Economically Empowering Botswana

CEDA

FINANCE • DEVELOP • SUSTAIN

2011/ 2012 Annual Report

CEDA Corporate Profile

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 a view to the promotion of viable and sustainable citizen owned business enterprises. CEDA was incorporated as a company limited by guarantee on the April 12th, 2001 and commenced operations in June 2001. The company was established in response to a recommendation made by the National Conference on Citizen Economic Empowerment (NCCEE) held in July 1999, in order to introduce the professional management of the Government financial assistance initiatives and to streamline the numerous projects providing similar schemes. The Agency is established to address the need for coherent and holistic support for the development of small, medium and large scale enterprises through the soft window and package offered through the subsidiaries. CEDA offers funding for capital expenditure, stock or working capital in new and existing business ventures. It also offers training and mentoring for new and seasoned entrepreneurs and business advisory services to entrepreneurs in various skills as identified through the needs assessment that is conducted during project monitoring.

Structure

The control of CEDA is vested in the Board of Directors appointed by the Botswana Government. The Board of Directors consists of representatives from Government and Non Government agencies. In this way commercial sense balanced with the social responsibility of Government will come to bear on the operations of CEDA. The key functions of the Board of Directors are to direct, monitor and control the strategic direction of CEDA, ensuring that sound business policies are practiced and the objectives of the Agency are being met. The Chief Executive Officer assisted by the Deputy Chief Executive Officer (Operations) and Deputy Chief Executive Officer (Corporate Services) and Senior Management Team manage the company.

CEDA Products And Services

Loan finance;
Equity;
Lease Loans;
Property Loans;
Credit Guarantee (short and long term instruments);
Citizen Entrepreneurial Mortgage Assistance Equity Fund (CEMAEF);
Factoring and Invoice Discounting;
Business Advisory Services (Training and Mentoring).


THARING
HAVEN
TEAM
BUY OR RENT Tel:

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CORPORATE PROFILE

The Citizen Entrepreneurial Development Agency (CEDA) is a development financial institution wholly owned by the Government of Botswana. It was set up to provide support for business development through various funding mechanisms, thereby promoting citizen economic empowerment and entrepreneurship.

It was incorporated as a company limited by guarantee on the April 12th, 2001 and commenced operations in June 2001. The company was established in response to a recommendation made by the National Conference on Citizen Economic Empowerment (NCCEE) held in July 1999, in order to introduce the professional management of the Government financial assistance initiatives and to streamline the numerous projects providing similar schemes.

Assistance is in the forms of funding for start-ups, expansions, stock or working capital in new and existing businesses. CEDA also offers business advisory services to entrepreneurs in various skills thereby enhancing the success of investments made in citizen business ventures. With these services we have been able to harness the business expertise, skills and wisdom of senior business and professional people, making their services available to CEDA funded entrepreneurs in small and medium enterprises, with the whole intention to enhance sustainability, profitability and collective contribution of the SMME sector to the overall economic performance.

CEDA assists citizen businesses under various sectors being Agribusiness, Services and Property and Manufacturing. Furthermore, CEDA can also assist citizens to partner with non-citizens in joint ventures through its Structured Finance product. By so doing, we radiantly light the way forward for new industries, guiding the footsteps of intrepid entrepreneurs who blaze the trail ahead, bringing prosperity and stability to those who follow, and to the economy of our country.

The Agency is overseen by the Board of Directors whose main function is to direct, monitor and control its strategic direction to ensure that sound business policies are practised and the objectives of the Agency are being met.

Our Objectives :

a. Foster citizens entrepreneurship and empowerment;
b. Promote economic diversification;
c. Encourage the development of competitive and sustainable citizen enterprises;
d. Create sustainable employment opportunities;
e. Promote the development of vertical and horizontal linkages between citizen enterprises and primary industries in Agriculture, Mining and Tourism.

Our Criteria for Assistance

To quality for assistance the following shall be considered:

a. Citizen of 18 years and above;
b. Viable citizen businesses and joint-ventures between citizens and non-citizens;
c. Citizen-owned businesses facing foreclosure and seeking to re-finance mortgage loans for land, commercial and industrial property in exchange for share of equity in their businesses;
d. Direct involvement of the shareholder in the project.

Our Vision

The premier citizen empowerment partner, financing vibrant and sustainable SMMEs.

Our Mission

To fund and support the development of viable and sustainable industries.

Our Values

Customer focused

CEDA exists to serve its customer base. We must at all times value and be responsive to the needs of our customers and live by the values of "botho" in all our interactions.

Enterprising

We strive to continuously develop and nurture the entrepreneurial spirit and capacity of Batswana.

Decisive

Fundamental to our core business we must make sound and timely decisions. These decisions must be well informed, reliable and based on the relevant experience of our team.

Accountable

We are individually and collectively accountable to our customers and stakeholders. We take responsibility for our decisions and actions. We shall act with openness, transparency, honesty and integrity in all our dealings.

CEDA History & Milestones

2001 – The inception of Citizen Entrepreneurial Development Agency

2002 - The Board of Directors and Management adopted a Strategic Plan which will assist the Agency to achieve its mandate

2003 - The training and mentoring department of CEDA only became fully fledged and staffed

2004 - In an effort to streamline internal business processes and improve efficiency, the implementation of Phase 1 of SAP ERP system is executed.

2005 - The administration of both Venture Capital Fund and Credit Guarantee Scheme is outsourced to external fund managers.

2006 – By this year, the Agency had signed 7 memorandum of understanding.

1.Botswana Institute of Accountants
2.Ministry of Agriculture
3.National Food Technology Research Centre
4.Botswana Institute for Development Policy Analysis
5.Business Partners
6.Botswana Bureau of Standards
7. Jersey South Africa

2007 – The CEDA Young Farmers Fund Scheme is introduced with a seed capital of P50 Million

2008 – The CEDA Credit Guarantee Scheme (CCGS) guarantees 473 projects amounting to P122.2 Million and employing about 4910 people through assisted projects.

2009 – CEDA Union and Management signs a memorandum of Agreement

2010 – CEDA rebranding from Bosa Bosele to the current new logo. 430 Entrepreneurs are developed at a value of P260 Million, creating 606 direct jobs

2011 – CEDA becomes ISO compliant and certified.

2012 – CEDA 10th Anniversary Celebrations. CEDA's total Portfolio Investment amounts to P2, 597,736,660.25. The portfolio size is 4,039 projects.

Chairman's Remarks...

Dr. Lucas Gakale | **Board Chairman**

Chairman's Remarks...

The year ending March 2012 marks the end of CEDA's 2009-2012 Strategic Plan, a plan drawn during the period when the world economy was facing a lot of challenges and there was much uncertainty in the financial markets. CEDA's clients did not escape the economic downturn that was experienced during this period.

The International Monetary Fund projected that the world economy would grow by 3.5% in 2012, reduced from an earlier estimate of 4.5%. In Botswana the economy grew by 6.1%, compared to 8% in the previous year. This decrease was mainly due to decline in the output from the diamond sector, drought and marketing and diseases challenges facing the livestock sector. Inflation stood at 7.4%, significantly higher than the Bank of Botswana long term objective of 3-6%, driven mainly by higher energy and food costs. Above all this, the Government reduced public sector spending, especially on new development projects in a quest to balance the budget. The result of all this is that there was reduced money for businesses in general including CEDA clients, especially that Government continues to be a major player in the economy of the country.

The Government, through the Economic Diversification Drive (EDD) initiative, intends to create more employment opportunities, eradicate poverty and diversify the economy. The Small Medium and Micro Enterprises (SMMEs) are expected to play a major role in achieving this. A Government procurement policy is in place to ensure that locally produced goods and services receive a significant proportion of Government procurement provided that they are of good quality. CEDA clients are poised to benefit from these Government citizen empowerment initiatives.

A major issue of concern is the dominance of foreign owned small businesses, which continue to invade the SMME space in Botswana. This has the effect of crowding out small citizen owned businesses to the extent that in some villages, small businesses such as small fast food outlets, sale of cooking gas, etc, are dominated by foreigners who cannot qualify as sources of any foreign direct investment. Batswana only collect rentals as they usually own the buildings from where such businesses operate, some built through Government citizen empowerment initiatives such as Financial Assistance Policy (FAP) of yester years. We at CEDA believe that Government, through appropriate agencies should do more to restrict entry by foreigners into the SMME space if Batswana are to play any significant role in the economy.

Over the last three years the Government subvention to CEDA has been declining. The Agency will have to generate enough resources to meet the funding gap. This will not be easy given the CEDA financing model prescribed by the Lending Guidelines, whereby some projects have long interest moratorium periods. Added to this we have witnessed a rather high rate of defaulters.

During the period under review, arrears stood at P290 million, up from P238 million from the previous year. The debt loan portfolio grew from P1.1 billion to P1.3 billion for the same period, a growth of 18%. Some of the businesses have to be foreclosed as a last resort, but when this happens, the realization from the sale of the assets has been below 22% of the outstanding or owed amounts.

To address the funding challenge, CEDA has put in place a new three year (2012-2015) which calls for greater operational efficiency and a greater focus on cost containment to address liquidity challenges. In addition a team has been established to collect arrears and this has already yielded significant results. It is expected to raise 67% of the operational and capital funding requirements of the Agency during 2012/2013 financial year and this is expected to increase to 70% by the end of the three year plan period.

CEDA's investment covers four sectors, namely services, agriculture, property and manufacturing. Almost 30% of the Agency's portfolio loans are committed to agricultural projects, 50% of which is committed to the beef subsector. Given the current challenges facing sub-sector, the Agency has experienced a high rate of defaulters as producers are unable to find a market for their cattle. The current drought will further worsen the problem as the crop subsector has been severely hit.

Regarding the overall performance of the Agency during the period under review, the Agency has achieved a net performance rating of 72% against a target of 80%. The main challenges are delays in decision making regarding project funding, rising arrears, increased contamination rate of the loan book and reduced portfolio revenues.

The Board and Management continue to deliberate on ways and means to address the above challenges and make CEDA financially sustainable. There may be a need to review the Lending Guidelines and introduce some user fees (administration fees) as a cost recovery measure. The support of the shareholder is highly acknowledged.

Dr Lucas P. Gakale

Board Chairman


Mowana Boardroom

Board Members...

Board Members...

Chairman
Dr. Lucas Gakale | Board Chairman

Chairman Finance & Audit Committee
Christopher Mokgware

Chairman Human Resources Committee
Benard Mogajana Ditlhabi

Chairman Board Tender Committee
Ogaketse Puma Mathware

Matshediso Mulalu

Stanley Mbakisi Makosha

Spencer Mookami Kaisara

Molatlhegi Modise

Seagiso Ramatshaba

Financial Highlights...

Statement of Comprehensive Income

There has been a slight improvement of 4% in the operating loss for the Group for the year ended 31st March 2012. The Group turnover realised during 2011/12 was P255 million, reflecting a decrease from P267 million in the prior year. This decrease is mainly due to the P9 million decline in manufacturing sales coupled with the P2 million decline in interest earnings. This negative impact on revenue was offset by the reduction in cost of sales and operating expenses.

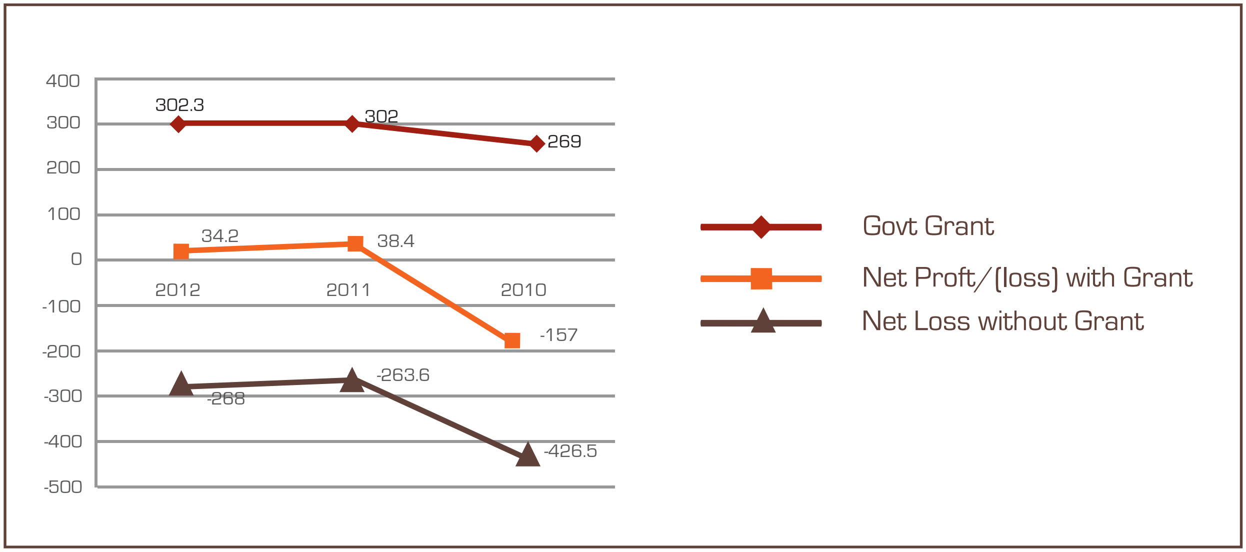
For the CEDA Company, the operating loss increased from P265 million in 2010/11 to P290 million in 2011/12. This deterioration is mainly attributable to the 12.6% increase in provision for bad and doubtful debts. The interest earned on loans and advances went down by P2 million despite the significant increase in loans and advances (from P1073 million in 2010/11 to P1 268 million in 2011/12) as a result of rescheduling of loans as well as moratorium period during which no interest accrues on loans.

The Group net loss before Government grant deteriorated by 1.7% to P268.0m in 2011/12 compared to P263.6m in 2010/11. This was mainly influenced by share of losses in Associates at P4.8m compared to the profit share of P11.3m in the prior year. The income tax for the Group remained flat over the period. The government grant received during 2011/12 turned the loss of P268m into a net profit of P34m.

Statement of Comprehensive Income		**Group**			**Company**	
	2012 P000	**2011 P000**	**%age change**	**2012 P000**	**2011 P000**	**%age change**
Revenue	255.4	267.3	(4.5)	57.1	54.3	5.2
Cost of Revenue	(152.5)	(158.1)	3.5	-	-	-
Gross Profit	**102.9**	**109.2**	**(5.8)**	**57.1**	**54.3**	**5.2**
Other Income	15	22.5	(33.3)	10.9	16.8	(35.1)
Operating Expenses	(201.3)	(214)	5.9	(154)	(144.1)	(6.9)
Impairment on investments in associates	9.4	(26.3)	135.7	(39.5)	(45.2)	12.6
Impairment of loans and advices	(164.9)	(146.40	(13)	(164.9)	(146.4)	(12.6)
Amotartisations of intangibles	(1.3)	(1.3)	-	-	-	-
Other Impairment charges	(6.8)	-	-	-	-	-
Operating loss	**(247)**	**(256.30)**	3.6	**(290.4)**	**(264.6)**	**(9.8)**
Finance costs	(8.5)	(10.6)	19.8	-	-	-
share of (loss)/Profit of associates	(4.8)	11.2	(142.9)	-	-	-
Loss before tax	**(260.3)**	**(255.7)**	**(1.8)**	**(290.4)**	**(264.6)**	**(9.8)**
income tax expense	(7.8)	(7.9)	1.3	-	302.0	-
Net Loss for the year before govt grant	**(268.1)**	**(263.6)**	(1.7)	**(290.4)**	**(264.6)**	**(9.8)**
Government grant	302.3	302.0	0.1	302.3	302.0	0.1
Profit for the year	**34.2**	**38.4**	**(10.9)**	**11.9**	**37.4**	**(68.2)**

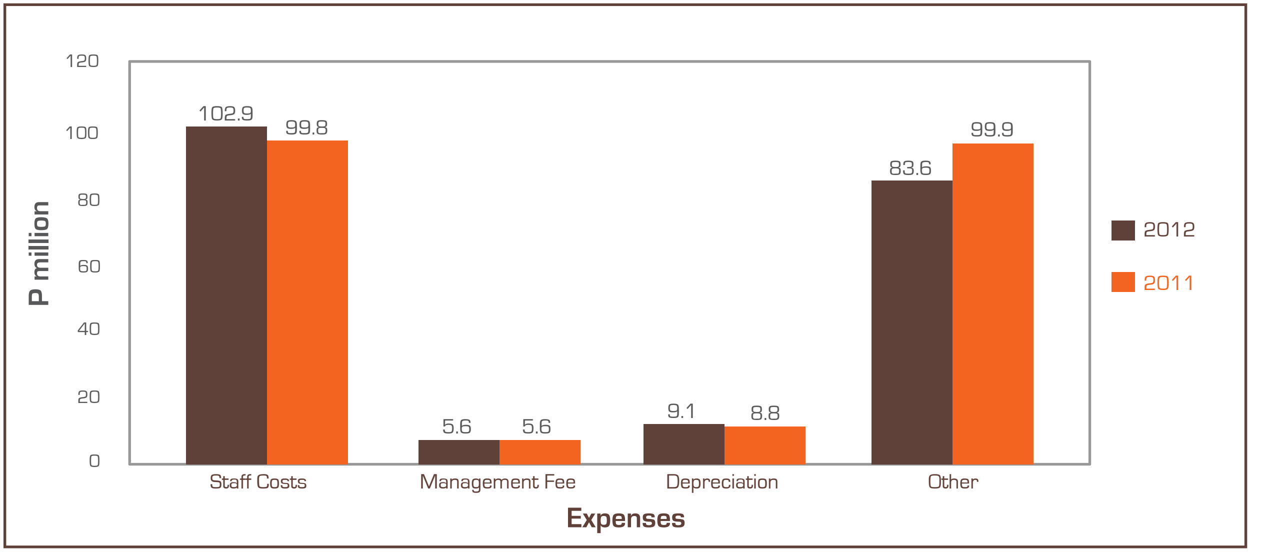
Summary of the financial performance over three years:

Financial Performance



Operating expenses declined at both Group and CEDA company level despite the increase in project mentoring, IT and audit costs all of which were volume driven. Group staff expenses recorded a P3m increase on the back of an increase in staff complement. Included in the operating expenses are Textile grant expenses of P22.4million; a government initiative to support locally based textile manufacturers. Management fees remained flat in line with portfolio under management.

