	<b>100,145,205</b>	<b>67,290,744</b>
<b>Changes in loans and advances</b>				
Balance at beginning of year	1,043,835,412	1,556,484,218	1,043,835,412	1,556,484,218
Balance at end of the year	(1,035,799,983)	(1,043,835,412)	(1,035,799,983)	(1,043,835,412)
Effects of IFRS 9 implementation on loans and advances- 1 April 2018	-	(642,568,000)	-	(642,568,000)
Effects of IFRS 9 implementation on ex- employees loans	-	38,148	-	38,148
Impairment release/ (charge)	(59,733,207)	71,599,531	(59,733,207)	71,599,531
Adjustment on stage 3 effective interest	34,516,915	-	34,516,915	-
Staff loans impairment release	-	10,922,602	-	10,922,602
	<b>(17,180,863)</b>	<b>(47,358,913)</b>	<b>(17,180,863)</b>	<b>(47,358,913)</b>
<b>Changes in trade and other payables</b>				
Balance at beginning of year	(52,519,172)	(41,474,391)	(49,039,190)	(37,053,121)
Balance at end of the year	48,321,761	52,519,172	44,687,422	49,039,190
Operating lease accrual	1,425,493	-	1,425,493	-
	<b>(2,771,918)</b>	<b>11,044,781</b>	<b>(2,926,275)</b>	<b>11,986,069</b>
<b>Changes in financial guarantees</b>				
Balance at beginning of year	(20,875,865)	(30,981,439)	(20,875,865)	(30,981,439)
Balance at end of the year	24,422,416	20,875,865	24,422,416	20,875,865
	<b>3,546,551</b>	<b>(10,105,574)</b>	<b>3,546,551</b>	<b>(10,105,574)</b>
<b>Changes in other financial liabilities</b>				
Balance at beginning of year	(21,529,924)	(26,441,318)	(21,483,367)	(26,288,435)
Balance at end of the year	17,773,936	21,529,924	17,773,936	21,483,367
	<b>(3,755,988)</b>	<b>(4,911,394)</b>	<b>(3,709,431)</b>	<b>(4,805,068)</b>

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Notes to the Group Financial Statements

	Group		Company	
Figures in Pula	2020	2019	2020	2019
<b>32. Cash generated from operations (continued)</b>				
<b>Changes in other assets</b>				
Balance at beginning of year	213,730,406	180,229,391	213,610,483	180,151,658
Balance at end of the year	(231,527,671)	(213,730,406)	(231,476,349)	(213,610,483)
Impairment charge for the year	(2,456,230)	(2,136,662)	(2,566,479)	(2,741,249)
Effects of IFRS 9 implementation	-	(4,677,387)	-	(4,677,387)
Non-cash movement	883,880	-	883,880	-
	<b>(19,369,615)</b>	<b>(40,315,064)</b>	<b>(19,548,465)</b>	<b>(40,877,461)</b>

## 33. Prior period errors

In the prior years, the capital reserve was overstated and retained income understated by P1 260 432 519 resulting from cumulative errors since inception to 2007. Government grants received were accounted for under the capital approach per IAS 20 par 14 and not restated by reclassifying to retained income when the income approach was adopted in 2008. Further errors were made subsequent to 2008 which resulted in non-monetary grants amounting to P 22 795 326 which were accounted for as per the capital approach instead of the income approach from 2008 to 2018. The error was discovered in the current year and prior year financial statements balances relating to capital reserve and retained income have been restated to correct the error and the following line items have been affected by the restatement:

Statement of Financial position as at 31 March 2019-Group	As previously stated	Restated	Restatement adjustment
<b>Capital and funding</b>			
Capital Reserve	1,283,803,845	576,000	(1,283,227,845)
Revaluation reserve	13,021,710	13,021,710	-
Retained income	311,915,833	1,595,143,678	1,283,227,845
<b>Capital and funding attributable to owners of the parent</b>	<b>1,608,741,388</b>	<b>1,608,741,388</b>	<b>-</b>
Non-controlling Interest	(133,828)	(133,828)	-
<b>Total Capital and funding</b>	<b>1,608,607,560</b>	<b>1,608,607,560</b>	<b>-</b>

Statement of Financial Position as at 31 March 2019-Company	As previously stated	Restated	Restatement adjustment
<b>Capital and funding</b>			
Capital Reserve	1,283,803,845	576,000	(1,283,227,845)
Revaluation reserve	3,277,288	3,277,288	-
Retained income	317,351,313	1,600,579,158	1,283,227,845
<b>Total Capital and funding</b>	<b>1,604,432,446</b>	<b>1,604,432,446</b>	<b>-</b>

## 34. Related parties

### Relationships

Shareholders  
Subsidiaries

Government of the Republic of Botswana  
CEDA Venture Capital Fund

PG Industries (Botswana) Pty Ltd

Ta Shebube Pty Ltd

Associates

Pula Steel Casting & Manufacturing Pty Ltd

Pule Modisana Holdings Pty Ltd

Rim Rock Pty Ltd

Africa Wild Lodges and Safaris Pty Ltd

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Notes to the Group Financial Statements

	Group		Company	
Figures in Pula	2020	2019	2020	2019
<b>34. Related parties (continued)</b>				
Members of key management	United Refineries Botswana Pty Ltd T. Thamane T. Jensen J. Moribame C. Sebonego T. Leshetla T. Dichi S. Showa A. Tshipa G. Tsimanyana T. Kayawe T. Moeletsi L. Bantheri N. Lionjanga G. Greyling A. Mogojwa			
<b>Related party balances</b>				
<b>Loan accounts - Owning (to)/by related parties</b>				
Loans to United Refineries Botswana Pty Ltd	14,320,185	14,103,965	14,320,185	14,103,965
Loans to associate- Africa Wild Lodges and Safaris Pty Ltd	887,502	887,502	887,502	887,502
Loans to senior management	11,701,181	9,746,097	11,701,181	9,746,097
Loans to non-executive directors	2,925,000	3,000,000	2,925,000	3,000,000
<b>Amounts included in Trade receivable (Trade Payable) regarding related parties</b>				
Pula Steel Casting and Manufacturing Pty Ltd	5,256,444	5,256,444	5,256,444	5,256,444
Pule Modisana Holdings Pty Ltd	2,352,997	2,352,997	2,352,997	2,352,997
Rim Rock Pty Ltd	3,378,850	3,378,850	3,378,850	3,378,850
United Refineries Botswana Pty Ltd	7,813,444	7,813,444	7,813,444	7,813,444
CEDA Venture Capital Fund	-	-	7,388,631	7,278,381
Africa Wild Lodges and Safaries Pty Ltd	1,493,029	517,842	1,493,029	517,842
	<b>20,294,764</b>	<b>19,319,577</b>	<b>27,683,395</b>	<b>26,597,958</b>
<b>Related party impairments</b>				
Pula Steel Casting and Manufacturing Pty Ltd	5,256,444	5,256,444	5,256,444	5,256,444
Pule Modisana Holdings Pty Ltd	2,352,997	2,352,997	2,352,997	2,352,997
Rim Rock (Pty) Ltd	3,378,850	3,378,850	3,378,850	3,378,850
United Refineries Botswana Pty Ltd	7,813,444	7,813,444	7,813,444	7,813,444
CEDA Venture Capital Fund	-	-	7,388,631	7,278,381
African Wild Lodges and Safaries Pty Ltd	1,493,029	-	1,401,722	-
	<b>20,294,764</b>	<b>18,801,735</b>	<b>27,592,088</b>	<b>26,080,116</b>
<b>Net of receivables and impairment</b>	-	<b>517,842</b>	-	<b>517,842</b>
<b>Government Grants</b>				
Government of the Republic of Botswana	285,814,780	274,314,780	285,814,780	274,314,780
<b>Allocation of Land</b>				
Government of the Republic of Botswana	-	576,000	-	576,000

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Notes to the Group Financial Statements

	Group		Company	
Figures in Pula	2020	2019	2020	2019
<b>34. Related parties (continued)</b>				
<b>Interest on preference loans/ shares and debentures paid to/(received from) related parties</b>				
United Refineries Botswana Pty Ltd	-	-	-	3,443
Africa Wild Lodges and Safaris Pty Ltd	-	-	883,880	12,025
	-	-	<b>883,880</b>	<b>15,468</b>

### Related party loan terms

Loans and advances to related parties are done at arms length and range from 1 year to 20 years. These are the same terms applicable to others qualifying for CEDA loans. For staff loans including key management, motor vehicles at 3.5% and residential property loans at 3% are secured by the funded assets. Personal loans at 3.5% are not secured.

### 35. Key Management emoluments

The following is the compensation of key management personnel and these are set by the Human Resources Committee in relation to performance and market trends, Key management are executive management and senior management.

#### Executive and senior management

2020	Salaries	Housing allowance	Car allowance	Gratuity, medical aid, and other expenses	Non executive directors' fees	Total
For services as management	8,834,914	1,695,000	1,443,000	6 420 787	194, 200	18 587 901
<b>2019</b>						
For services as management	7 933 216	1 483 000	1 236 000	5 314 762	167 400	16 134 378

### 36. Risk management

#### Financial risk management

The group is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk and interest rate risk).

The Board has overall responsibility for the establishment and oversight of the group's risk management framework. The Finance and Audit Committee (FAC), is responsible for developing and monitoring the group's risk management policies. The committee reports quarterly to the Board on its activities.

The group's risk management policies 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 within the risk appetite framework. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities.

The Board oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the group. The Finance and Audit Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Finance and Audit Committee and the Board.

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Notes to the Group Financial Statements

	Group		Company	
Figures in Pula	2020	2019	2020	2019

### 36. Risk management (continued)

#### Categories of financial instruments

##### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The group's exposure to liquidity risk emanates from the groups ability to cover future commitments when they fall due. The group manages liquidity risk through an ongoing review of future commitments and credit facilities. The Botswana government finances a greater part of the group's cash requirements.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored not to exceed the approved limits.

The tables below analyses the group's financial liabilities and other assets into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

#### Group

##### As at 31 March 2020

	1-3 months	3-12 months	1 to 5 years	Total
Loans from shareholders	73,840	-	-	73,840
Other financial liabilities	1,777,394	5,332,181	10,664,361	17,773,936
Finance lease	30,925	-	-	30,925
Lease liabilities	2,916,902	8,691,036	78,773,288	90,381,226
Trade and other payables	22,137,685	-	-	22,137,685
Financial guarantee contracts	24,422,416	-	-	24,422,416
	<b>51,359,162</b>	<b>14,023,217</b>	<b>89,437,649</b>	<b>154,820,028</b>