Comparison of Total Expenses



Statement of Financial Position

There was a notable increase of 5.8% and 1.8% in the total assets for the Group and CEDA Company respectively. The Group's assets held for distribution amounted to P52 million comprising of investments in AON Botswana, MRI, Hyperbola, Tannery Industries and Easy Concrete. CEDA's investments in CEDA Venture Capital Fund (CVCF) declined to P116 million during the year reflecting difficult trading conditions of the underlying investments.
The Total Capital, Funding and Liabilities amount to P1.2 billion, an increase of P64 million from the previous year. The Group's accumulated losses improved by 11% reflecting an improved performance for the year ended 31st March 2012.

Other expenses include consultancy, operating leases, mentoring, public relations and other administration expenses.

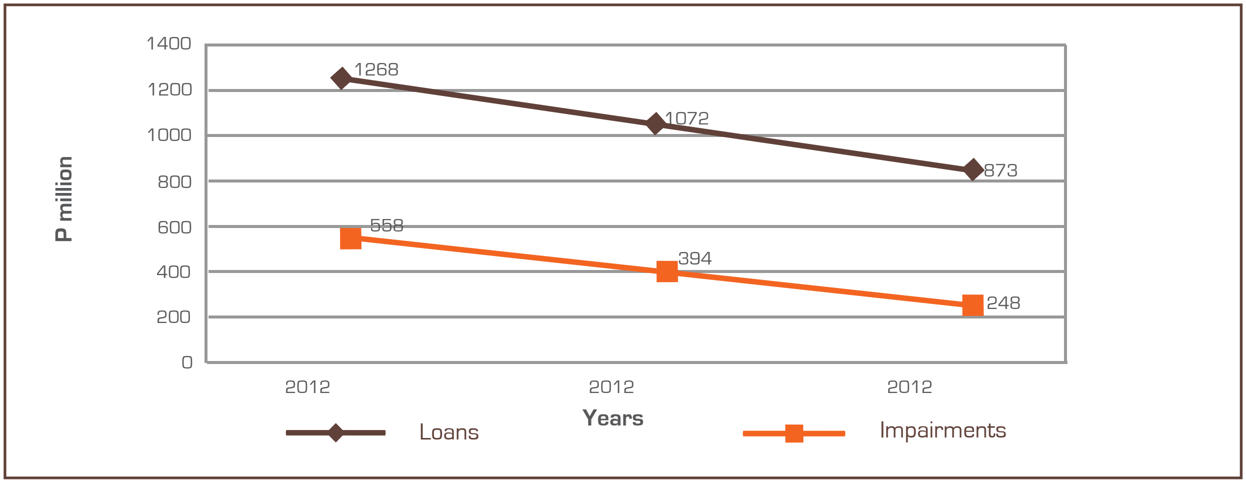
The cash and cash equivalents reflect a continuing decline on the back of increased facility demand against reduced recoveries from funded businesses.

Financial Highlights...

Statement of Financial Position		Group			Company	
	2011/2012	2010/2011	%age change	2011/2012	2010/2011	%age change
ASSETS	**P000**	**P000**		**P000**	**P000**	
NON - CURRENT ASSETS	918.4	837.2	9.7	894.7	834.7	7
CURRENT ASSETS	261.3	277.4	(5.8)	151.4	193.7	(21.8)
Total Assets	**1179.7**	**1114.6**	(5.8)	**1046.1**	**1028.4**	**1.72**
CAPITAL FUNDING AND LIABILITIES						
Capital funding	1260.4	1260.4	-	1252	1252	-
Property Revaluation revaluation	17.1	12.7	34.6	5.1	5.1	-
Accumulated losses	(283.7)	(321.7)	11.8	(264)	(275.9)	43
Minority shareholders interest	2.7	2.3	(17.4)	-	-	-
	996.5	**953.7**	4.5	**993.1**	**(981.2)**	**1.2**
LIABILITIES						
Borrowings	29.3	37.9	22.7	-	-	-
Deferred tax liabilities	6.4	4	(60.0)	-	-	-
CURRENT LIABILITIES	147.5	119	(23.9)	**53**	**47.2**	**(12.3)**
Total Capital, Funding & Liabilities	**1179.7**	**1114.6**	**5.8**	**1046.1**	**1028.4**	**1.7**

The impairment charge on the Agency's debt portfolio continues to increase at an increasing rate compared to the portfolio growth. This is a reflection of the landscape of the CEDA portfolio most of which are start-up businesses.

Loans Compared to Impairment 2011 - 2012



CEO's Remarks...

Thabo P. Thamane **| Chief Executive Officer**

CEO's Remarks...

The Agency continued to implement the CEDA 2009 – 2012 Strategic Plan as approved by the Board in 2009. This reporting period brings to an end the implementation of this Strategic Plan. The Strategy called for significant improvements in a number of areas during the three year period which include an increase in the number of businesses assisted and the commensurate value of investment, improvement in survival of projects and improved financial performance.

The CEDA 2009-2012 Strategic Plan however came at a period when the world economy was experiencing significant challenges emanating from the world financial crisis of 2008. Whilst there was some respite in 2011, 2012 has seen periods of uncertainty brought about by Eurozone crisis which threatened to reverse the gains of 2010 – 2011. Therefore 2011 - 2012 was yet another challenging year for small, micro and medium enterprises in general and CEDA clients in particular. The economic crisis that hit the World in the recent years had a delayed effect on the domestic economy and therefore funded projects are still feeling the effect of the crisis. The negative effect is evident on the performance of financed projects which were still struggling by the end of the financial year. 70% of CEDA financed projects had survived for 3 years and more.

The Agency has continued its process engineering in order to meet its commitment to an improvement in customer service and realise its desire to become a customer centric institution. This started with the ISO certification and development of customer service standards. The Agency continued to engage customers through sector specific forums as well as customer sessions to recognise those clients that have diligently met their financial obligations to CEDA. These forums provide an opportunity for first hand interactions with customers and are a source of feedback on customer services issues which assist the Agency to improve the customer experience and satisfaction over time. The customer satisfaction index for the year under review stands at 65% against a target of 80%. The Agency is reviewing its processes to target customer complaints, especially around decision making as long turnaround times have remained a challenge for the Agency.

Application turnaround time remains a challenge for the Agency. During the period under review the Agency has achieved a turnaround time of 50 days for medium scale and expansion projects and 30 days for small scale projects. The target for medium scale and expansions is 45 days whilst for small scale it is 14 days. For equity the target was 120 days whilst the actual is 140 days. In order to address the long turnaround times, the CEDA Board has delegated loan application decision making for loans of up to P4 million to Management. This we believe would greatly reduce the turnaround times as Management structures meet more frequently compared to the Board.

As at end of March 2012, the Agency assisted a total of 292 projects for year under review. The total loan book was P1269 million for the year under review. 1892 new jobs were created during the year against a target of 380 jobs.

In terms of collections from funded projects, the Agency achieved a collection rate of P147 million against a target of P171 million for the 12 months period. This shows that enterprises continue to be affected by the recent economic

economic crisis, which manifests in the inability of promoters to meet their financial obligations. The contamination rate stood at 23% of the total portfolio which signifies an erosion of capital. The Agency has setup a collection team to improve the collection rate for the Agency. The team is expected to further boost the collection efforts of the Agency thereby reducing arrears.

The Government has taken a deliberate decision to reduce its wage bill by 5% every year for the next three years. This calls for efficiencies across all the Government Departments to compliment this reduction. This reduction in wage bill calls for CEDA to provide finance to viable and sustainable businesses with a view to reducing the unemployment rate in the country. The Agency, wholly owned by the Government, has also taken a decision not to increase its establishment in the next financial year. Further to this, it is expected that the Organizational Structure will be reviewed to align it with the requirements of the new strategy with the main focus on operational efficiency and revolving the fund. Automation and process efficiencies, to be implemented in the three year strategy phase, are expected to yield reduction in operating costs.

With job creation as a key focus for government, the Agency has reviewed its approach to project financing to ensure that resources are channelled to enterprises better placed to create sustainable jobs. Our operations therefore focus on identifying high impact SMMEs with the ability to realise value and create the desired outcome in terms of employment creation.

During the year, the Agency participated in the Best Company to Work for, as part of its broader employee engagement programme, to measure the level of employee engagement and satisfaction. The results of the survey which was undertaken by Deloitte showed that the Agency achieved overall 67% satisfaction. The Agency was ranked second nationwide. The Agency will continue to participate in the survey as we benchmark with our peers in ensuring that the overall welfare of employees improve. This is important given the level of competition for human capital in the financial sector as commercial bank take cue from CEDA and start targeting SMMEs to grow their loan portfolio. The fight for experienced staff especially around SMME financing has gotten even fiercer. Given the level of investment in training staff around SMME financing and related fields, the loss of staff to other financial institutions comes at a very high cost to the Agency.

Financial Highlights

The results for the financial year ended 31st March 2012 indicate the Agency made a gross profit of P34 million compared to P38 million in the prior year. The profit is attributed to receipt of P302.3 million as Government subvention which was recorded as income in accordance with international accounting standards. Included in this subvention is P22m textile grant to meet expenses for companies in the textile and clothing industry. Operating loss before government grant is P268 million compared to P264 million in the prior year. This higher loss is attributable to losses in Associates at P4.8 million compared to a profit of P11.3 million in the prior year.

CEO's Remarks...

The Agency witnessed a decrease in interest income by 4.3% compared to prior year due to rescheduling of loans as well as moratorium period with no interest accrued during the period under review. Net portfolio growth of P31 million was achieved compared to P53 million in the prior year. Impairment charge in loans and advances has increased by 12% to P165 million compared to a charge of P146 million in the prior year. There are challenges in non-performing loans with arrears at P290 million compared to P238 million in the prior year. Staff costs have increased by P3 million due to an increase in staff compliment and associated terminal expenses. Operating expenses declined by 6% from P214 million in the prior year to P201 million in the period under review. This is attributed to a 16% reduction in the other expenses.

During the year under review, the Agency intensified its efforts on public education, teaming up with both central and local authorities to reach customers.

The Agency carried out surveys during all fairs and events to determine how customers were responding to the new CEDA brand that was introduced in the prior year. Based on that, it is evident that Batswana have embraced the new values that the Agency has adopted. The challenge remains to strive to keep the customer promise through a customer focused service delivery model.

CEDA staff continued to lead all Corporate Social Investment Initiatives, by donating clothes, food, and other services to communities through the Selibe Phikwe, Gaborone, Molepolole and Francistown Customer Service Centres.
The Agency staff are committed to carrying out CSI initiatives and ensuring that the Agency focuses its resources on funding projects and assisting the core mandate.

I would like to thank the Minister of Trade and Industry, the Board, my Management team and staff for the unwavering support they accorded CEDA.

Thabo P. Thamane

Chief Executive Officer

CEDA Management...

Executive Management...

Lesego Selotate
Deputy CEO - Operations

Thabo P. Thamane
Chief Executive Officer

Mike Dube
Deputy CEO - Support Services

Senior Management...

Tirelo Leshetla
Head – Human Resources

Midas Sekgabo
Head – Strategy, Research & Projects

Tlamelo Moeletsi
Head – Internal Audit

Thabo Kapinga
Head – Risk Management

Mothoothata Lesole
Head – Legal Services

Tiroyamodimo Kayawe
Executive Coordinator

Senior Management...

Anno Tshipa
Head - Marketing and Communications

Esaleone Showa
Head – Customer Service

Gaone Keraang
Acting Head – Information Technology

Janine Wright
Head – Structured Finance

Gorata Tebape
Company Secretary

Tiny Ralefala
Head - Finance & Administration

Senior Management...

James Moribame

Head – Property & Manufacturing

Nametso Laletsang

Head – Agribusiness

Nixon Marumoloa

Head – Services

Governance…

Overview

1.1. The Agency subscribes to and promotes best practice principles of Corporate Governance. The affairs of the Board are governed by its Board Charter, sub-committee Terms of Reference, CEDA Constitution, Companies Act of Botswana, King III Code on Corporate Governance and other applicable legislation.

1.2. The Board furthermore ensures that the Directors, Management and staff subscribe to and implement adopted principles of good Corporate Governance and best practices. To achieve this, the Board aims to ensure that:

- 1.2.1. the Agency's affairs are administered in conformity with adopted code(s) of good Corporate Governance;
- 1.2.2. A culture of fairness, transparency and accountability is promoted throughout the Agency's activities and personnel;
- 1.2.3. all Directors are periodically familiarised with, and subscribe to adopted principles of Corporate Governance;
- 1.2.4. The organisational structure of the Agency reflects the requirements of Corporate Governance principles.

1.3. The role of the Board is to set and monitor the strategic functioning of the Agency as well as mobilising and allocating resources of the Agency.

1.4. The Board will effectively represent, promote, protect and nurture the best interests of the shareholder as well as recognise the interests of other stakeholders with a view to maintaining and adding long-term value to the Agency to enable it to achieve the Agency's corporate objectives, in force from time to time.

1.5. The Board will be responsible for ensuring existence and implementation of sound and effective internal control systems, risk management, and ensuring true and fair presentation of the Agency's affairs in the financial statements.

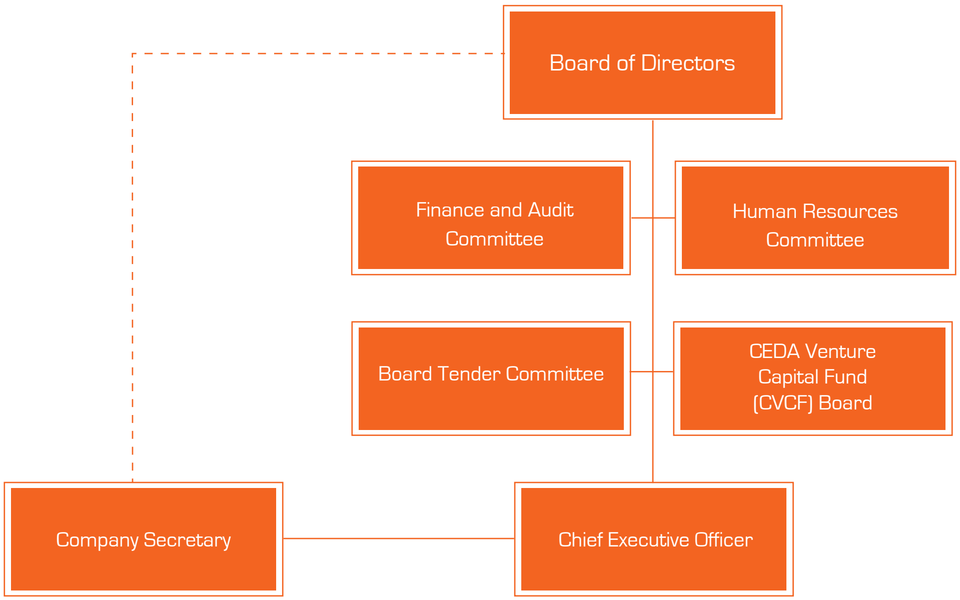
1.6. The Board will direct and supervise the management of the Agency's activities, assets and affairs including:

- 1.6.1 Establishing the Agency's Policies and ensuring that Management is proactively seeking to build and promote the Agency's customer focus, innovation, initiative, technology, new services/ activities and its human capital; and,

1.6.2 Ensuring that the Agency's goals are clearly established, and that strategies are in place for achieving them.

2. Structure

2.1. The CEDA Board consists of three (3) sub-committees which play a pivotal role in assisting the Board in the execution of its duties, powers and authorities. These are the Finance and Audit Committee, Human Resources Committee and Board Tender Committee. Furthermore, the CEDA Board oversees the activities of the CEDA Venture Capital Fund (CVCF) Board, as a subsidiary company within the CEDA Group.