#### Group

##### As at 31 March 2019

	1-3 months	3-12 months	1 to 5 years	Total
Loans from shareholders	71,000	-	-	71,000
Other financial liabilities	1,029,286	2,258,806	18,241,832	21,529,924
Lease liabilities	325,792	977,378	30,925	1,334,095
Financial guarantee contracts	20,875,865	-	-	20,875,865
Trade and other payables	25,703,639	17,899,641	7,500,400	51,103,680
	<b>48,005,582</b>	<b>21,135,825</b>	<b>25,773,157</b>	<b>94,914,564</b>

#### Company

##### As at 31 March 2020

	1-3 months	3-12 months	1 to 5 years	Total
Other financial liabilities	1,777,394	5,332,181	10,664,361	17,773,936
Lease liabilities	2,897,267	8,630,822	78,606,260	90,134,349
Finance lease	30,925	-	-	30,925
Trade and other payables	21,338,297	-	-	21,338,297
Financial guarantee contracts	24,422,416	-	-	24,422,416
	<b>50,466,299</b>	<b>13,963,003</b>	<b>89,270,621</b>	<b>153,699,923</b>

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Notes to the Group Financial Statements

	Group		Company	
Figures in Pula	2020	2019	2020	2019

### 36. Risk management (continued)

#### Company

	1-3 months	3-12 months	1-5 years	Total
<b>At 31 March 2019</b>				
Trade and other payables	22,234,325	16,763,134	8,626,239	47,623,698
Other financial liabilities	982,729	2,258,806	18,241,832	21,483,367
Lease liabilities	325,792	977,378	30,925	1,334,095
Financial guarantee contracts	20,875,865	-	-	20,875,865
	<b>44,418,711</b>	<b>19,999,318</b>	<b>26,898,996</b>	<b>91,317,025</b>

#### Management of liquidity risk

The group's liquidity position is monitored and stress testing is conducted under different scenarios. The Liquidity policies and procedures are subject to review and approval by the Assets and Liabilities Committee (ALCO).

#### Interest rate risk

The group's interest rate risk arises from lease liabilities. Loans and advances which are prime linked will be affected favourably or unfavourably depending on whether it is an increase or decrease respectively. Further government may change the interest rates that CEDA is borrowing at and depending on whether it is an increase (favourable) or decrease (unfavourable). Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. During 2020 and 2019 the group's borrowings at variable rates were denominated in Pula.

Financial instruments that are sensitive to interest rate risk are loans and advances and short term investments in cash and cash equivalents. The outstanding interest earning loan and advances and short term investments in cash and cash equivalents at the reporting date was P1 340 529 083 (2019: P1 680 359 300). A 1% change in interest rate will affect the statement of comprehensive income by P13 405 291 (2019: P16 803 593) for both group and company. Total cash and cash equivalents at the reporting date was P 419 903 850 (2019: P 344 661 248) for group and P360 244 390 (2019: P284 997 567) for company. A 1% change in interest rate will affect the statement of comprehensive income by P4 199 039 (2019: P3 446 462) for group and P3 602 245 (2019: P2 849 976) for company. The change will be arising substantially from interest earning loan balances and short term investments in cash and cash equivalents respectively.

#### Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

There are no externally imposed capital requirements.

Lease liabilities	63,436,556	-	63,211,664	-
Finance leases	30,925	1,334,095	30,925	1,334,095
Loan from shareholders	73,840	71,000	-	-
Other financial liabilities	17,773,936	21,529,924	17,773,936	21,483,367
<b>Total Borrowings</b>	<b>81,315,257</b>	<b>22,935,019</b>	<b>81,016,525</b>	<b>22,817,462</b>
<b>Less: Cash and Cash Equivalents</b>	<b>(419 903 850)</b>	<b>(344 661 248)</b>	<b>(360 244 390)</b>	<b>(284 997 567)</b>
<b>Net cash</b>	<b>(338 588 593)</b>	<b>(321 726 229)</b>	<b>(279 227 865)</b>	<b>(262 180 105)</b>

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Notes to the Group Financial Statements

	Group		Company	
Figures in Pula	2020	2019	2020	2019

### 36. Risk management (continued)

#### Credit risk

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

#### Loans and advances. - (Group and Company)

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as exposure varies with changes in market conditions, expected cashflows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations of the likelihood of defaults occurring, of the associated loss ratios and of different correlations between counterparties.

The group measures credit risk using Expected Credit Loss (ECL) model which is a discounted product of probability of default (PD), exposure at default (EAD), loss given default (LGD). This ensures earlier recognition of provisions as loss allowances are recognised at inception to cover future losses regardless of whether a credit event has occurred or not. Methodologies underlying the ECL provision calculation are stage classification denoted by significant increase in credit risk (SICR) and the default definition and probability of default (PD), exposure at default (EAD), loss given default (LGD) and forward-looking information (FLI). Qualitative assessments were carried out on the entire loan book, accounts were moved to the relevant stage based on the assessment made. Additional impairment that came about as a result of qualitative assessment is P24 656 036 (2019:P29 685 836).

The following table shows the changes in the loss allowance between the beginning and the end of the year due to the above stated factors for loans and advances.

31 March 2020

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at 01 April 2019	38 178 755	33 230 157	1 275 322 128	1 346 731 040
Net transfers in/out of stage	11 572 872	(15 181 232)	82 661 935	79 053 575
Loss allowance as at 31 March 2020	49 751 627	18 048 925	1 357 984 063	1 425 784 615

31 March 2019

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at 01 April 2018	86 082 798	21 976 721	1 321 193 654	1 429 253 173
Net transfers in/out of stage	(47 904 043)	11 253 436	(45 871 526)	(82 522 133)
Loss allowance as at 31 March 2019	38 178 755	33 230 157	1 275 322 128	1 346 731 040

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Notes to the Group Financial Statements

	Group		Company	
Figures in Pula	2020	2019	2020	2019

### 36. Risk management (continued)

Loans and advances exposed to credit risk at year end were as follows:

2020 Loans and advances-Group and Company	Outstanding amount	Security at initial value
Stage 1	582,744,494	1,809,674,073
Stage 2	89,486,816	291,899,064
Stage 3	1,789,353,288	4,284,040,905
	<b>2,461,584,598</b>	<b>6,385,614,042</b>

2019 Loans and advances-Group and Company	Outstanding amount	Security at initial value
Stage 1	562,739,346	1,724,994,041
Stage 2	175,824,610	438,234,778
Stage 3	1,652,002,496	3,810,091,403
	<b>2,390,566,452</b>	<b>5,973,320,222</b>

Security is not revalued periodically, valuation is mandatory during on-boarding and on litigated accounts to determine reserve prices.

2020 Loans and advances by outstanding balance and impairment sector - Group and Company	Outstanding	Impairment	Net amount
Agribusiness	879,043,048	549,924,610	329,118,438
Property and Manufacturing	670,748,442	362,409,023	308,339,419
Services	911,793,108	513,450,982	398,342,126
	<b>2,461,584,598</b>	<b>1,425,784,615</b>	<b>1,035,799,983</b>

2019 Loans and advances by outstanding balance and impairment sector			
Agribusiness	848,831,670	546,409,909	302,421,761
Property and Manufacturing	680,827,751	338,455,385	342,372,366
Services	860,907,031	461,865,746	399,893,256
	<b>2,390,566,452</b>	<b>1,346,731,040</b>	<b>1,043,835,412</b>

Loans and advances by loan size-Group and Company		
Small (P500-P500 000)	401,803,996	388,798,795
Medium (P500 001-P4 million)	1,485,108,713	1,479,149,741
Large (Above P4 million)	574,671,889	522,617,916
	<b>2,461,584,598</b>	<b>2,390,566,452</b>

Loans and advances by maturity-Group and Company		
Within 1 year	231,033,770	189,198,974
In 1-5 years	2,120,919,308	642,558,895
Above 5 years	109,631,520	1,558,808,583
	<b>2,461,584,598</b>	<b>2,390,566,452</b>

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Notes to the Group Financial Statements

	Group		Company	
Figures in Pula	2020	2019	2020	2019

### 36. Risk management (continued)

#### Analysis of impaired loans and advances (stage 3/NPL)

	2020	2020	2019	2019
	Outstanding balances (NPL)	Stage 3 Impairment	Outstanding balances (NPL)	Stage 3 Impairment
Agribusiness	654,281,665	511,309,738	657,540,133	523,143,354
Property and Manufacturing	432,676,556	330,348,269	408,018,974	314,653,040
Services	702,395,067	516,326,056	586,443,389	437,525,734
	<b>1,789,353,288</b>	<b>1,357,984,063</b>	<b>1,652,002,496</b>	<b>1,275,322,128</b>

#### Geographical distribution of assets

	Outstanding balances	Impairment for the year	Outstanding balances	Impairment for the year
North	1,035,710,056	565,507,306	987,264,013	516,380,041
South	1,425,874,542	860,277,309	1,403,302,439	830,350,999
	<b>2,461,584,598</b>	<b>1,425,784,615</b>	<b>2,390,566,452</b>	<b>1,346,731,040</b>

All CEDA funded projects operate in Botswana.

#### IFRS 9 Impairment matrix

2020	Less than 30 days past due (stage 1)	30 days past due (stage 2)	More than 90 days past due (stage 3)	Total
Remaining capital amount	574,076,703	85,240,856	1,085,224,012	1,744,541,571
Loan balances in arrears	8,667,791	4,245,960	704,129,276	717,043,027
ECL impairment	(49,751,627)	(18,048,925)	(1,357,984,063)	(1,425,784,615)
	<b>532,992,867</b>	<b>71,437,891</b>	<b>431,369,225</b>	<b>1,035,799,983</b>

2019	Less than 30 days past due (stage 1)	30 days past due (stage 2)	More than 90 days past due (stage 3)	Total loan book
Remaining capital amount	558,455,762	166,560,348	1,010,325,691	1,735,341,801
Loan balances in arrears	4,283,584	9,264,262	641,676,805	655,224,651
ECL impairment	(38,178,755)	(33,230,157)	(1,275,322,128)	(1,346,731,040)
	<b>524,560,591</b>	<b>142,594,453</b>	<b>376,680,368</b>	<b>1,043,835,412</b>

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Notes to the Group Financial Statements

	Group		Company	
Figures in Pula	2020	2019	2020	2019

### 36. Risk management (continued)

#### Risk Limit control and mitigation policies

The group manages, limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and to industries.

The group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower or groups of borrowers. Such risks are monitored on a revolving basis and subject to an or more frequent review, when considered necessary. Limits on the level of credit risk by product are approved quarterly by the Board of Directors.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate.

**Some other specific control and mitigation measures are outlined below;**

#### Collateral

The group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced. The group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation.

The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Security over business assets such as premises, plant and equipment, inventory and accounts receivable;
- Personal sureties; and
- Guarantees.

#### Impairment and provisioning policies

The internal rating systems focus more on credit-quality mapping from the inception of the lending. Consequently, measuring and monitoring significant increase in credit risk since origination is done at each reporting date.