3. Terms of Reference

The Terms of Reference of the sub-committees are summarised below.

3.1. Finance and Audit Committee

3.1.1. Review of systems established to ensure compliance with policies, procedures, budgets, plans, procedures, laws and regulations, which may have significant impact on operations and reports.
3.1.2. Recommendation of appointment of external auditors
3.1.3. Approving the external audit plan and external audit fees
3.1.4. Reviewing significant matters reported by the external auditor, including reports on weaknesses in internal controls and recommendations for improvement.
3.1.5. Reviewing quarterly management accounts.
3.1.6. Reviewing draft annual financial statements, auditors' opinion, and management letter before recommendation to the Board for approval
3.1.7. Evaluating the external auditors' independence.
3.1.8. Reviewing the CEDA annual revenue and expenditure budget (capital and recurrent) prior to submission to the full Board for consideration and approval.
3.1.9. The Finance and Audit Committee is charged with monitoring risk processes and controls, and overseeing the governance processes, which includes identification of any violations of ethical conduct.
3.1.10. Evaluating the performance of internal audit, reviewing and approving Internal Audit plans and budget.
3.1.11. Recommending the appointment of External Auditors and, where necessary the reappointment of the External Auditors. The External Auditors report directly to the Committee.

3.2. Human Resources Committee

3.2.1. To ensure that the Agency recruits suitably qualified and experienced staff at Executive and Senior Management levels.
3.2.2. To ensure that the Agency's employees are appropriately and fairly rewarded for their individual performance and contribution to the Agency's overall performance.
3.2.3. To recommend to the Board the appointment of the Deputy Chief Executive Officers, Internal Audit Manager and Company Secretary.
3.2.4. To review and recommend to the Board, appropriate organisational structure, General Conditions of Service and other related HR policies.

Level (Band 6 and above).

3.2.5. To recommend to the Board for approval of employee bonus awards, in line with the Agency's General Conditions of Service and Reward Management Policy.

3.2.6. To review and recommend to the Board, for approval, the annual Human Resources budget.

3.2.7. To coordinate the annual performance evaluation of the Board and individual Board members for onwards submission to the Shareholder.

3.3. Board Tender Committee

3.3.1. To ensure that Tender Rules and Regulations are properly complied with.

3.3.2. To approve and authorize Tenders in excess of P500,000.00 (inclusive of Value Added Tax), and accordance with the Tender Rules and Regulations.

3.3.3. To ensure that where local preference is granted, the nature and extent of such preference is clearly indicated in the Tender documentation.

3.3.4. To ensure that high quality standards are maintained in the award of Tenders.

3.3.5. To consider and approve any variations to the scope and conditions of contracts or service agreements previously approved by the Board Tender Committee including extensions, assignment and subletting.

4. Membership (as at 31 March 2012)

CEDA Board of Directors			
		Date Appointed	Term of Office
1	Dr. L. P. Gakale (Chairman)	01 December 2009	4 years
2	Mr. M. Tibe	01 December 2009	4 years
3	Mr. B. Ditlhabi	01 December 2009	4 years
4	Mr. S. Kaisara	01 December 2009	4 years
5	Mr. S. Makosha	01 December 2009	4 years
6	Dr. P. M. Makepe	10 June 2008	4 years
7	Mrs. N. T. Tjiyapo	01 September 2008	4 years
8	Mr. O. P. Mathware	01 April 2011	4 years

CEDA Board of Directors			
		Date Appointed	Term of Office
9	Mrs. M. Mulalu	01 January 2011	4 years
10	Mr. M. Modise	01 January 2011	3 years

CEDA Board Sub-Committees			
Finance and Audit Committee	**Human Resources Committee**	**Board Tender Committee**	**CVCF Board**
Mr. M. Tibe **(Chairman)**	Mr. B. Ditlhabi **(Chairman)**	Mr. O. P. Mathware **(Chairman)**	Dr. L. P. Gakale **(Chairman)**
Mrs. N. T. Tjiyapo	Mr. O. P. Mathware	Mr. S. M. Kaisara	Mr. M. Tibe
Mr. M. Modise	Dr. P. M. Makepe	Mr. S. M. Makosha	Mr. S. Kaisara
Mr. C. Mokgware	Mrs. M. Mulalu	Mr. M. Modise	Mr. S. Makosha
Mr. S. Ramatshaba	Mrs. T. M. Modungwa	Mr. B. Ditlhabi	Dr. P. M. Makepe
			Mrs. N. T. Tjiyapo
			Mrs. M. Mulalu

5. Key duties of key governance individuals

5.1. Chairman

5.1.1. The Chairman plays an important role as the main liaison between the Board and the Government. The Board Charter further stipulates that the Chairman shall:

5.1.2. Provide leadership to the Board in planning and direction;

5.1.3. Be responsible for representation of the Board to the shareholder;

5.1.4. Be responsible for ensuring the integrity and effectiveness of the governance process of the Board;

5.1.5. Be responsible for monitoring and evaluating the performance of the CEO through a Performance Appraisal System;

5.1.6. Chair Board Meetings and act as facilitator at such Meetings to ensure that no Board

Member, whether executive or non-executive, dominates discussion; that appropriate discussion takes place and that a relevant opinion among members is forthcoming. The Chairman shall ensure that discussion results in logical and understandable outcomes;

5.1.7. Communicate with fellow Board Directors for consultations in between Board Meetings

5.1.8. Be available for the Chief Executive Officer between Board Meetings to provide counsel and advice;

5.1.9. Maintain a regular dialogue with the Chief Executive Officer in respect of all material matters affecting the Agency and to consult with the other Board Members promptly when considered appropriate.

5.2. Chief Executive Officer

The Chief Executive Officer is be appointed by the Minister of Trade and Industry on the recommendation of the Board of Directors.

The Chief Executive Officer is accountable to the Board of Directors, and responsible for the day to day management and administration of the Agency. The role of the Chief Executive Officer includes:

5.2.1. recommending or appointing the executive team and ensuring proper succession planning and performance appraisals;

5.2.2. developing the Agency's strategy for Board consideration and approval;

5.2.3. developing and recommending to the Board annual business plans and budgets that support the Agency's long-term strategy;

5.2.4. organizing the structure of the Agency necessary to achieve the strategic plan;

5.2.5. ensuring that the Agency complies with all relevant laws and regulations;

5.2.6. setting the tone from the top in providing ethical leadership and creating ethical environment in the Agency; and

5.2.7. exercising such powers as are delegated, and performance such functions and duties as are assigned to him or her by the Board.

5.3. Company Secretary

A Company Secretary is appointed by the Board to assist in the performance of Board functions. The Company Secretary is accountable to the Board and reports administratively to the Chief Executive Officer.

The functions of the Company Secretary include, but are not limited to:

5.3.1. Organizing and recording the activities of the Board and Committee Meetings;
5.3.2. Ensuring that the Agency complies with its governing legislation or by-laws;
5.3.3. Keeping and maintaining all the Agency's corporate and historical records;
5.3.4. Reviewing and keeping up-to-date developments in Corporate Governance and;
5.3.5. Promoting strong Corporate Governance Practices throughout the Agency;
5.3.6. Advising and assisting individual Board Members with respect to their duties and responsibilities;
5.3.7. Facilitating the orientation and on-going training of Board Members;
5.3.8. Administering the Agency's Code of Conduct and Ethics; and,
5.3.9. Advising the Chairman on any matter where conflict of interest, potential or real, might occur between the Board and the Chief Executive Officer.

6. Attendance (01 April 2011 – 31 March 2012)

	Name	Board (Policy)	Board (Projects)	Finance and Audit Committee	Human Resources Committee	Board Tender Committee
1	Dr. L. P. Gakale	10/10	7/7	N/A	N/A	N/A
2	Mr. M. Tibe	5/10	4/7	6/7	N/A	N/A
3	Mr. B. Ditlhabi	9/10	6/7	N/A	14/14	
4	Mr. S. Kaisara	10/10	5/7	N/A	N/A	4/5
5	Mr. S. Makosha	9/10	6/7	N/A	N/A	4/5
6	Dr. P. M. Makepe	4/10	5/7	N/A	6/14	N/A
7	Mrs. N. T. Tjiyapo	9/10	6/7	7/7	N/A	N/A
8	Mr. O. P. Mathware	8/10	5/7	N/A	9/14	5/5
9	Mrs. M. Mulalu	6/10	5/7	N/A	12/14	N/A
10	Mr. M. Modise	7/10	5/7	4/7	N/A	3/5
11	Mr. C. Mokgware	N/A	N/A	7/7	N/A	N/A
12	Mr. S. Ramatshaba	N/A	N/A	3/7	N/A	N/A
13	Mrs. T. M. Modungwa	N/A	N/A	N/A	9/14	N/A

Note: Number of meetings attended/Total number of meetings

7. Board of Directors' Earnings for the Financial Year 2011/2012

Name	TOTAL SITTING ALLOWANCE*	ACCOM & MEALS	MILEAGE	PERDIEM	TOTAL
	P	P	P	P	
Dr. L. P. Gakale	35,870.00		5,270.00		41,140.00
Mr. M. Tibe	18,442.00			10,056.74	28,498.74
Mr. B. Ditlhabi	48,510.00				48,510.00
Mr. S. Kaisara	29,400.00				29,400.00
Dr. P. M. Makepe	16,800.00				16,800.00
Mrs. N. T. Tjiyapo	31,115.00	16,075.00	57,445.00		104,635.00
Mr. O. P. Mathware	39,442.00			10,056.74	49,498.74
Mrs. M. Mulalu (BOTS GOV)****	25,200.00				25,200.00
Mr. M. Modise (BOTS GOV)****	17,136.00				17,136.00
Mrs. T. Modungwa	10,080.00				10,080.00
Mr. C. Mokgware	8,400.00				8,400.00
Mr. S. Ramatshaba	1,680.00	2,410.00	2,010.00		6,100.00
S.M.Makosha (BOTS GOV)****	20,160.00				20,160.00
TOTAL	**302,235.00**	**18,485.00**	**64,725.00**	**20,113.48**	**405,558.48**

* Earnings for Board/Committee meetings attended
*** Daily allowance payable in respect of duly travel outside Botswana, as per Government rates
**** Sitting allowance earned by public servants are paid directly to the Government of Botswana

8. Conflicts of Interests Policy

8.1. The Board of Directors adopted its Conflict of Interests Policy on 30 November 2010. All Board members are required to abide by the Policy and submit the accompanying Register of Interests Form on an annual basis. Furthermore all Board Members are required to declare any interests prior to all Board meetings.

9. Ethics

(a) The Board of Directors of the Agency subscribes to and enforces the application of the principles of good ethical behaviour both during the conduct of the Board deliberations and its dealings with the Agency's stakeholders.

(b) All Board Members pledge to:

(i) have respect for lawful authority and legal compliance;
(ii) be honest in all dealings and declare any potential conflicts of interest;
(iii) respect and value other people's views, even though their views may be different;
(iv) make decisions without bias, and complying with legislative and other Government requirements;
(v) treat each other fairly and not discriminate on the basis of gender, political affiliation, religion, nationality, family history, disability, age or language;
(vi) be diligent, committed and dedicated;
(vii) work together as a team, valuing the importance of the governance role;
(viii) be accountable for Board decisions and meet performance expectations of a Board Member;
(ix) be professional at all times and seek to improve knowledge and understanding of the financial sector and governance role; and,
(x) honour the confidentiality of Boardroom decisions, of colleagues and clients.

Risk Management...

Risk Management

The Agency's risk management system is subject to regular review to ensure compliance with King III principles of corporate governance and the COSO II framework on internal control and enterprise risk management.

Risk and the Board of Directors

The Board of Directors is ultimately responsible for the Agency's risk management system and reviewing its effectiveness. There is a robust process in place for identifying, assessing, managing, monitoring and reporting on the significant risks faced by the Agency. The principal risks are set out in a table below.

Executive Committee

The Executive Committee (Exco) has specific responsibility as the risk management committee for the Agency's risk management system. Exco reviews the Agency's risks and reports to the Board of Directors through the Finance and Audit Committee. Risks are reported monthly to the Executive Committee and quarterly to the Board of Directors.

Enterprise Risk Management

CEDA has adopted an Enterprise Risk Management (ERM) framework to ensure that risks are managed in a holistic manner.

Risk Management Software

The Agency has procured in integrated risk management software solution whose aim is to optimise risk management and tracking. The solution: Quality Processes Results (QPR) is ideally suited for measuring, tracking and reporting on risk performance.

Assurance

Assurance on compliance with the system of internal controls and their effectiveness is obtained through internal audit reviews and testing of internal controls by external auditors as part of statutory audits.

Risk Management Awareness Campaigns

Risk management awareness campaigns were conducted across the Agency as way of stepping up the drive to embed ERM. In the same spirit, risk identification, measurement and reporting by the various business units were done.

Principal Risks

	Principal Risk	Context	Specific risks	Possible Impact	Risk rating	Mitigations
1	**Credit risk** (the risk that a customer who is party to a financial transaction may fail to perform according to the terms and conditions of the contract. This is the risk of default, that is, of the customer either not paying on time or not paying at all.)	• Global economic recession has negatively impacted on the local economy • The Agency funds start-up projects belonging to start-up promoters who do not have the requisite skills to run and manage their businesses. • Shortage of experienced and affordable mentors	• Reduced government spending on capital projects leading to reduced jobs to funded businesses • Reduced demand for goods and services produced by funded businesses. • Difficulty of entry into economy by start-up businesses. • Poor implementation of projects • Poor quality advice sold to promoters and the Agency.	• Funded businesses struggle to repay their loan leading to defaults. • Start-ups fail to get a foothold and die pre-maturely leading high failure rate of projects. • Projects failing to take-off • Projects going un-mentored All the above would lead to increased arrears, non-performing loans and foreclosures.	High	• Increase monitoring of projects. • Step-up interventions – mentoring, rehabilitation, rescheduling of loans to ensure business survival. • Accredit existing mentors and build a database. • Increase internal capacity

	Principal Risk	Context	Specific risks	Possible Impact	Risk rating	Mitigations
2	**Liquidity risk** (the risk that the Agency may not have sufficient liquid resources to enable it to meet its financial obligations as and when they fall due.)	• There is pressure on Government expenditure due to ensuing recession • Recession affects funded businesses and their ability to honour their obligations to the Agency.	• Reduced funding to the Agency. • Reduced collections from funded businesses	• Insufficient funding for the Agency's operations, strategy implementation and investments.	High	• Budget and budgetary discipline. • Exploration of alternative sources of funding and new revenue lines. • Lobbying government for increased funding.
3	**Financial sustainability risk** (the risk that the Agency may not be able to continue to operate should the Government decide that the Agency become self-sustaining.)	• The CEDA Guidelines dictates that the Agency lend at predetermined, fixed, concessionary interest rates on loans under the Development Fund. • The Agency is not allowed to institute cost recovery measures.	• Low income/revenue to the Agency. • Demand for the Agency's facilities far exceeding its financial resources. • High Cost-To-Income ratio.	• The Agency could be loss-making at the operating level (before Government subvention funds) • The Agency could be cash negative and not be a "going concern" without the Government subvention funds.	High	• Lobby government for continued and increased funding. • Budgetary discipline to ensure the Agency remains liquid. • Introduce service fees.
4	**Business disruption risk** (the risk of disruption of business by unforeseen disasters)	• The availability of the Agency's services where and when required to be accessed by the public is very important	• The Agency's services could be disrupted due to damage to the Agency's infrastructure, injury to employees, disruption to processes or loss of information.	• Closure of Agency offices, denying the public access to services or clients having to travel longer distances to access the same services at alternative towns.	Medium	• Business Continuity Management and Disaster recovery programme (The consultancy is complete and implementation is expected to completed during 2012/2013).

	Principal Risk	Context	Specific risks	Possible Impact	Risk rating	Mitigations
5	**Reputational risk** (the risk that adverse publicity may lead to loss of confidence in the integrity of CEDA and damage the Agency's reputation.	• The Agency has a mixed public perception rating due poor customer service evidenced by long turn-around times and a large number of appeals.	• High turn-around times results in numerous complaints from clients. • Lack of transparency results in distrust by the public. • Distrust results in perceptions of impropriety on the part of employees by stakeholders.	• Loss of confidence in the Agency by the public, shareholder and other stakeholders.	Medium	• Measurement of public perception • Targeted education campaigns aimed at improving public confidence in the Agency. • Measures to improve turnaround times and general service level in the Agency.
6	**Fraud and corruption risk** (the risk that internal or external stakeholders may act or omit to act, including misrepresent knowingly or recklessly misleads, or attempts to mislead CEDA and its employees to obtain a financial benefit or to avoid an obligation by improperly influencing the actions of another party.)	• The Agency's employees may override existing controls, not follow laid down policies, procedures and processes, or act beyond their level of authority during the day to day execution of their duties. .	• Complaints from, or even litigation by, clients and other stakeholders.	• Financial loss to the Agency.	Medium	• Improve and optimise Business Process Management • Put in place a whistle-blowing Policy and Anti-Corruption Policy

Internal control and risk management

The Directors have continued to review the effectiveness of the Agency's system of controls, including operational and compliance controls and risk management. The internal audit function and external auditors provide assurance of the maintenance of these controls.

Internal Audit

CEDA has an internal audit function, which is independent of the management. The function provides management and the Board with independent assurance that all systems of control are in place and adhered to. The internal audit also appraises the Board and Management on the activities of the Agency with regards to protection of assets, effective and efficient use of Agency resources.

The Audit Committee ensures that this function is appropriately staffed and that its scope of work is adequate in the light of the key identified risks facing the Agency and the other monitoring functions in place. The Committee also reviews and approves the annual internal audit plan. The Department has full and unrestricted access to all records, properties and personnel, relevant to their audit review.

The department reports on a quarterly basis to the Audit Committee on all areas covered during the period and provides the Committee with assurance on the adequacy of the controls in place.

The role of internal audit is to:

- assess the design and operating effectiveness of controls governing key operational processes and business risks;
- provide the Board with an assessment, independent of management, as to the adequacy of the Agency's internal operating and financial controls, systems and practices;
- assist the Board in meeting its corporate governance and regulatory responsibilities;
- provides advisory services to management in order to enhance the control environment and improve business performance.

Tip-off

The Agency has a tip off reporting services, which commenced in 2007. The function is maintained offsite by an independent provider and matters can be reported anonymously, and employees and the public are assured that they will have protection under the service.

Human Resources...

Human Resources department

Overview:

1. The department is responsible for;

- Human Resources strategy
- Recruitment and Selection
- Administration of Staff Benefits (Payroll, Pensions, Medical Aid, Staff Insurance covers etc.)
- Employee Training and Development
- Employee Wellness Programmes
- Employee Relations

The Strategic Objectives for 2012/13 remain aligned to the 2012-2015 Strategic Plan and are built around;
-Employee Skills Development
- Improvement in Staff Morale
- Retention of Key Skills/Staff

2. Headcount:

As at March 2012, the Agency had a total of 256 employees. Of these, 49 are employed on fixed term contracts and 207 are permanent and pensionable. The ratio of female to male employees is 53%:47%. The average age of CEDA employees in 2012 was 34 years.

3. Training and Development interventions are managed through the HR department.

CEDA is also a member of the SADC Development Finance Resource Centre as well as the Association of African Development Financial Institutions (AADFI), and a lot of synergies in training have been achieved through this partnership.

4. Employee Engagement;

As part of the Agency's HR Strategy, an employee engagement survey was conducted to gauge the level of engagement across various employment dimensions. The results of the survey were an overall engagement level of 70% against a target of 70% and this ranked CEDA as overall number 2 in the national Best Company to Work For survey.

5. Union / Management Relations;

The relationship between Management and the Union is governed by a Memorandum of Agreement, and the existence of a Joint Negotiations Council consisting of Union Executives and CEDA Management.

6. Employee Wellness Programmes;

A comprehensive Employee Wellness Programme for employees named Well@work has been in place since 2009. The services provided include confidential counselling and emotional support for staff, health education and routine medical screening, coordination of the annual wellness day, absenteeism management, and reporting back to management quarterly.

Operations...

PORTFOLIO REVIEW

Since the beginning of the 2011/12 financial year, the Agency has approved a total of 372 projects valued at BWP 344 million. The pie chart below shows a graphical representation of the distribution of the portfolio between the sectors based on the total number of loans approved. The Services Sector represents the largest proportion of the distributed funding (39%), followed by the Agribusiness Sector (32%), then Property & Manufacturing Sector (18%).The CYFF represents the lowest share at 11%.

Figure 1: Distribution of portfolio by sector/number

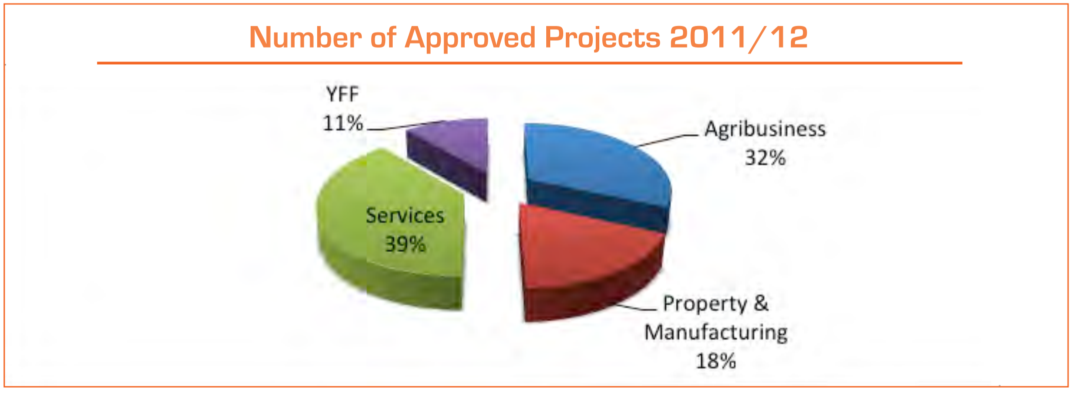


Figure 2: Distribution of portfolio by sector/value

Sector	Number	Value	% (Number)	% (Value)
Agribusiness	118	132 499 620.00	32	38
Property & Manufacturing	67	110 024 045.19	18	32
Services	145	83 346 651.55	39	24
YFF	42	18 900 380.00	11	6
TOTAL	**372**	**344 770 696.74**	**100**	**100**

SECTOR ANALYSIS

PROPERTY & MANUFACTURING

During the year under review, quite a significant amount of activity has been experienced under the Agency's Property and Manufacturing sector. Within this segment of the economy, CEDA approved sixty seven (67) applications for a combination of Property and Manufacturing projects with a value of P110 million. The total number of loan applications received where the applicants were seeking funding for projects under these two distinct sectors was one hundred and fifty seven (157), and applications had a total monetary value of P222 million. From the Agency's formative years, the property and manufacturing portfolio has experienced an upward trending growth trajectory. As at the end of March 2012, the value of the entire portfolio of Property and Manufacturing loans stood at P224 million, made up of one hundred and seventy seven (177) accounts. This book is predominately skewed towards funding of property development projects which accounts for 72% of the portfolio. The remaining 28% of the portfolio is taken up by projects in the manufacturing space.

Property development has in recent times experienced a proliferation of the commercial building projects particularly the development of office space. A majority of these projects were undertaken by developers in Gaborone and its immediate surroundings. This will no doubt put pressure on market rentals for the available space, forcing developers to reduce rentals in order to secure tenants, avoid turnover of their customer base, and to enable them to meet their loan obligations and remain in business. The Agency will continue to monitor the situation and to factor this risk variable into its assessment matrix to enable better decision making.

In contrast to the commercial property projects, residential accommodation has seen a very impressive growth in demand buoyed by a shortage of medium and low cost housing units to service a growing urban population. Because of the prohibitive price of land within the city limits, fuelled by the above mentioned demand, the subsector has seen the emergence of residential developments in the peri-urban villages bordering most urban centres. These developments therefore play a major role, not only in the provision of accommodation but also contribute to the developments of much needed infrastructure in the respective areas. Currently property is a major contributor to CEDA's interest income as customers under this sector meet their obligations.

Though the Manufacturing sector has experienced some level of growth, the credit extension to manufacturing projects however has not been as good as the Agency would have expected. It is that manufacturing perform well as projects will assist the Agency's contribution to national priorities through the creation of jobs and the diversification of the economy. The Agency has been fortunate that some of the manufacturing businesses it has funded have performed well and have been able to pay for their loans as the instalment falls due. This has supported the Agency's revenue stream and contributed to the positive performance of headline earnings. This notwithstanding, some other manufacturing projects have over the years, faced multiple challenges which were a result of the economic down turn in 2008. While the growth in this portfolio remains slow, the Agency continues to focus its attention on this sector of the economy, particularly on agro processing projects in order to provide for food security and to provide for downstream value addition of agricultural produce.

SERVICES

The Agency has categorised its retail and trading customers under the Services Sector. This category of the portfolio has been very active during the financial period 2011/2012. The aggregate number of loan applications received under services was three hundred and twenty seven (327). The success rate for applicants looking for funding under this sector was very positive and accounted for almost half of the total applications. This number amounted to one hundred and forty five (145) applications valued at P83 million. The remainder of the applications were either rejected as a result of the application not meeting the minimum lending criteria or closed because of a lack of provision of information by the project sponsors to enable the Agency to make appropriate lending decisions.

As at 31st March 2012 the Sector had taken a credit exposure to four hundred and sixty six (466) accounts with a monetary value of P379 million.

Some of the sectors such as hospitality, providers of public commuter transport, retailing of fast moving consumer goods have been faring well and remained profitable entities that are able to service their loans. The Agency has made great strides in maintaining a good relationship with these clients in order to ensure that they sustain their contribution to CEDA's income line.

Due to the low barriers to entry for retailing/trading businesses, a great number of project promoters have approached the Agency looking for funding to start up and expand their enterprises in this sector of the market. On average, CEDA received twenty seven (27) applications for "service" related projects This inflow of applications covers the entire network of Client Service Centres countrywide.

The retail sector, construction sector and long haul trucking subsectors have experienced difficulties in the past year. Challenges for the retail sector are mainly due to mushrooming chain stores that provide convenience shopping for discerning customers and are able to provide goods at a better price as they enjoy bulk purchase discounts which they pass on.. Importation of pre-owned bulk vehicles or trucks and buses from places like the United Kingdom and South East Asia continue to put CEDA financed truckers and bulk transport operators under tremendous pressure where they are forced to offer service at sub-optimal rates that make it difficult for them to pay their loans.

One area of the business that has cushioned earnings has been the good performance of the trade finance product of the Agency. Default on short term funding has been kept to a minimum as the payments under this lending regime are secured at source.

The Agency continues to look for good businesses to fund under this sector in order to keep the momentum of entrepreneurship development going. The Botswana economy is also poised to either stabilise in the foreseeable future or make the first few strides towards some semblance of recovery – which will be a positive thing for all stakeholders in the SMME space.

AGRIBUSINESS

Almost a third of the Agency's portfolio loans are committed towards the agribusiness sector. The Agency approved 160 agriculture projects valued at P151 million during the 2012/2013 financial period. Over 50% of the committed capital was used to fund the beef production sub-sector, a significant portion, up to 27% went into financing horticulture and dry land farming projects. Most of the horticultural projects were funded through the Young Farmers product offering. The sector continues to focus on Government's food security initiatives and assist in the initiative of diversifying the economy away from reliance on non-renewable resources.

Employment creation in the sector was 2592 as at the end of the year. The Agency through its Agribusiness loan offering continues to aim at driving the Government agenda of employment creation through funding projects which are labour intensive such as dry land farming.

The beef industry has had eminent challenges with the market, the prices, EU regulations, FMD etc. This has resulted in the Agency imploring a more vigorous process in assessing beef projects. The horticultural industry has also struggled due to the inexperience of promoters, low water yields, poor management, low market prices, poor cropping plans etc. Mentoring in this sub-sector will therefore be enhanced together with the possibility of injecting working capital into the businesses in an effort to turn them around. In addition, engaging various stakeholders such as ISPAAD who provide subsidised funds for irrigation components will help farmers to reduce their exposure and get affordable loans. This will be an effort to further support Government initiatives in the Agriculture sector.

Sub-sectors in Agriculture such as dairy farming, pig farming, and poultry farming done on a small to medium scale have continued to struggle mainly as a result of excessive and unpredictable feed costs. Government is putting in interventions in the Dairy sector through the development of a dairy strategy aimed at turning around the industry. One of the interventions is the introduction of the Zambezi Irrigation scheme/project which is intended to provide sufficient water for projects such as large scale forage production, which is anticipated will greatly reduce feed prices, which in turn will make these sub-sectors more sustainable.

The Agribusiness sector has as a result of the challenges highlighted, had to foreclose and rehabilitate many projects. With the interventions by the Government and CEDA, the Agribusiness sector is expected to improve in performance going forward.

APPLICATION TURNAROUND TIME

Overall the turnaround times have remained a challenge for the Agency. Most applications have average turnaround times that are in excess of the stipulated periods in the customer charter, which have been drawn from the Corporate Strategy. On average, turnaround times for the sectors across all classes of loans exceeded the 30 day period to process. Reducing turnaround times in order to meet client expectations and fulfil the brand promise is an integral part of the Agency's strategy and therefore more emphasis is being placed on improving processing times on a continual basis through streamlining of these processes.

APPEALS

The Agency has put in place a process to allow applicants who have been rejected an opportunity to provide reasons for their application to be relooked at, with a view to taking a fresh and objective decision based on the updated submissions. In 2011/2012, 20 projects were forwarded for independent assessment.

By year end the Agency had received 75 appeals for loan requests that amounted to P100.3 million. The majority of the appeals came from the Agribusiness sector, which also has the most challenges such as shortage of land and water followed by the Services sector and the Property sector.

Figure 3: Appeals by sector for 2011/2012

Sector	Number	Value, P	Approved	Rejected	Closed
Agribusiness	32	39.2	0	24	8
Manufacturing	13	21.7	0	13	0
Property Development	4	8.8	0	4	0
Services	26	30.6	1	20	5
TOTAL	**75**	**100.3**	**1**	**61**	**13**

BUSINESS ADVISORY

Mentoring Activities for 2011/2012

In addition to providing traditional funding products to its clients, CEDA also provided technical assistance and during the period. Twenty four (24) projects were outsourced for mentoring in March 2012 alone; bringing the total number of projects outsourced for mentoring year to date to 194, compared with 292 projects for the same period in the prior year. The drop in mentoring project during the year is a direct result of a reduction in the pre-appraisal interventions from 67 in 2010/2011 to 46 during 2011/2012.

A pre-assessment process as a standard requirement for validation of all pre-appraisal requisitions has contributed towards major savings. This has also enhanced the internal capacity to deal with complex transactions by CEDA members of staff.

The survival of projects over a three year period has improved tremendously due to technical interventions provided through the Agency's mentoring services This comes on the back of collective efforts by the Agency including but not limited to Pre-appraisal and implementation Interventions, Constant interventions towards rehabilitation of distressed accounts and The adoption of litigation as the last resort.

Projecting into the medium to long term, this collective approach to portfolio management is expected to result in further improvement of the survival of business and reduction in the contamination rate of the portfolio.

CUSTOMER SERVICE

Customer Services (Creating a Customer Centred Organization)

The period 2011/2012 marked the final year of the Agency's 3 year strategic plan, which was anchored on service delivery. There has been a marked improvement in the overall service culture among the CEDA Team as evidenced by the reduced number of complaints during the period. This change in culture was influenced by the various initiatives that were introduced over the past 2 years which include the Agency wide customer service and product knowledge training. A mystery shopping exercise was introduced in the last quarter of the period and this proved to be very beneficial as results improved from 66% to 73%. A number of customer engagements with stakeholders took place over the period which included Agribusiness and Manufacturing clientele. Furthermore, a customer initiative aimed at appreciating customers that were excelling in their businesses was started.

Operations...

Going forward into the New Year, the Agency will continue to focus more on forging relationships to foster enhanced and profitable customer relationships. The use of various innovative solutions will also be introduced to progress the Agency's drive to achieve a customer focused workforce.