The impairment provision shown in the statement of financial position at year-end is derived from each of the three internal categories. However, the majority of the impairment provision comes from stage 2 and 3 gradings. The table below shows the percentage of the group's on- and off-statement of financial position items relating to advances and the associated impairment provision for each of the categories:

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Notes to the Group Financial Statements

	Group		Company	
Figures in Pula	2020	2019	2020	2019

### 36. Risk management (continued)

Group and Company

Analysis - Loans and advances

2020	Group Loans and advances	Group Impairment	Company Loans and advances	Company Impairment
Loans and advances				
Stage 1	582,744,494	49,751,627	582,744,494	49,751,627
Stage 2	89,486,816	18,048,925	89,486,816	18,048,925
Stage 3	1,789,353,288	1,357,984,063	1,789,353,288	1,357,984,063
	<b>2,461,584,598</b>	<b>1,425,784,615</b>	<b>2,461,584,598</b>	<b>1,425,784,615</b>

2019	Group Loans and advances	Group Impairment	Company Loans and advances	Company Impairment
Loans and advances				
Stage 1	513,595,093	38,178,755	513,595,093	38,178,755
Stage 2	183,684,578	33,230,157	183,684,578	33,230,157
Stage 3	1,693,286,781	1,275,322,128	1,693,286,781	1,275,322,128
	<b>2,390,566,452</b>	<b>1,346,731,040</b>	<b>2,390,566,452</b>	<b>1,346,731,040</b>

#### Credit risk exposure

Cash and cash equivalents	419,903,850	334,661,248	360,244,390	284,997,567
Loans and advances	1,035,799,983	1,043,835,412	1,035,799,983	1,043,835,412
Other assets	227,303,783	186,075,611	227,252,461	185,955,688
Other financial assets	40,129,936	47,375,903	40,129,936	47,375,903
	<b>1,723,137,552</b>	<b>1,611,948,174</b>	<b>1,663,426,770</b>	<b>1,562,164,570</b>

#### Loans and advances

Loans and advances are summarised as follows:

2020 Loans and advances	Group	Company
Stage 1	582,744,494	582,744,494
Stage 2	89,486,816	89,486,816
Stage 3	1,789,353,288	1,789,353,288
Less: Allowance for impairment	(1,425,784,615)	(1,425,784,615)
	<b>1,035,799,983</b>	<b>1,035,799,983</b>

2019 Loans and advances	Group	Company
Stage 1	513,595,093	513,595,093
Stage 2	183,684,578	183,684,578
Stage 3	1,693,286,781	1,693,286,781
Less: Allowance for impairment	(1,346,731,040)	(1,346,731,040)
	<b>1,043,835,412</b>	<b>1,043,835,412</b>

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Notes to the Group Financial Statements

	Group		Company	
Figures in Pula	2020	2019	2020	2019

### 36. Risk management (continued)

#### Incorporation of forward-looking information into IFRS 9 modelling

The group's impairment models utilise macroeconomic information to enable the models to provide outputs that are based on forward-looking information. The forward looking information applied in the current year modelling process are export of goods and services-USD % change, short-term economic risk index % change and BWP/EUR % change.

Change in export of goods and services has an equal effect to change in GDP. It is expected to have an inverse relationship with the probability of default. The higher the export of goods and services (the higher the GDP), the less the probability of default. There is a direct relationship between CEDA PDs and short term economic risk index. The higher the short term economic risk index the higher the probability of default. The BWP/EUR exchange rate % change is expected to have a direct relationship with the probability of default. The increase in the rate means weakening of the Pula and expected to increase the probability of default.

The group revisited and updated the macroeconomic information utilised at 31 March 2020 taking note of a wide range of possible scenarios and macroeconomic outcomes, as well as the consequences around the uncertainty, duration and likelihood of future outbreaks that COVID-19 will have on the social and economic conditions of society. The global shocks experienced in the market have led to a highly uncertain and unprecedented environment.

#### Other assets

A simplified method of assessing credit risk on other assets was adopted on implementation of IFRS 9, a blended rate on 12 month exit rate and former staff recovery rate was used to arrive at the level of impairment

12 month exit rate	4.79%	4.98%
Former staff recovery rate	23%	23%

The group obtained assets by taking possession of collateral held as security which totalled P9 718 600 (2019: P4 780 700). Repossessed assets consist of land and buildings, plant and machinery and equipment. Repossessed properties are sold as soon as practical with the proceeds used to reduce the outstanding indebtedness.

#### Fair value of financial assets and liabilities

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

Assumptions used to determine the fair value:

(i) Loans and advances to customers and other assets

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

(ii) Financial liabilities

Trade and other payables are of short term in nature and the fair values will approximate its carrying values.

Borrowings are financed at market interest rates; therefore, the carrying values approximates fair values. As per IFRS 9 requirement, off balance sheet transactions (financial guarantees) are now considered for impairment at on boarding stage for both defaulting and non defaulting guarantees whereas IAS 37 considered defaulting guarantees for impairment. CEDA designed a simplified method of assessing the impairments of guarantees using the Lifetime ECL rate of 4.3% in 2020 (2019: 4.35%).

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Notes to the Group Financial Statements

	Group		Company	
Figures in Pula	2020	2019	2020	2019

### 36. Risk management (continued)

#### 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 the group's accounting policy in accounting policy 1.1. 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 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 or indirectly 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.