Structured Finance...

Structured Finance...

The Structured Finance department was started in 2009 with a view to promote viable and sustainable business ventures. Through the provision of risk capital and mezzanine debt, the department seeks to invest in high growth business ventures over an investment horizon not exceeding 7 years. Structured Finance is eligible to invest in any business venture across the industries who meet the specific return objectives stipulated in the Agency's guidelines.

The table below, provides an overview of the investments and their instruments made as at March 31 2012

	Sector	Equity	Preference Share	Debenture
Mobility (Pty) Ltd	ICT	49%	28,500,000.00	-
Pula Steel and Casting & Manufacturing	Manufacturing	35%	-	13,000,000.00
Pule Modisana Holdings (Pty) Ltd	Services	40%	16,934,712.00	
Total			45,434,712.00	13,000,000.00

Mobility (Pty) Ltd

Mobility is in the ICT sector and specializes in retail and distribution of mobile telephony handsets and accessories, consumer electronics and telecommunication equipment. The Company's head offices are located in Gaborone, International Commerce Park.

Pula Steel Casting and Manufacturing (Pty) Ltd

Pula Steel Manufacturing and Casting is in the manufacturing sector utilising the country's vast amounts of scrap metal to produce finished steel products and to become a premier producer of steel products in Botswana. The Company will be based in Selibe-Phikwe.

Pule Modisana Holdings (Pty) Ltd

Pule Modisana Holdings is one of oldest funeral service providers in Botswana, established in 1976. It also provides insurance services and operates from five branches in Gaborone (head office), Lobatse, Goodhope, Kanye and Molepolole.

The three companies above, have employed a total of 111 staff across the sectors of manufacturing, service and insurance.


WIMPY
The Mug Collector's Breakfast
P42.95
Wimpy limited edition
collectable mug
please wait to be seated
right of admission
reserved

CEDA Venture Capital Fund...

1. INTRODUCTION

CEDA Venture Capital Fund ("CVCF") has completed the 9th year of its 10-year tenure, and is thus Harvesting the portfolio of investments. During the 2011/2012 financial year, the optimization of the Fund's portfolio and the realization of the Fund's investments has remained the primary focus of the Fund Manager. This process will continue until the end of the life of the fund or the completion of the realization of investments, whichever event occurs first.

The disposal of the Funds investments takes place within the context of the Funds objectives which include:

- To provide risk capital by way of equity and / or quasi-equity and other debt instruments to private companies in Botswana;
- Contribute to the broadening of the country's economic base away from traditional sectors, such as
- mining and agriculture;
- Facilitate citizen economic empowerment at shareholding and management levels;
- Sustainable employment creation; and
- To achieve commercial returns for the investor, CEDA

2. FUND MANAGER CREDENTIALS

The Fund Manager, VPB, is an established private equity fund management company with assets under management in excess of BWP2 billion. VPB's investor profile comprises some of the largest regional investors and institutional pension funds.

The team has been together from the onset of the management of the CVCF fund and has a combined 50 years of experience investing in SADC-based private equity.
VPB is an accredited member of the below-mentioned industry associations, with some of the members of the VPB team participating as board members of the institutions:

- African Venture Capital Association (AVCA), and
- Southern Africa Venture Capital and Private Equity Association (SAVCA).

VPB follows best-industry practices in its investment activities, and employs the most modern tools for investment management and reporting to investors.

3. MACRO ECONOMIC CONDITIONS

During the period under review, business confidence in Botswana eroded due to weak domestic demand, increases in labour and input costs, a weak exchange rate, and issues with regulatory policies, among other factors. Perceptions of the country's economy and business operating environment largely diminished, as the world's markets continue to show weakness and sluggish growth.

Figure 1: Botswana Summary Economic Data

Indicator	March 2012	March 2011
Inflation (CPI)	8.0%	8.5%
GDP forecast	12.%	6%
Bank Rate (Bank of Botswana)	9.5%	9.5%
Nominal interest Rate(Prime)	11.0%	11.0%
Real interest Rate	2.02%	2.3%
Pula/USD exchange Rate	7.28%	6.65%
Pula/ZAR exchange rate	0.945%	0.950%

Source: Compiled from Bank of Botswana- Botswana Economic and Financial statistics

During the year under review, the economic highlights included the following:

- Headline inflation remained outside the Bank of Botswana's target band of 3-6%, largely driven by increases in international fuel prices, water tariffs, and communication services;
- Interest rates remained unchanged at 9.5%, reflecting Government's continued focus on increasing private sector demand and investment by using monetary policy stimuli;
- De Beers reported that it continued to operate its mines below capacity due to a weak worldwide diamond market. The company's first quarter production decreased 16% year-on-year to 6.208 million carats, and DTC's aggregate sales have declined by 19% to approximately $2.83 billion in the first half of calendar-year 2012, though the company expects demand to increase in the latter half of the year.

The CVCF serves as a barometer of the Botswana economy, and as such, certain economic indicators are of significant concern. The Bank of Botswana statistics showed a massive decrease in mortgage lending year-on-year, down from 26% growth to 6%. These changes were evidenced in the CVCF portfolio, 23% of which has direct exposure to the construction industry. The portfolio results reflect relatively subdued performance with respect to:

- Revenue Growth;
- Profitability;
- Balance Sheet strength;
- Liquidity

Overall growth in the economy over the next twelve months is expected to remain lackluster, as the effects of the world's major economies continue to weigh on markets. Global growth prospects remain uncertain, though the US, Japan, and other emerging markets are showing some signs of growth.

The IMF stated that Botswana's overall real GDP growth in 2012 would stand at around 4%, compared to 5% in 2011. The continued weakness in the diamond market was showing some signs of recovery, albeit small, and non-mining GDP growth is likely to remain average. In the near term, the fragile world market continues to pose considerable uncertainty on emerging markets, and Botswana will be required to balance these weak markets with favourable economic policies.

4. DEVELOPMENT IMPACT

The CVCF has reached the stage that is best described as the tail-end of value creation and beginning of the harvesting phase. CVCF has had the following impact on the economy:

- Development of the Private Equity asset class in Botswana. The formation of the CVCF, led to the development of the Private Equity asset class in the country. Peo Venture Capital Fund was the sole PE fund, operating as a captive fund by the De Beers Group. The CVCF was the first fund to be established and structured in accordance with internationally accepted risk management practices which incorporated, a Limited Partner (CEDA, the Investor) and a General Partner (VPB, the Fund Manager). The establishment of the Fund along these lines has positively impacted the market, and resulted in a indigenous fund management company whose expertise is now recognized locally, regionally, and internationally. It has also put Botswana firmly in the spotlight as a significant participant in the Private Equity industry in Africa, culminating in the successful co-hosting by VPB and the IFSC of the Africa Venture Capital Association (AVCA) Annual Conference in Gaborone in March 2008. This conference remains the most successful AVCA conference since the inception of the organisation, hosting more than 500 participants.

- Feasibility studies. The Fund Manager developed a partnership with the Centre for the Development of Enterprise (CDE), an ACP-EU initiative. Through this partnership, the Fund Manager facilitated the development of a number of feasibility studies for some of the potential investments prior to the commitment of capital by the Fund. Some of these projects included Delta Dairies, Deccor, and Surgical Sutures Project. The Fund Manager continued to facilitate access to CDE funding by other projects even after the end of the investment period, as it was appointed the Technical Intervention Office for Botswana and Swaziland. This was in recognition of the technical skills base possessed by the Fund Manager, as well as its ability to intervene effectively on behalf of the CDE. The funding of feasibility studies is still a critical area which presents a bottleneck for access to funding by business promoters.

- Employment Creation: The Fund facilitated the creation of new sustainable jobs and the preservation of existing jobs in the businesses that it invested in. There are 673 employees in the current CVCF portfolio, and the exited portfolio has approximately 75 employees. These are jobs that are sustainable in the long term and are likely to grow in terms of number.

- Share ownership: One of the main objectives of the Fund was to facilitate the empowerment of citizens through share ownership. Through the judicious use of various funding structures and instruments, there was significant citizen participation in all the investments that were made by the Fund. Some of the companies such as PGIB and AON have broad-based employee share participation schemes and significant minority shareholders in subsidiaries and the main holding companies. Entities such as transport Holdings have citizen shareholders as a function of the CVCF investments.

- Contribution to fiscus: The portfolio companies have resulted in significant tax contributions to BURS through taxes such as PAYE, VAT, income tax, withholding tax on dividends, and Customs Duty and Excise.

- Management Development: The Fund Manager has maintained an active involvement with its portfolio companies as part of its value addition activities. Through this involvement, the Fund Manager has been able to identify the training and development needs of the portfolio companies' managers, as well as the gaps in the management structures of the companies that needed to be filled. Managers of the companies in the portfolio have also begun to appreciate the importance of having effective financial management and reporting systems, budgets, and performance targets.

- Economic Diversification: The CVCF has led to the establishment of new industries in the economy, such as

UHT milk manufacturing and condom manufacturing. Following the establishment of the CVCF companies, other similar businesses set up factories in Botswana, which now has a fledgling manufacturing base, and this has further facilitated job creation, new skills development, and diversification.

- Establishment of market leaders: Creation of sizeable entities in the country through mergers and acquisitions, allowing the overall entities to be better positioned within their respective industries. Transport Holdings started as an acquisition of one small-sized logistics business and grew into the largest transport business in the country, providing transport and logistics of consolidated goods and fuel products, as well as warehousing, customs clearing, and distribution for its clients. MRI has managed to turn around and retain its market leadership in the healthcare evacuation industry. Delta Dairies remains the single largest supplier of dairy products to the Government of Botswana. Latex Medical Products is the largest condom manufacturer in the country and continues to be the largest supplier of condoms to the Government of Botswana.

- Staff training and development: A number of training programmes for the Fund Manager's staff members have been conducted over the years, at significant cost. This stems from the Fund Manager's belief that the training and development of its staff in all facets of private equity investing, as well as in their own professional development, furthers the investment industry in Botswana. . The training programme has included attendance by members of staff at short-term industry-related courses, workshops, seminars, and conferences, as well as long-term academic-based professional development programmes at diploma and masters level. Some staff members have subsequently held substantive positions in the private equity industry, and the financial services sector, in general, in Botswana and the wider region.

5. INVESTMENTS SUMMARY

The Fund's portfolio mix sought to achieve a balance between its developmental and commercial objectives, whilst at the same time prudently managing sectoral risk and exposure to individual company risks. The resulting portfolio reflected the following characteristics:

- 66% of the investments were made into start-up enterprises, with the rest being buyout, acquisitions, and expansions;
- 52% of the investments were into manufacturing entities, with the rest of the portfolio split into construction, mining, and service-related enterprises;

The following table provides more detail on the current CVCF portfolio;

Figure 2: Current Portfolio Summary

										Ownership			Employees
Portfolio Investment	Indusrtry	Ordinary Equity	Loans (inclusive of interest)	Preference Shares (inclusive of interest)	Debenture (inclusive of interest)	Total Investment	Guarantees	Stage of Development	No of citizen shareholders	Citizen shareholding	Foreign Shareholding	CVCF	Actual/projected
PE PORTFOLIO													
AON Botswana	Financial Services	26,553,750	-	-	-	26,553,750	-	Acquisition	25	5%	70%	25%	86
Biz Capital	Financial Services	1,000,000	-	8,041,283	-	9,041,282	-	Expansion	1	51%	-	49%	7
MRI Botswana	Health services	8,918,800	-	-	-	8,918,800	-	Acquisition		60%	-	40%	69
PG Industries	Construction	21,510,029	1,131,742	-	-	22,641,771	-	Restructure	154	12%	37%	51%	256
ZS Botswana	ICT	1,249,300	-	6,302,583	-	7,551,883	-	Expansion	3	51%	-	49%	22
VC PORTFOLIO													
Delta Dairies	Manufacturing	25,234,421	16,367,900	-	28,070,015	69,672,336	9,874,100	Start-up	1	9%	9%	82%	40
Hyperbola	Retail	362,700	2,240,462	-	-	2,603,162	-	Acquisition	13	74%	-	26%	30
Latex Medical	Manufacturing	20,359,420	6,354,241	-	-	26,713,661	3,500,000	Start-up	2	1%	-	99%	74
Phika Entrepreneurs	Aviation	460,000	-	-	5,809,072	6,269,072	-	Start-up	3	51%	-	49%	0
TOTAL		**105,648,420**	**26,094,345**	**14,343,866**	**33,879,087**	**179,965,717**	**13,374,100**		202				584

Source: VPB March 2012

Notable investment activities during the year include:

- Restructuring of Latex Medical Products' balance sheet through a conversion of CVCF's Preference shares and accumulated preference dividends. Following this exercise, CVCF provided a guarantee of P2m on behalf of the company to facilitate access to debt finance from third party lenders.

- The CVCF approved a total of P26,242,000 in the form of shareholder loans into Delta Dairies over the period. The additional investments went towards settling of outstanding creditors, procuring raw milk and packaging in order for the business to continue trading and meeting its contractual obligations. This amount had not been fully disbursed as at year end.

- 5584 employment opportunities were created in the current portfolio, a reduction from the 700 recorded in the 2010/2011 financial year due to the difficult prevailing market conditions, which have led to retrenchment exercises at some of the portfolio companies that were not trading profitably, as well as a reduction in CVCF's portfolio holdings as further exits were realized.

5.1 Financial Performance

Figure 3: Performance of Portfolio Companies to 31st March 2012

	Turnover (P'000) 2012 Actual	**Turnover (P'000)** 2011 Actual
PE Portfolio		
AON Botswana (Dec. Yr-end)	70,691	66,532
Biz Capital	1,413	2,160
MRI (Dec Yr-end)	30,390	22,670
PG Industries (Pty) Ltd	149,417	156,493
ZS Botswana	11,307	15,344
VC Portfolio		
Delta Dairies	41,426	41,789
Hyperbola (Apr Yr.-end)	16,787	13,229
Latex Medical Products	3,962	7,548
Phika Entrepreneurs	416	253

Source: VPB March 2012

AON, MRI, and Transport Holdings posted strong performances during the year, with positive variances against budget recorded for both turnover and profitability. AON declared dividends during the year. On a cumulative basis, CVCF has fully recovered its investment in AON. Dividends were received from MRIB during the year. The Fund has recovered half of its investment in MRIB from prior and current year dividends combined.

The CVCF Venture Capital segment, which includes companies such as Delta Dairies and Latex Medical Products, continues to demonstrate challenges typical of a VC portfolio. These challenges primarily emanate from an inability of these venture capital investments to withstand unforeseen shocks to their respective cash flows. These shocks arise as a function of many issues, which include:

- Macro-economic challenges
- Technical and or production-related matters

Growth was experienced by companies with exposure to the mining and commodities markets, though all other sectors in the economy exhibited predominantly pedestrian growth lower than inflation, which is a concern for most local businesses.

5.2 Exits

Figure 4: Exited Investments

Company	Industry Sector	Industry Exit Route Sector
Easy Concrete Products	Mining and construction	Voluntary Liquidation
Transport Holdings	Transport & Holdings	Share Sale

The year under review saw the Fund exit from two of its portfolio companies: Transport Holdings and Easy Concrete Products, though the latter company's exit was finalized subsequent to year end.

Easy Concrete Products

Easy Concrete Products encountered significant cash flow challenges that resulted in a resolution by the Board and shareholders to place the company under voluntary liquidation. The liquidation process commenced in March 2012 and is expected to be finalised in the 2012/2013 financial year.

Transport Holdings

The Fund exited from its investment in Transport Holdings, a services company that provides transport and logistics of consolidated goods and fuel products, as well as warehousing, customs clearing, and distribution for its clients. Total proceeds realized on this exit, translated to 10 times money on the initial investment. The Fund thus achieved an IRR of 58%, significantly higher than the 10.25% hurdle rate on its investment. (An 8.85 times multiple was achieved on 2011 PBT.) In order to draw a comparison, Imperial Holdings, a JSE-listed logistics entity, which is larger and more liquid with a more diverse revenue base, currently has a PE multiple of 8.45.

The Riscura SAVCA ten-year funds reported an IRR of 18.2%, or the equivalent of 1.58 times money. The achieved results on exit from the TH Group highlight the performance of CVCF's Growth segment, which significantly outperforms performance benchmarks of similar funds.

In addition, citizen ownership in the company increased as a result of the exit by the CVCF, from the existing 20% to 26% held by citizens. The other empowerment achievements relate to growth in the business' client base, transport fleet, and employee headcount.

Figure 5: CVCF Portfolio Performance (as measured by IRR) to 31 March 2012

TRANSACTION	DATE OF INVESTMENT	INVESTMENT COST (BWP)	REALISED VALUE (BWP)	UNREALISED VALUE (BWP)*	TOTAL VALUE (BWP)	MAR 2012 GROSS IRR
CURRENT PORTFOLIO		149,876,179	42,028,740	158,471,316	200,500,056	8.37%
Exited Portfolio						
Benson Craig	**Dec-06**	29,820,000	-	-	-	(100.00%)
4Ms	**Oct-04**	2,000,000	3,134,637	-	3,134,637	21.21%
Pula Bank	**Dec-05**	22,500,000	21,673,534	-	21,673,534	(3.67%)
Fabulous Flowers	**Mar-05**	5,000,000	-	-	-	(100.00%)
Mabele	**Oct-06**	6,739,697	743,969	-	743,969	(99.96%)
Cabling for Africa	**Sep-06**	823,200	841,812	-	841,812	0.50%
Tannery Industries	**Jun-05**	27,273,045	9,287,907	774,950	10,062,857	(59.44%)
Easy Concrete	**Jun-08**	21,498,142	-	3,246,979	3,246,979	(41.38%)
Transport Holdings	**Nov-06**	4,500,000	-	45,000,000	45,000,000	*58.49%*
EXITED PORTFOLIO		114,000,829	35,681,859	49,021,929	84,703,788	
TOTAL PORTFOLIO		263,877,008	77,710,599	207,493,244	285,203,844	1.04%

6. CONCLUSION

The CVCF Venture Capital segment continues to demonstrate the benefits of a portfolio aligned strategy that is negatively correlated. The overall fund performance significantly adjusts downward due to its Venture Capital segment, which has realised losses and significant write-downs for some of the portfolio assets. The Growth segment has exhibited strong performance, generating returns in excess of similar vintage benchmarks.

In order to draw an effective comparison, the March 2012 Riscura SAVCA pooled returns for ten-year old funds reported an IRR of 18.2%, or the equivalent of 1.58 times money. The CVCF portfolio segment appropriate for this comparison is the Growth/Buyout segment, which has shown returns of a 17.6% IRR. The total CVCF is expected to post similar returns to the Riscura pooled returns but adjusted downwards as a function of the portfolio mix, which is overweight in the VC category.

The aggregate performance of the investments in CVCF's portfolio reflects difficult macroeconomic conditions, both locally and in foreign markets, which led to tighter margins and decreased access to important inputs. Although companies with exposure to the mining and commodities markets are exhibiting growth, all other sectors in the economy are reporting predominantly pedestrian growth lower than inflation, which is a concern for most local businesses.

It is expected that the portfolio's performance during this upcoming financial period will be constrained due to the aforementioned difficult trading conditions. The CVCF portfolio provides a benchmark for the state of the Botswana economy and its slow recovery, which in general has had significant impact on the performance of businesses. Half-year reports submitted after the close of the reporting period indicate tough trading conditions, reduced margins, and growth lower than inflation for most businesses. The overall strategy is to constrain costs, optimize revenues, and maintain expense growth below inflation as revenues are significantly curtailed.

VPB continues to grow its capacity for effective investment decision making, by bringing capacity both at the operational and Investment Committee level. This bodes well for the firm as it grows its total funds under management in excess of the P2 Billion mark.


LODGE

Citizen Entrepreneurial Development Agency
Group Annual Financial Statements
31 March 2012

CEDA Annual Report 2011/2012

General Information...

Board of Directors

Name	Date Apointed	Designation	Date Resigned
Dr. L. P. Gakale	01/12/2009	Chairman	
M. Mulalu	01/01/2011		
O. T. Mathware	01/04/2011		
B. M. Ditlhabi	01/12/2009		
S. M. Makosha	01/12/2009		
S. M. Kaisara	01/12/2009		
C. Mokgware	01/07/2012		
S. Ramatshaba	01/09/2012		
Dr. P. M. Makepe	10/06/2008		09/06/2012
N.T. Tjiyapo	01/09/2008		31/08/2012
M. Tibe	01/12/2009		31/08/2012
M. Modise	01/01/2011		30/09/2012

Secretaries

Gorata Tebape: Company Secretary

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 to the promotion of 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.

In order to fulfil its objectives, CEDA provides the following services:

- Financial assistance to entrepreneurs in the form of loans, which are offered at subsidised interest rates and guarantees issued on behalf of entrepreneurs;
- Training and mentoring, providing management and marketing skills to the managers of its customers in order to enhance their opportunities for success;
- Provide access to finance 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
- Provision of risk capital to citizen owned projects and joint ventures between citizens and non citizens through CEDA Venture Capital Fund.
- Provision of loan finance to young farmers.

Registered Office

Plot 54358, Prime Plaza
Cnr PG Matante Road and Khama Crescent Extension
CBD,
Gaborone

Auditors

PricewaterhouseCoopers

Bankers

Standard Chartered Bank Botswana Limited
First National Bank of Botswana Limited
African Banking Corporation of Botswana Limited
Stanbic Bank Botswana Limited
Bank Gaborone Limited

Group Annual Financial Statements...

Directors' statement of responsibility for the year ended **31 March 2012**

The directors of the company and the group are required by the Botswana Companies Act (2003) to maintain adequate accounting records, prepare financial statements for each financial year, which give a true and fair view of the financial position of the company and its subsidiaries as at the end of the financial year and of the financial performance and cash flows for that year.

In preparing the financial statements for the year ended 31 March 2012 presented herewith on pages 87 to 151, International Financial Reporting Standards have been followed, appropriate accounting policies have been used, and applied consistently and reasonable and prudent judgements and estimates have been made.

The directors are satisfied that Citizen Entrepreneurial Development Agency is a going concern based on available cash resources, forecasts and continued support by the Government of Botswana and have continued to adopt this basis in preparing these financial statements.

The Board recognises and acknowledge its responsibility for the group's system of internal control. The directors are also responsible for taking such steps that are reasonably open to them to safeguard the assets of the company and its subsidiaries and to prevent and detect fraud and other irregularities.

The members of the Board, supported by the Audit Committee, are satisfied that management introduced and maintained adequate internal control to ensure that dependable records exist for the preparation of the annual financial statements, to safeguard the assets of the company and the underlying subsidiaries and to ensure all transactions are duly authorised.

Our external auditors conduct an examination of the financial statement in conformity with International Standard on Auditing. Their report is set out on page 85 to 86. The external auditors have unrestricted access to the board of directors.

Approval of the Financial Statements

Against this background, the financial statements set out on pages 87 to 151 which are stated in Pula, the currency of Botswana, have been approved and authorised for issue on 27 November 2012 by the Board of Directors and is signed on its behalf by:

______________________)

______________________)

______________________) **Directors**

______________________)

Audit Opinion...

Report of the Independent Auditors to the members of Citizen Entrepreneurial Development Agency

Report on the Financial Statements

We have audited the accompanying consolidated annual financial statements and annual financial statements of Citizen Entrepreneurial Development Agency, which comprise the consolidated and separate statements of financial position as at 31 March 2012, and the consolidated and separate statements of comprehensive income, changes in capital and funding and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 88 to 151.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Report of the Independent Auditors to the members of Citizen Entrepreneurial Development Agency Board of Directors

Opinion

In our opinion, the financial statements give a true and fair view of the consolidated and separate financial position of Citizen Entrepreneurial Development Agency as at 31 March 2012, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

Individual Certified Auditor
Practicing member: Butler Phirie
Membership No: 19900312

13 December 2012

Statements of Comprehensive Income & **Statements of** Financial Position...

Statements of comprehensive income...

For the year ended 31 March 2012

	Notes	Group 2012 P	Group Restated 2011 P	Company 2012 P	Company 2011 P
Revenue	1	255,418,705	267,311,458	57,071,888	54,274,008
Cost of Revenue		(152,517,293)	(158,087,122)	-	-
		102,901,412	109,224,336	57,071,888	54,274,008
Government grants	2	302,278,364	302,044,953	302,278,364	302,044,953
Other operating income	3	14,977,765	22,479,329	10,936,342	16,776,527
Textile grant expenses	4	(22,418,607)	(14,894,658)	(22,418,607)	(14,894,658)
Operating expenses	5	(83,501,736)	(85,231,696)	(45,080,664)	(46,409,646)
Staff expenses	6	(102,941,282)	(99,790,329)	(81,850,418)	(74,762,409)
Management fees	27	(5,600,000)	(5,591,666)	-	-
Provision for guarantee claims	22.1	(4,597,505)	(8,000,477)	(4,597,505)	(8,000,477)
Profit/(loss) arising on disposal of investments	7	17,785,318	(560,630)	-	-
Amortisation of intangible assets	15	(1,318,000)	(1,318,000)	-	-
Charge for impairment	8	(162,264,240)	(172,741,587)	(204,421,663)	(191,584,227)
Operating profit		55,301,489	45,619,575	11,917,737	37,444,072
Share of (loss)/profits from associates	13.2	(4,838,425)	11,279,662	-	-
		50,463,064	56,899,237	11,917,737	37,444,072
Taxation	9	(7,795,472)	(7,889,424)	-	-
Finance costs		(8,545,472)	(10,603,427)	-	-
Profit for the year		**34,122,120**	**38,406,386**	**11,917,737**	**37,444,072**
Other comprehensive income/(loss)					
Gain/(impairment) on revaluation of property		8,609,993	(2,311,522)	-	-
Impairment of aircrafts		-	(372,606)	-	-
Other comprehensive income for the year		**8,609,993**	**(2,684,128)**	**-**	**-**
Total comprehensive income/(loss) for the year		**4 2,732,113**	**35,722,258**	**11,917,737**	**37,444,072**
Profit attributable to:					
Equity holders of the parent	30	38,166,331	44,755,008	11,917,737	37,444,072
Minority shareholders	30	(4,044,211)	(6,348,622)	-	-
		34,122,120	**38,406,386**	**11,917,737**	**37,444,072**
Total comprehensive income attributable to:					
Equity holders of the parent		42,557,427	43,203,526	11,917,737	37,444,072
Minority shareholders		174,686	(7,481,268)	-	-
		4 2,732,113	**35,722,258**	**11,917,737**	**37,444,072**

Statements of financial position...

31 March 2012

	Notes	Group 2012	Group Restated 2011	Company 2012	Company 2011
		P	P	P	P
Assets					
Cash and cash equivalents	10	58,686,450	133,456,541	57,603,920	113,565,821
Loans and advances	11	710,205,156	678,527,043	711,714,403	678,527,043
Other assets	17	165,779,511	104,612,243	93,804,873	80,136,583
Assets held for sale/distribution	14	52,897,227	4,453,931	-	-
Investment in subsidiaries	12	-	-	116,063,044	140,374,071
Investment in associates	13	49,910,063	43,882,976	50,562,931	-
Inventories	16	36,836,781	39,299,668	-	-
Intangible assets	15	-	5,468,000	-	-
Deferred tax assets	18	2,203,365	7,537,193	-	-
Property, plant and equipment	19	103,195,891	97,386,918	16,398,918	15,841,864
Total assets		**1,179,714,444**	**1,114,624,513**	**1,046,148,089**	**1,028,445,382**
Capital, funding and liabilities					
Capital and funding					
Capital reserve		1,260,432,519	1,260,432,519	1,252,024,077	1,252,024,077
Revaluation reserve	20	17,064,019	12,672,923	5,121,568	5,121,568
Accumulated losses	30	(283,680,486)	(321,716,358)	(263,992,250)	(275,909,988)
Capital and funding attributable to shareholder		993,816,052	951,389,084	993,153,395	981,235,657
Minority Interest	30	2,659,142	2,353,997	-	-
Total capital and funding		996,475,194	953,743,081	993,153,395	981,235,657
Liabilities					
Bank overdrafts	10.1	36,879,358	31,030,240	-	-
Borrowings	21	29,261,026	37,910,089	-	-
Trade and other payables	22	110,663,463	87,967,347	52,994,694	47,209,725
Deferred tax liabilities	18	6,435,403	3,973,756	-	-
Total liabilities		183,239,250	160,881,432	52,994,694	47,209,725
Total capital, funding and liabilities		**1,179,714,444**	**1,114,624,513**	**1,046,148,089**	**1,028,445,382**

Statements of Changes In Capital and Funding...

Statements of changes in capital and funding...

For the year ended 31 March 2012

Group	Capital reserve	Revaluation reserve	Accumulated losses	Minority interest	Total
	P	P	P	P	P
Balance at 1 April 2010	**1,260,432,519**	**14,224,405**	**(366,471,366)**	**9,835,265**	**918,020,823**
Profit for the year - as previously disclosed	-	-	32,057,776	6,348,610	**38,406,386**
Prior year adjustments (note 30)	-	-	12,697,232	(12,697,232)	-
Profit for the year - restated	-	-	44,755,008	(6,348,622)	**38,406,386**
Other comprehensive income for the year					
Impairment on revaluation of property	-	(1,178,876)	-	(1,132,646)	**(2,311,522)**
Impairment of aircrafts	-	(372,606)	-	-	**(372,606)**
Balance at 31 March 2011 - restated	**1,260,432,519**	**12,672,923**	**(321,716,358)**	**2,353,997**	**953,743,081**
Balance at 01 April 2011 - restated	1,260,432,519	12,672,923	(321,716,358)	2,353,997	**953,743,081**
Profit for the year	-	-	38,166,331	(4,044,211)	**34,122,120**
Other comprehensive income for the year					
Gain on revaluation of property	-	4,391,096	-	4,218,897	**8,609,993**
Dilution of interest due to issue of shares by subsidiary	-	-	(130,459)	130,459	**-**
Balance at 31 March 2012	**1,260,432,519**	**17,064,019**	**(283,680,486)**	**2,659,142**	**996,475,194**

Company	**Capital Reserve**	**Revaluation Reserve**	**Accumulated Losses**	**Total**
Balance as at 1 April 2010	1,252,024,077	5,121,568	(313,354,059)	943,791,586
Net comprehensive income for the year	-	-	37,444,072	37,444,072
Balance as at 31 March 2011	**1,252,024,077**	**5,121,568**	**(275,909,987)**	**981,235,658**
Balance as at 1 April 2011	1,252,024,077	5,121,568	(275,909,987)	981,235,658
Net comprehensive income for the year	-	-	11,917,737	11,917,737
Balance at 31 March 2012	**1,252,024,077**	**5,121,568**	**(263,992,250)**	**993,153,395**

Statements of Cash Flows...

For the year ended 31 March 2012

	Notes	Group 2012	Group 2011	Company 2012	Company 2011
		P	P	P	P
Cash flows from operating activities:					
Cash generated from operations	29	3,217,981	47,223,351	13,312,003	38,075,187
Income tax paid		-	(77,018)	-	-
Net cash generated from operating activities		**3,217,981**	**47,146,333**	**13,312,003**	**38,075,187**
Cash flows from investing activities:					
Purchase of property, plant and equipment	19	(6,325,104)	(11,954,535)	(5,876,636)	(11,335,610)
Proceeds on disposal of investment in associates		-	929,551	-	-
Dividends received from associates		3,038,211	6,146,500	-	
Investment in associates net of interest capitalised		(63,772,324)	-	(63,772,324)	-
Proceeds on disposal of plant and equipment		416,562	1,551,730	375,056	1 ,049,282
Net cash used in investing activities:		**(66,642,655)**	**(3,326,754)**	**(69,273,904)**	**(10,286,328)**
Cash flows from financing activities					
Interest paid		(8,545,472)	(10,603,427)	-	-
Net movement in interest bearing loans		(8,649,063)	(3,964,383)	-	-
Net cash used in financing activities		**(17,194,535)**	**(14,567,810)**	-	-
Net (decrease)/increase in cash and cash equivalents		(80,619,209)	29,251,770	(55,961,901)	27,788,859
Cash and cash equivalents at beginning of the year		102,426,301	73,174,531	113,565,821	85,776,962
Cash and cash equivalents at end of year	10	**21,807,092**	**102,426,301**	**57,603,920**	**113,565,821**

Group Accounting Policies...

1 Presentation of Financial Statements

These financial statements are presented in Pula, the currency of Botswana.

2 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these Group and Company ("Consolidated") financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements set out on pages 87 to 151 have been approved by the Board of Directors on **27/11/2012**

2.1 Basis of Preparation

The consolidated financial statements of Citizen Entrepreneurial Development Agency ("CEDA") and its subsidiaries ("group") have been prepared in accordance with International Financial Reporting Standards("IFRS") as issued by International Accounting Standards Board. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of property, plant and equipment.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed on pages 121 to 123.