The group recognises other financial assets using fair value through profit or loss (FVTPL).

The table below analyses the level of fair value hierarchy of financial instruments:

Group and Company	Level 1	Level 2	Level 3	Total
31 March 2020				
Norsad Finance Limited	-	-	40,129,937	40,129,937
United Refineries Pty Ltd	-	-	-	-
	-	-	<b>40,129,937</b>	<b>40,129,937</b>
31 March 2019				
Norsad Finance Limited	-	-	36,877,311	36,877,311
United Refineries Pty Ltd	-	-	10,498,592	10,498,592
	-	-	<b>47,375,903</b>	<b>47,375,903</b>

Norsad Finance fair value has been determined by means of level 3, a Price To Book method (looks at group's share price based on prices for similar listed companies) for ordinary shares and Dividend Yield method for preference shares. For Level 3 fair value hierarchy, the group has used reasonable unobservable inputs to value Norsad Finance. The current valuation has resulted in an increase in value of P3 252 627.

United Refineries is under litigation. Property and land valuation for United Refineries was done by an independent valuer, the forced sale value was used to determine CEDA's share in United Refineries. CEDA holds first mortgage bond on the property and therefore the debenture ranks first among the company's creditors. The P10 498 592 debenture held in United Refineries has been fully impaired in 2020. The value of ordinary shares is held at nil because they rank last on distribution of liquidation proceeds.

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Notes to the Group Financial Statements

	Group		Company	
Figures in Pula	2020	2019	2020	2019

### 36. Risk management (continued)

#### Categories of financial instruments

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

#### Group

31 March 2020

	Fair value through profit/(loss)	Fair value through OCI	Amortised cost	Outside the scope of IFRS 9	Total
<b>Assets as per Statement of Financial Position</b>					
Cash and cash equivalents	-	-	419,903,850	-	419,903,850
Loans and advances	-	-	1,035,799,983	-	1,035,799,983
Other assets	-	-	227,303,783	-	227,303,783
Other financial assets	40,129,936	-	-	-	40,129,936
	<b>40,129,936</b>	<b>-</b>	<b>1,683,007,616</b>	<b>-</b>	<b>1,723,137,552</b>

#### Liabilities as per Statement of Financial Position

Loans from shareholder	-	-	73,840	-	73,840
Other financial liabilities	-	-	17,773,936	-	17,773,936
Lease liabilities	-	-	-	63,436,556	63,436,556
Finance lease	-	-	30,925	-	30,925
Trade and other payables	-	-	22,137,685	-	22,137,685
Financial guarantee contracts	-	-	24,422,416	-	24,422,416
	<b>-</b>	<b>-</b>	<b>64,438,802</b>	<b>63,436,556</b>	<b>127,875,358</b>

#### Group

As at March 2019

	Fair value through profit/(loss)	Fair value through OCI	Amortised cost	Outside the scope of IFRS 9	Total
<b>Assets as per Statement of Position</b>					
Cash and cash equivalents	-	-	344,661,248	-	344,661,248
Loans and advances	-	-	1,043,835,412	-	1,043,835,412
Other assets	-	-	186,075,611	-	186,075,611
Other financial assets	47,375,903	-	-	-	47,375,903
	<b>47,375,903</b>	<b>-</b>	<b>1,574,572,271</b>	<b>-</b>	<b>1,621,948,174</b>

#### Liabilities as per Statement of Financial Position

Other financial liabilities	-	-	21,529,925	-	21,529,925
Finance leases	-	-	1,334,095	-	1,334,095
Financial guarantee	-	-	20,875,865	-	20,875,865
Loans from shareholders	-	-	71,000	-	71,000
Trade and other payables	-	-	51,103,680	-	51,103,680
	<b>-</b>	<b>-</b>	<b>94,914,565</b>	<b>-</b>	<b>94,914,565</b>

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Notes to the Group Financial Statements

	Group		Company	
Figures in Pula	2020	2019	2020	2019

### 36. Risk management (continued) Company

As at 31 March 2020

#### Asset as per Statement of Financial Position

	Fair value through profit/(loss)	Fair value through OCI	Amortised cost	Outside the scope of IFRS 9	Total
Cash and cash equivalent	-	-	360,244,390	-	360,244,390
Loans and advances	-	-	1,035,799,983	-	1,035,799,983
Other assets	-	-	227,252,461	-	227,252,461
Other financial assets	40,129,936	-	-	-	40,129,936
	<b>40,129,936</b>	<b>-</b>	<b>1,623,296,834</b>	<b>-</b>	<b>1,663,426,770</b>

#### Liabilities per Statement of Financial position

Other financial liabilities	-	-	17,773,936	-	17,773,936
Lease liabilities	-	-	-	63,211,666	63,211,666
Finance lease	-	-	30,925	-	30,925
Trade and other payables	-	-	21,338,297	-	21,338,297
Financial guarantee contracts	-	-	24,497,617	-	24,497,617
	<b>-</b>	<b>-</b>	<b>63,640,775</b>	<b>63,211,666</b>	<b>126,852,441</b>

### Company

As at 31 March 2019

#### Assets as per Statement of Financial Position

	Fair value through profit/(loss)	Fair value through OCI	Amortised cost	Outside the scope of IFRS 9	Total
Cash and cash equivalents	-	-	284,997,567	-	284,997,567
Loans and advances	-	-	1,043,835,412	-	1,043,835,412
Other assets	-	-	185,955,688	-	185,955,688
Other financial assets	47,375,903	-	-	-	47,375,903
	<b>47,375,903</b>	<b>-</b>	<b>1,514,788,667</b>	<b>-</b>	<b>1,562,164,570</b>

#### Liabilities as per Statement of Financial Position

Other financial liabilities	-	-	21,483,367	-	21,483,367
Finance lease	-	-	1,334,095	-	1,334,095
Financial guarantee	-	-	20,875,865	-	20,875,865
Trade and other payables	-	-	47,623,698	-	47,623,698
	<b>-</b>	<b>-</b>	<b>91,317,025</b>	<b>-</b>	<b>91,317,025</b>

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Notes to the Group Financial Statements

	Group		Company	
Figures in Pula	2020	2019	2020	2019

### 36. Risk management (continued)

Fair value of financial instruments not held at fair value through profit and loss.

All of the below financial assets and financial liabilities have carrying amounts that approximate their disclosed fair values.

Group	Carrying amount	Fair value
<b>31 March 2020</b>		
<b>Financial Assets</b>		
Cash and cash equivalents	419,903,850	419,903,850
Loans and advances	1,035,799,983	1,035,799,983
Other assets	227,303,783	227,303,783
	<b>1,683,007,616</b>	<b>1,683,007,616</b>
<b>Financial liabilities</b>		
Loans from shareholder	73,840	73,840
Other financial liabilities	17,773,936	17,773,936
Lease liabilities	63,436,556	63,436,556
Finance lease	30,925	30,925
Trade and other payables	22,137,685	22,137,685
Financial guarantee contracts	24,422,416	24,422,416
	<b>127,875,358</b>	<b>127,875,358</b>

Group	Carrying amount	Fair value
<b>31 March 2019</b>		
<b>Financial Assets</b>		
Cash and cash equivalents	344,661,248	344,661,248
Loans and advances	1,043,835,412	1,043,835,412
Other assets	186,075,611	186,075,611
	<b>1,574,572,271</b>	<b>1,574,572,271</b>
<b>Financial liabilities</b>		
Loans from shareholder	71,000	71,000
Other financial liabilities	21,529,925	21,529,925
Finance lease	1,334,095	1,334,095
Trade and other payables	51,103,680	51,103,680
Financial guarantee contracts	20,875,965	20,875,965
	<b>94,914,665</b>	<b>94,914,665</b>

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Notes to the Group Financial Statements

	Group		Company	
Figures in Pula	2020	2019	2020	2019

### 36. Risk management (continued)

Company	Carrying amount	Fair value
<b>31 March 2020</b>		
<b>Financial assets</b>		
Cash and cash equivalents	360,244,390	360,244,390
Loans and advances	1,035,799,983	1,035,799,983
Other assets	227,252,461	227,252,461
	<b>1,623,296,834</b>	<b>1,623,296,834</b>

<b>Financial liabilities</b>		
Other financial liabilities	17,773,936	17,773,936
Lease liabilities	63,211,666	63,211,666
Finance lease	30,925	30,925
Trade and other payables	21,338,297	21,338,297
Financial guarantee contracts	24,497,617	24,497,617
	<b>126,852,441</b>	<b>126,852,441</b>

Company	Carrying amount	Fair value
<b>31 March 2019</b>		
<b>Financial assets</b>		
Cash and cash equivalents	284,997,567	284,997,567
Loans and advances	1,043,835,412	1,043,835,412
Other assets	185,955,688	185,955,688
	<b>1,514,788,667</b>	<b>1,514,788,667</b>

<b>Financial liabilities</b>		
Other financial liabilities	21,483,367	21,483,367
Finance lease	1,334,095	1,334,095
Trade and other payables	20,875,865	20,875,865
Financial guarantee contracts	47,623,698	47,623,698
	<b>91,317,025</b>	<b>91,317,025</b>

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Notes to the Group Financial Statements

	Group		Company	
Figures in Pula	2020	2019	2020	2019

### 36. Risk management (continued)

Fair value hierarchy

Group and Company	Level 1	Level 2	Level 3	Total
<b>31 March 2020</b>				
<b>Financial assets</b>				
Other financial assets	-	-	40,129,936	40,129,936

Group and Company	Level 1	Level 2	Level 3	Total
<b>31 March 2019</b>				
<b>Financial assets</b>				
Other financial assets	-	-	47,375,903	47,375,903

### Foreign currency risk

The group is exposed to insignificant foreign currency risk as there are minimal transactions in foreign currencies.

### 37. Commitments

Already contracted for but not provided for

Building	165,570	21,938	165,570	21,938
Computer hardware	123,092	4,221	123,092	4,221
Furniture and fittings	233,082	126,308	233,082	126,308
	<b>521,744</b>	<b>152,467</b>	<b>521,744</b>	<b>152,467</b>

Lease commitments are in respect of lease agreements for properties across the country in carrying out operations of the CEDA group. The commitments will be financed out of internally generated funds.

Commitments to advance funds to customers but not yet disbursed at year end. These commitments are irrevocable.

### Commitments to advance funds to customers but not yet disbursed at year end

At the end of the year	162,389,163	139,303,085	162,389,163	139,303,085
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### 38. Contingencies

CEDA Credit Guarantee Scheme guarantees the net losses incurred by participating financial institutions as a result of their lending to small and medium sized entities under the CEDA Credit Guarantee Scheme. The company has guaranteed 75% of the net losses incurred by the participating institutions. Further CEDA has provided supplier guarantees and performance bonds guarantees for a fee of 1.75% of the total guarantee amount applied for. The total contingent liability as at 31 March 2020 as a result of guarantees issued amounts to P13 618 417 (2019: P12 010 854). Maximum credit guarantees exposure across seven banks is P132 721 000 (2019: P132 721 000) relating to Absa, Standard Chartered Bank, Stanbic Bank, Bank Gaborone, Banc ABC, First National Bank of Botswana and Bank of Baroda.