(a) Amended standards which became effective during the year

During the year, the amendments to the following standards became effective:

Standard/interpretation	Content	Applicable for financial years beginning on/after
IAS 1	Presentation of financial statements	1 January 2011
IAS 24	Related party disclosures	1 January 2011
IFRS 7	Financial instruments disclosure	1 January 2011

The amendment to IAS 1 and IAS 24 had no significant impact to the Group's financial statements.

The amendments to IFRS 7, 'Financial Instruments - Disclosures' are part of the 2010 Annual Improvements and emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendment has also removed the requirement to disclose the following:

- Maximum exposure to credit risk if the carrying amount best represents the maximum exposure to credit risk;
- Fair value of collaterals; and

• Renegotiated assets that would otherwise be past due but not impaired.

The application of the above amendment has simplified financial risk disclosures made by the Group.

Other amendments and interpretations to standards became mandatory for the year beginning 1 April 2011 but had no significant effect on theGroup's financial statements.

(b) New standards, interpretations and amendments to existing standards that are not yet effective, which are relevant to the company's operations and have not been early adopted by the Agency

During the year, there were other new standards, amendments and interpretations to several existing accounting standards were issued but are not yet effective. The directors have assessed the relevance of the amendments and interpretations with respect to the Group's operations and concluded that they do not have a material impact on the Group's financial statements, these are

Standard/interpretation	Content	Applicable for financial years beginning on/after
IAS 19 Amendment	Employee benefits	1 January 2013
IFRS 9	Financial instruments	1 January 2015
IFRS 13	Fair value measurement	1 January 2013

IFRS 19, 'Employee benefits'

IAS 19 Amendment, Employee Benefits will have no significant impact to the Group's financial statements.

IFRS 9, 'Financial instruments'

IFRS 9 was issued in November 2009 and October 2010 and replaces those parts of IAS 39 relating to the classification and measurement of financial instruments. It is mandatory for accounting periods beginning on or after 1 January 2015.

IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on 1 January 2015.

IFRS 13, 'Fair value measurement'

IFRS 13 is mandatory for accounting periods beginning on or after 1 January 2013. IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across all IFRSs. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. The Group is yet to assess IFRS 13's full impact.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.2 Consolidation

2.2.1 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. Subsidiaries are consolidated using the purchase method of accounting, except for business combinations involving entities or businesses under common control with agreement dates on/after 1 January 2006, which are accounted for using the pooling-of-interests method. They are de-consolidated from the date that control ceases.

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 minority 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 CEDA. All intra-group transactions, balances, income and expenses and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

Common control transactions

Under the pooling-of-interests method of accounting, the results of entities or businesses under common control are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit difference is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the merged enterprises, to the extent that they have not been reduced by a debit difference, are reclassified and presented as movement in other capital reserve.

Transactions and minority interest

The group applies a policy of treating those with minority interest as those with parties internal to the group. Disposal to minority interest results in gains and losses for the group and are recorded in the statement of comprehensive incomes. Purchase from minority interest result in goodwill being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

2.2. Investment in associates

An associate is an entity over which the group has significant influence and that is neither a subsidiary nor an interest in a joint venture. 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.

Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities, and contingent liabilities of the associate arising at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post acquisition changes in the group's share of the net assets of the associate, less any impairment in the value of individual investments.

Where a group entity transacts with an associate of the group, unrealised profits are eliminated to the extent of the group's interest in the relevant associate.

Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred where necessary to ensure consistency with the policies adopted by the group. Dilution gains and losses in associates are recognised in the statement of comprehensive income.

2.2.1 Goodwill

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

The group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2.2.2 Accounting for investment in associates in the separate financial statements

Investments in associates are accounted for at cost less accumulated impairment losses in the separate financial statements.

2.3 Foreign Currency Translation

(a) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'Pula', which is the company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

2.4 Non-current assets (on disposal groups) held for sale

Non-current assets (or disposal group) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale time is considered highly probable. They are stated at the lower of carrying amount and fair value less cost to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

2.5 Financial Assets

The group classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of investments at initial recognition.

(a) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated as hedging instruments.

(b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The group loan and receivable comprise of loan and advance in the Statement of financial position (note 11).

(c) Held-to-maturity financial assets
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity. If the group were to sell other than an insignificant amount of held-tomaturity assets, the entire category would be reclassified as available for sale.

(d) Available-for-sale financial assets
Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Regular-way purchases and sales of financial assets at fair value through profit or loss, held to maturity and available for sale are recognised on trade-date – the date on which the group commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit and loss are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when they are extinguished – that is, when the obligation is discharged, cancelled or expires.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the statement of comprehensive income in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired. At this time, the cumulative gain or loss previously recognised in equity is recognised in profit or loss. However, interest calculated using the effective interest method and foreign currency gains and losses on monetary assets classified as available for sale are recognised in the statement of comprehensive income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income when the entity's right to receive payment is established.

The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset, the group establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

2.6 Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.7 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

2.7.1 Interest income

Interest income for all interest-bearing financial instruments, except for those classified as held for trading or designated at fair value through profit or loss, are recognised within 'interest income' in the statement of comprehensive income using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period. 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. 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.

2.7.2 Fees and commission income

The group recognises fees charged to customers in the statement of comprehensive income on the accruals basis, when a service is rendered and payment is due.

2.7.3 Salvage and subrogation reimbursements

The group has the right to pursue third parties for payment of some or all of the costs. Salvage income comprise 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.

2.7.4 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 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 the Statement of comprehensive income.

2.7.5 Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

2.7.6 Service fees

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

- the amount of revenue can be measured reliably;
- it is probable that economic benefits associated with the transaction will flow to the company;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- 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.

2.7.7 Insurance Premiums

Insurance premiums comprise revenue charged by 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 the statement of comprehensive income before any deductions.

2.7.8 Financial Assistance Policy (FAP) grants

The financial statements reflect only approved FAP grants, which were disbursed during the year. Amounts refundable for FAP claims made in excess of entitlement, and other balances recovered as a result of non-compliance with the FAP agreements, are accounted for on the receipts basis.

2.7.9 Government grants

Grants from the Government are recognised at their fair value where there is reasonable assurance that the grant will be received. Government and other grants are recognised in the Statement of comprehensive income, unless the grant relates to a specific purpose such as acquisition or construction of a capital asset. A government grant utilised towards capital expenditure is amortised and credited to the statement of comprehensive income on a straight line basis over the estimated useful lives of the related assets.

2.8 Insurance claim expenses

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

(i) The actual claims submitted by the participating banks; and
(ii) 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.

2.9 Impairment of Financial Assets

(a) Assets carried at amortised cost

The group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event'), the loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets and can be reliably estimated.

The criteria that the group uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral; and
- Downgrading below investment grade level.

The estimated period between a loss occurring and its identification is determined by management for each identified portfolio. In general, the periods used vary between three months and 12 months; in exceptional cases, longer periods are warranted.

The group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the group to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of comprehensive income in impairment charge for credit losses.

(b) Assets classified as available for sale

The group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available for- sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the statement of comprehensive income.

(c) Renegotiated loans

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. In subsequent years, the asset is considered to be past due and disclosed only if renegotiated.

2.10 Property Plant and Equipment

Property, plant and equipment is stated in the statement of financial position at historical cost or valuation less any subsequent accumulated depreciation and accumulated impairment losses. In the event of revaluation any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the assets, and the net amount is restated to the revalued amount of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be reliably measured. All repairs and maintenance costs are charged to the statement of comprehensive income during the financial period in which they are incurred.

Property, plant and equipment is depreciated on a straight line basis to reduce book values to estimated residual values over their useful lives which varies as follow, depending on their type and usage levels:

Motor vehicles	4 years
Office furniture and fittings	10 years
Computer equipment	4 years
Computer software	3 years
Aircrafts	20 years

The estimated useful lives, residual values and depreciation methods for assets are reviewed at each reporting date, with the effect of any changes in estimates accounted for on a prospective basis.

Gains and losses arising on the disposal or retirement of an asset are determined by reference to the carrying amount of the item on the date of disposal/ retirement and the net proceeds (if any) received, and are recognised in profit or loss upon disposal or retirement.

Any revaluation increase arising on the revaluation of property, plant and equipment is credited to equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. Decreases that offset previous increases of the same asset are charged against other reserves directly in equity; all other decreases are charged to the statement of comprehensive income. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of comprehensive income and depreciation based on the asset's original cost is transferred from 'other reserves' to 'retained earnings'.

Depreciation on revalued property is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the property revaluation reserve is transferred directly to the retained earnings.

2.11 Impairment of Non - Financial Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.12 Leases

A group company is the lessee

The leases entered into by the group are primarily operating leases. The total payments made under operating leases are charged to other operating expenses in the statement of comprehensive income on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Finance leases

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the statement of comprehensive income.

A group company is the lessor
When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

2.13 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

2.14 Provisions

Provisions are recognised when the group has a present obligation as result of a past event, it is probable that the group will settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Onerous contracts
Present obligations arising under onerous contracts are recognised and measured as provision. An onerous contract is considered to exist where the group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits.

2.15 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 initially recognised in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the bank's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the statement of comprehensive income the fee income earned on a straight line basis over the life of the guarantee and the best estimate of the expenditure required to settle any financial obligation arising at the reporting date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of management.

Any increase in the liability relating to guarantees is taken to the statement of comprehensive income under other operating expenses.

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

Provision for guaranteed loans in arrears
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. Provision for claims comprise the portion of the loss expected to be incurred by the group for the guaranteed loans that are four months or more in arrears but not yet claimed by the bank.

2.16 Financial Liabilities and Capital Funding Instruments

Classification as debt or capital
Debt and capital funding instruments are classified as either financial liabilities or as capital in accordance with the substance of the contractual arrangement.

Capital instruments
A capital funding instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Compound instruments
The component parts of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently premeasured.

Financial liabilities
Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

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 through the expected life of the financial liability, or, where appropriate, a shorter period.

2.17 Retirement Benefits

Contributions by the company to this fund are charged to the statement of comprehensive income in the year in which they accrue. Other than the regular contributions made in terms of the Rules of the fund, the company does not have any further obligation to the pension fund.

CEDA operates a defined contribution fund for pension obligation.

2.18 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

(a) Current tax

The tax currently payable is based on taxable profit for the year calculated on the basis of tax laws of Botswana enacted or subsequently enacted at the reporting date. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

(b) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Taxation

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off. Current tax assets are set-off against current tax liabilities when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

2.19 Related parties

Parties are considered to be related if one has the ability to control the other party or exercise significant influence over the other, in making financial or operating decisions. A number of transactions are entered in to with related parties in the normal course of business. These transactions are carried out under normal commercial terms and conditions at market rates, as summarised in the note 27 to the financial statements.

2.20 Repossessed assets

In certain circumstances, property is repossessed following the foreclosure on loans that are in default. Repossessed properties are measured at the lower of carrying amount and fair value less costs to sell and reported within 'Other assets'.

2.21 Collateral

The company obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of a Lien over the customer's assets and gives the Agency a claim on these assets for both existing and future customer's liabilities.

Collateral received in the form of security is not recorded in the statement of financial position. Collateral received in the form of cash is recorded on the statement of financial position with a corresponding liability.

2.22 Comparative information

The accounting policies have been consistently applied those used in the previous year. Previous year's figures and phrases have been re-arranged whenever necessary to conform to the current year presentation.

Financial Risk Management...

3 Financial Risk Management

The group's activities expose it to a variety of financial risks: market risk (cash flow interest rate risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

The group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to date information systems. The group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by a audit committee under policies approved by the board of directors. Audit committee identifies, evaluates minimise financial risks in close co-operation with the group's operating units. The board provides written principles for overall risk management as well as written policies covering specific areas, such as interest rate risk and credit risk and investment of excess liquidity.

3.1 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 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 credit risk management team of group and reported to the Board of Directors and head of each business unit regularly.

3.1.1 Credit risk measurement

Loans and advances

In measuring credit risk of loan and advances to customers at a counterparty level, the group reflects three components (i) the 'probability of default' by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the group derive the 'exposure at default'; and (iii) the likely recovery ratio on the defaulted obligations (the 'loss given default').

The group assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. They have been developed internally and combine statistical analysis with credit officer judgement. The group's rating scale, which is shown below reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are kept under review and upgraded as necessary. The group regularly validates the performance of the rating and their predictive power with regard to default events.

LOANS AND ADVANCES	Group		Company	
	2012	2011	2012	2011
	P	P	P	P
1 Performing loans	676,293,015	568,337,760	676,293,015	568,337,760
2 Loans above 5months in arrears	475,240,879	427,236,870	476,750,126	427,236,870
3 Loans which are foreclosed	116,446,284	77,180,477	116,446,284	77,180,477
	1,267,980,178	**1,072,755,107**	**1,269,489,425**	**1,072,755,107**

Category	Description	Objective criteria
Performing loans	No evident weakness and performing to contractual terms	Performing according to contractual terms.
Non performing	Exhibits potential weakness and/or settlement at risk.	In arrears for more than 150 days.
Loans which are foreclosed	Settlement highly improbable	Non-performing credit facilities on which any amount due remains unpaid more than 150 days.

Cash and cash equivalents

Bank accounts and deposits are held with reputed commercial bank in Botswana. These are not rated.

3.1.2 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 annual 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.

3.1.3 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, which is a common practice. 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;
- Charges over business assets such as premises, plant and equipment, inventory and accounts receivable.

3.1.4 Impairment and provisioning policies

The internal rating systems described in note 3.1.1 focus more on credit-quality mapping from the inception of the lending. In contrast, impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the reporting date based on objective evidence of impairment.

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 the bottom two grading. 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:

	Group		Company	
	2012		**2011**	
	Loans and advances	Impairment provision	Loans and advances	Impairment provision
	P	**P**	**P**	**P**
Performing loans	676,293,015	178,160,364	568,337,760	138,900,044
Loans above 5months in arrears	475,240,879	263,168,374	427,236,870	262,471,299
Loans which are foreclosed	116,446,284	116,446,284	77,180,477	(7,143,279)
	1,267,980,178	**557,775,022**	**1,072,755,107**	**394,228,064**

The internal rating tool assists management to determine whether objective evidence of impairment exists under IAS 39, based on the following criteria set out by the group:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (eg; equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral; and
- Downgrading below investment grading level.

The group's policy requires the review of individual financial assets that are significant at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at reporting date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

Collectively assessed impairment allowances are provided for: (i) portfolios of homogenous assets that are individually below materiality thresholds; and (ii) losses that have been incurred but have not yet been identified, by using the available historical experience, experienced judgment and statistical techniques.

3.1.5 Maximum exposure to credit risk before collateral held or other credit enhancements

Credit risk exposure relating to the assets on the statement of financial position are as follows	Maximum exposure		Maximum exposure	
	Group		Company	
	2012	2011	2012	2011
	P	P	P	P
Cash and cash equivalents	58,686,450	133,456,541	57,603,920	113,565,821
Loans and advances to customers	710,205,156	678,527,043	711,714,403	678,527,043
Other assets	165,779,511	104,612,243	93,804,873	80,136,583

3.1.6 Loans and advances

Loans and advances are summarised follows;

	Group		Company	
	2012	2011	2012	2011
	P	P	P	P
Neither past due nor impaired	415,241,491	317,650,298	415,241,491	317,650,298
Past due but not impaired	261,051,524	250,687,461	261,051,524	250,687,461
Impaired over 5 months	591,687,163	504,417,348	593,196,410	504,417,348
Gross	1,267,980,178	1 ,072,755,107	1,269,489,425	1,072,755,107
Less : Allowance for impairment	(557,775,022)	(394,228,064)	(557,775,022)	(394,228,064)
Net	710,205,156	678,527,043	711,714,403	678,527,043

The total impairment provision for loans and advances is P557,775,022 (2011: P394,228,063) of which 68% (2011: 65%) represents loan facilities that have not performed for over 5 months.

Upon initial recognition of loans and advances, the fair value of collateral is based on valuation techniques commonly used for the corresponding assets. In subsequent periods, the fair value is updated by reference to market price or indexes of similar assets.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the group resulting from both its loan and advances portfolio and investments based on the following:

- 53% of the loans and advances portfolio is categorised in the top two grades of the internal rating system (2011: 58%).
- Loan portfolio is backed by collateral.
- The group has introduced a more stringent selection process upon granting loans and advances.