CEDA has an employee guarantee loan scheme facility with Absa Bank of P100 000 000 (2019: P100 000 000) and the debtors book cession of P140 000 000 (2019: P140 000 000). There are legal claims against the group to the tune of P2 500 000.

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Notes to the Group Financial Statements

	Group		Company	
Figures in Pula	2020	2019	2020	2019

### 39. Going concern

The group 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 realization of assets and settlement of liabilities contingent obligations and commitments will occur in the ordinary course of business.

The ability of the group to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors continue to procure funding for the ongoing operations for the group. However, the Directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The directors have assessed the ability of the group to continue operating as a going concern and believe that the preparation of these financial statements on a going concern basis is still appropriate. The approved Government subvention for the 2022/2023 financial year amounts to P210 000 000. In 2023/2024, the group will receive government subvention amounting to P309 985 910. Furthermore, the Botswana Government has acceded to the conversion of Industry Support Fund (ISF) to general CEDA operations amounting to P150 000 000, this has improved the Agency's cash flow.

The directors, however believe that under the current economic environment a continuous assessment of the ability of the group to continue to operate as a going concern need to be performed to determine the continued appropriateness of the going concern assumption that has been applied in the preparation of these financial statements. As at the date of this report, management made an assesment of the Group and Company's ability to continue as a going concern taking into account all available information about the future.

### 40. Events after the reporting period

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

#### Covid-19 impact

The impact of Covid-19 pandemic on the business has been noted after the reporting period, new impact or the anticipated impact of those identified may materially change if the pandemic spreads for an extended period. The extent of the impact of the disease is not yet known and the conditions did not exist as at year and therefore is not an adjusting event. The group will continue to monitor the impact of the developing situation on its business and make appropriate adjustments to its operations as may be required.

Part of Government's response to the pandemic, through the establishment of the Economic Recovery and Transformation Plan (ERTP) and the Industry Support Fund (ISF), the Agency continues to play a critical role in the implementation of these interventions. With the successful Covid-19 vaccine rollout and the group's robust and resilient response to the pandemic, revenues declined by 32% whilst collections increased by 11% for 2020/2021. The reduction in revenues emanated from the reduced interest rates as per revised Guidelines. For the year ended 31 March 2022, the group's projected growth in portfolio revenue and collections is 13% and 10% respectively.

To cushion the funded projects from the impact of Covid-19, targeted loan facilities were given repayment holidays of between 3 and 12 months. A mass restructuring of loan accounts for projects affected by Covid-19 was also effected to enhance the survival of those businesses.

To further enhance the sustainability of the funded projects and give them an opportunity recover, CEDA implemented mass restructuring of loans through capitalization of arrears as at 31 March 2021. The ECL rate for stage 3 accounts (Non performing loans) in 2019/2020 is 76.1%, giving an impairment provision of P1.345 billion.

Compliance to Covid-19 protocols remains key to the Agency, albeit at cost to CEDA. CEDA continues to bear the cost of Rapid Antigen and Polymerase Chain Reaction (PCR) testing for staff and their immediate families of employees considered probable Covid-19 cases. CEDA has spent P906 321 as at 31 March 2021 on sanitizers, covid-19 testing and counselling etc.

#### CEDA revised Guidelines

In July 2020 CEDA implemented the revised lending Guidelines. These resulted in reduced interest rates which are linked to the bank and prime rates. Further, conditions on security have been relaxed and the loan terms have been extended which will consequently reduce expected revenue and collections. The above notwithstanding, for socio-economic reasons the revised Guidelines improved financial inclusion especially access to funding by the unbanked.

# Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Consolidated And Separate Financial Statements for the year ended 31 March 2020

## Notes to the Group Financial Statements

	Group		Company	
Figures in Pula	2020	2019	2020	2019

### 40. Events after the reporting period (continued)

#### Ta Shebube Pty Ltd

In September 2021, one of the lodges belonging to Ta Shebube at Pelontswa was affected by veld fire. The lodge was completely burnt down, the company however has a paid up insurance arrangement which is up to date. The insurance claim has been received and the management is in the process of rebuilding the lodge.

#### Africa Wild Lodges and Safaris Pty Ltd

The associate operates 3 lodges running as its subsidiaries. One of the lodges, Saguni is being sold through liquidation by a financial institution. The sale did not materialise in March 2022 and has been readvertised.

#### United Refineries Pty Ltd

The liquidation process of the company commenced in November 2021. The group has a first mortgage bond over the property valued at more than P100 million in United Refineries. A new liquidator is still to be appointed.

#### Pule Modisana Holdings

Following sale of the associate, the group realised an amount of P 10.7 million in December 2022. The investment was fully impaired and held for distribution.

#### Rationalisation of Botswana Government Ministries and State Owned Enterprises

The Botswana Government announced the planned rationalisation of Ministries and State Owned Enterprises in April 2022. CEDA and LEA will be merged into one entity. No further details regarding the implementation and time frame were provided.

The directors are not aware of any other fact or circumstance, which occurred between the date of the financial statements and the date of this report, which may require adjustment to the Annual Financial Statements.