3.1.7 Age analysis of loans and advances

	Neither past due nor impaired	1 - 150 days	Over 150 days	**Total**
Group	**P**	**P**	**P**	**P**
Loans at 31 March 2012	415,241,491	261,051,524	591,687,163	1,267,980,178
company				
Loans at 31 March 2012	415,241,491	261,051,524	593,196,410	1,269,489,425
Group and Company				
Loans at 31 March 2011	317,650,298	250,687,461	504,417,348	1,072,755,107

Loans and advances past due but not impaired

	1 - 150 days	**Total**
	P	**P**
Loans at 31 March 2012	261,051,524	261,051,524
Loans at 31 March 2011	250,687,461	250,687,461

3.1.8 Repossessed collateral

During 2012, the group obtained assets by taking possession of collateral held as security which totalled P 11,232,597 (2011:P11,458,016). Repossessed assets mainly consists of land and buildings, plant and machinery and equipments. Repossessed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness.

3.2 Market risk

The group is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The market risks arising from group's activities are concentrated and monitored by the group finance department.

3.2.1 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate reprising that may be undertaken, which is monitored daily by group finance department.

3.2.2 Interest rate sensitivity

At 31 March 2012, should interest rates have risen by 1% with all other variables remaining constant, the increase in net assets for the year would amount to approximately P 576,039 arising substantially from the short term investments in cash and cash equivalents (2011: P 1,135,658). If interest rates had lowered by 1%, the decrease in net assets would amount to approximately P 576,039 (2011:P 1,135,658).

3.3 Liquidity risk

Liquidity risk is the risk of the group's inability to meet its payment obligations associated with its financial liabilities when they fall due.

3.3.1 Liquidity risk management process

The group's liquidity management process, as carried out within the group and monitored by a separate team in the group finance department, includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they are due towards customers;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring statement of financial position liquidity ratios against internal requirements; and
- Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets (notes 3.3.2).

Group finance department also monitors unmatched medium-term assets, the level and type of undrawn lending commitments and the impact of contingent liabilities such as standby letters of credit and guarantees.

Funding approach

Sources of liquidity are regularly reviewed by the group finance department.

3.3.2 Residual contractual maturities of liabilities

	Less than 1 month	1-3 months	3 - 12 months	1 - 5 years	Total
	P	P	P	P	P
Group					
At 31 March 2012					
Trade and other payables	8,842,016	66,378,479	25,206,640	10,236,329	110,663,463
Borrowings and bank overdrafts	-	-	50,723,718	15,416,666	66,140,384
Total Liabilities	**8,842,016**	**66,378,479**	**75,930,358**	**25,652,995**	**176,803,847**
At 31 March 2011					
Trade and other payables	9,817,882	47,945,770	19,202,697	11,000,998	87,967,347
Borrowings and bank overdrafts	-	-	52,801,699	16,138,630	68,940,329
Total Liabilities	**9,817,882**	**47,945,770**	**72,004,396**	**27,139,628**	**156,907,676**
Company					
At 31 March 2012					
Trade and other payables	**8,842,016**	**8,709,710**	**25,206,640**	**10,236,329**	**52,994,694**
At 31 March 2011					
Trade and other payables	**9,817,882**	**7,188,148**	**19,202,697**	**11,000,998**	**47,209,725**

3.4 Financial assets and liabilities

3.4.1 Fair value of the financial assets and liabilities

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's statement of financial position at their fair value.

	Group		Group	
	2012		2011	
Financial assets	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
	P	P	P	P
Cash and cash equivalents	58,686,450	58,686,450	133,456,541	133,456,541
Loans and advances	1,267,980,178	710,205,156	1,072,755,107	678,527,043
Other assets	165,779,511	165,779,511	104,612,243	104,612,243
	1,492,446,139	**934,671,117**	**1,310,823,891**	**916,595,827**

	Company		Company	
	2012		2011	
Financial assets	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
	P	P	P	P
Cash and cash equivalents	57,603,920	57,603,920	113,565,821	113,565,821
Loans and advances	1,269,489,425	711,714,403	1,072,755,107	678,527,043
Other assets	93,804,873	93,804,873	80,136,583	80,136,583
	1,420,898,217	**863,123,195**	**1,266,457,511**	**872,229,447**

	Group		Group	
			2011	
Financial liabilities	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
	P	P	P	P
Bank overdraft	36,879,358	36,879,358	31,030,240	31,030,240
Trade and other payables	110, 663,463	110,663,463	87,967,347	87,967,347
Borrowings	29,261,026	29,261,026	37,910,089	37,910,089
	176,803,847	**176,803,847**	**156,907,676**	**156,907,676**

	Company		Company	
	2012		2011	
	Carrying amount	Fair value	Carrying amount	Fair value
	P	P	P	P
Trade and other payables	52,994,694	52,994,694	47,209,725	47,209,725

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.

3.4.2 Categories of financial assets and liabilities

	Group		Company	
	2012	2011	2012	2011
	P	P	P	P
Financial assets				
Cash and cash equivalents	58,686,450	133,456,541	57,603,920	113,565,821
Other assets	165,779,511	104,612,243	93,804,873	80,136,593
Loans and advances to customers	710,205,156	678,527,043	711,714,403	678,527,043
	934,671,117	**916,595,827**	**863,123,196**	**872,229,457**
Financial Liabilities				
Borrowings and Bank overdrafts	66,140,384	68,940,329	-	-
Trade payebles	42,664,427	45,103,858	3,538,114	4,346,236
Other payables	67,999,036	42,863,489	49,456,580	42,863,488
	176,803,847	**156,907,676**	**52,994,694**	**47,209,725**

Critical Accounting Estimate and Judgement...

4 Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS required management to make judgements, and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgement about varying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is reviewed if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future period. Judgements made by the management in the application of IFRS that have a significant effect on the financial statements have been disclosed wherever applicable.

(a) Impairment losses on loans and advances

The group reviews individual loans and loan portfolios to assess impairment at least on a monthly basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from an individual loan or a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The historical loss experience is based on a 12 month observation period of loans in arrears moving into default, with default defined as loans in arrears greater than 150 days or loans which have been classified as non-performing. Objective evidence of impairment is assumed to be evident once a loan moves to more than 90 days in arrears.

The projected future cash flows of the loans which reflect objective evidence of default are based on the historical recovery experience of a representative sample of non-performing loans. The projected future cash flows are discounted at the ruling contract rate of the particular loan advance product category.

Recovery rate experience is the average duration that a classified account is expected to be recovered over a specified amount of time. The recovery rate experience is dependant on the nature of security and duration of the original loan granted.

The security percentage realisable is calculated using the value as at the reporting date. Where recent valuation is not held, either external data may be used to validate the difference, i.e. movements in the price indices or justification should be provided to demonstrate that the value used is still an accurate reflection of the security value.

Specific impairment provision considerations

Management periodically evaluate all loans that have been rescheduled on payment terms or moratorium period. These loans are impaired by comparing the holding value to recoverable security values. This is accounted for as a specific provision.

Sensitivity analysis on impairment provision as per management's estimates is shown as follows:
31 March 2012

P'000	Existing impairement allowance	Impact on changes in Emergence Period		Impact on changes in Roll rates	Impact on changes in Roll rates	Impact on changes in Recovery experience	
		(+) 3 months	(-) 3 months	(-) 5%	(+) 5%	(+) 5%	(-) 5%
		P	P	P	P	P	P
Portfolio provision	461,655	(3,449)	3,449	(53,218)	53,218	(30,626)	30,626
Specific provision	96,120	-	-	-	-	(5,123)	5,189
Total provision	**557,775**	**(3,449)**	**3,449**	**(53,218)**	**53,218**	**(35,749)**	**35,815**

31 March 2011

P'000	Existing impairement allowance	Impact on changes in Emergence Period		Impact on changes in Roll rates	Impact on changes in Roll rates	Impact on changes in Recovery experience	
		(+) 3 months	(-) 3 months	(-) 5%	(+) 5%	(+) 5%	(-) 5%
		P	P	P	P	P	P
Total portfolio provision	**394,228**	**(8,900)**	**8,900**	**(48,830)**	**48,830**	**(47,181)**	**47,181**

(b) 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.

(c) Residual values of property, plant and equipment

Residual values are based on expected future circumstances measured at current prices.

Notes to The Group Annual Financial Statements

			Group		Company	
			2012	2011	2012	2011
			P	P	P	P
1	**Revenue**	1.1	51,245,954	53,545,888	50,684,997	49,791,388
	Interest income		2,518,976	3,054,985	2,518,976	3,054,985
	Bond fee income		5,186,383	3,092,851	2,011,045	-
	Interests from associates		194,610,522	206,190,099	-	-
	Sales of goods and services		1,856,870	1,427,635	1 ,856,870	1,427,635
	Gross premiums - Credit guarantee fund		**255,418,705**	**267,311,458**	**57,071,888**	**54,274,008**
	Interest income					
1.1	Interest on advances		41,330,353	38,921,854	41,339,600	38,921,854
	Staff loan interest		4,528,345	3 ,610,809	4,528,345	3,610,809
	Interest from short term investments		5,387,256	11,013,225	4,817,052	7,258,725
			51,245,954	**53,545,888**	**50,684,997**	**49,791,388**
	Government grants					
2	Funds received from Government-CEDA		280,000,000	287,150,295	280,000,000	287,150,295
	Funds received from Government-Textile		22,278,364	14,894,658	22,278,364	14,894,658
			302,278,364	**302,044,953**	**302,278,364**	**302,044,953**

The Government provides financial grant for companies engaged in Textile & Clothing projects. The subsidy is for citizen unskilled labour only. The Government approved P38 016 000 to be disbursed over a period of two years with effect from January 2010 to December 2011. The funds are disbursed on a quarterly basis to CEDA. Processing of claims and monitoring of projects is done by Ministry of Trade and Industry. A steering committee chaired by the Permanent Secretary to the Ministry of Trade and Industry approves the grants to deserving entities.

		Group		Company	
		2012	2011	2012	2011
		P	P	P	P
3	**Other operating income**				
	Profit on disposal of plant and equipment	343,376	157,640	343,376	157,640
	Other income	14,634,389	2 2,321,689	10,592,966	16,618,887
		14,977,765	**22,479,329**	**10,936,342**	**16,776,527**
4	**Textile grant expenses**				
	Labour grants				
	- Small scale	2,843,657	2,247,670	3,720,201	2,247,670
	- Medium scale	3,720,201	1,895,123	2,843,657	1,895,123

	Group		Company	
	2012	2011	2012	2011
	P	P	P	P
Textile grant				
- Medium scale	15,854,749	10,751,865	15,854,749	10,751,865
	22,418,607	**14,894,658**	**22,418,607**	**14,894,658**

5 Operating expenses

	Group 2012 P	Group 2011 P	Company 2012 P	Company 2011 P
Auditors' remuneration	2,809,102	2,230,689	1,986,294	1,525,107
Depreciation (note 19)	9,052,938	8,798,651	5,287,902	4,015,048
Directors' emoluments	2,093,309	1,542,210	353,333	373,675
Mentoring expenses	6,895,434	5,494,947	6,895,434	5,494,947
Consultancy fees	4,148,611	3,885,484	2,945,657	3,129,546
Operating leases	10,188,259	10,366,227	5,377,796	5,358,375
Security expenses	2,246,208	2,300,718	1,131,384	1,074,870
Computer and IT support costs	4,842,813	3,749,592	4,764,840	3,717,343
Legal costs	3,099,356	2,902,340	2,235,172	2,103,000
Public Relations Expenses	3,866,132	3,928,232	3,866,132	3,928,232
Training expenses	483,987	3,355,912	480,802	3,074,163
Due diligence consultancies	520,559	1,241,532	520,559	1,241,532
Other administration expenses	33,255,028	35,435,162	9,235,359	11,373,808
	83,501,736	**85,231,696**	**45,080,664**	**46,409,646**

	Group 2012	Group 2011	Company 2012	Company 2011
	P	P	P	P
6 Staff expenses				
Salaries and wages	77,332,220	76,659,548	57,429,644	51,631,629
Leave pay	1,241,740	1,297,154	1,241,740	1,297,154
Gratuity	6,193,881	5,624,354	6,054,109	5,624,354
Pension scheme contributions	5,107,597	4,179,740	5,107,597	4,179,740
Medical aid contributions	2,984,271	1,904,130	2,549,235	1,904,130
Staff training cost	3,215,783	4,081,109	3,215,783	4,081,109
Staff travelling and other expenses	6,865,790	6,044,294	6,252,310	6,044,294
	102,941,282	**99,790,329**	**81,850,418**	**74,762,410**

	Group 2012	Group 2011	Company 2012	Company 2011
7 (Profit)/loss arising on disposal of investments Tannery Industries Botswana (Pty) Ltd (subsidiary)				
Net assets disposed off	-	4,690,886		
Expected proceeds net of expenses	-	(4,453,931)		
	-	236,955		
Cabling for Africa (Pty) Ltd (associate)				
Cost of investment	-	823,200		
Interest capitalised and accrued	-	430,026		
	-	1,253,226		
Proceeds recieved	-	(929,551)		
	-	323,675		
Transport Holdings (associate)				
Cost of investment	4,500,000	-		
Share of profits	9,254,384	-		
Share of disposal return to fund manager	13,460,298	-		
	27,214,682	-		
Expected proceeds net of expenses	(45,000,000)	-		
	(17,785,318)	-		
(Profit)/loss arising on disposal of investments	**(17,785,318)**	**560,630**		

		Group		Company	
		2012	2011	2012	2011
		P	P	P	P
8	**Impairment charge**				
	Impairment of loans and advances (note 11.2)	164,890,198	146,377,082	164,890,198	146,377,082
	Impairment on investment in subsidiaries (note 12.1)	-	-	24,311,027	45,207,145
	Impairment (release)/charge on associates (note 13.4)	(9,369,659)	26,364,505	15,220,438	-
	Impairment charge on intangibles (note 15)	4,150,000	-	-	-
	Impairment charge on TIB proceeds receivable	2,226,966	-	-	-
	Impairment charge on receivables	366,735	-	-	-
		162,264,240	**172,741,587**	**204,421,663**	**191,584,227**
9	**Taxation**				
	Current	-	(77,018)	-	-
	Deferred tax	(7,795,472)	(7,812,405)	-	-
		(7,795,472)	**(7,889,423)**	-	-

Under the provisions of the Income Tax Act (Chapter 52:01), the Citizen Entrepreneurial Development Agency (CEDA) and its subsidiary, CEDA Venture Capital Fund are exempt from income tax. Taxation charged to entities controlled by the company which are consolidated, and that are subject to tax, is recognised as an expense in the group financial statements.

		Group 2012	Group 2011	Company 2012	Company 2011
10	**Cash and cash equivalents**				
	Funds on deposit	28,590,575	110,777,402	28,237,552	92,745,558
	Other bank balances and cash	30,095,875	22,679,139	29,366,368	20,820,263
		58,686,450	**133,456,541**	**57,603,920**	**113,565,821**

10.1 Cash and Cash equivalent includes the following for the purposes of the statement of cash flow

	Group 2012	Group 2011	Company 2012	Company 2011
Funds on deposit	28,590,575	110,777,402	28,237,552	92,745,558
Bank Overdrafts	(36,879,358)	(31,030,240)	-	-
Other bank balances and cash	30,095,875	22,679,139	29,366,368	20,820,263
	21,807,092	**102,426,301**	**57,603,920**	**113,565,821**

Funds on deposit represent amounts placed with commercial banks bearing interest at rates from 5% to 7% per annum (2011: 6% to 7%). All deposits are callable within three months.

		Group		Company	
		2012	2011	2012	2011
		P	P	P	P
11	**Loans and advances**				
	Loans and advances	1,267,863,383	1,072,426,604	1,269,489,425	1,072,755,107
	Loans to related parties (note 27)	116,795	328,503	-	-
	Impairment provision (note 11.2)	(557,775,022)	(394,228,064)	(557,775,022)	(394,228,064)
		710,205,156	**678,527,043**	**711,714,403**	**678,527,043**
11.1	**Sector analysis of loans and advances**				
	Loan to small scale customers	373,102,309	318,487,827	373,102,309	318,487,827
	Loans to customers other than small scale	894,877,869	754,267,280	896,387,116	754,267,280
		1,267,980,178	**1,072,755,107**	**1,269,489,425**	**1,072,755,107**
	Maturity analysis				
	Current	201,844,637	179,928,488	203,353,884	179,928,488
	Non - current	1,066,135,541	892,826,619	1,066,135,541	892,826,619
		1,267,980,178	**1,072,755,107**	**1,269,489,425**	**1,072,755,107**
11.2	**Impairment provision of loan and advances:**				
	Balance at beginning of the year	(394,228,064)	(248,122,002)	(394,228,064)	(248,122,002)
	Charge for the year (note 8)	(164,890,198)	(146,377,082)	(164,890,198)	(146,377,082)
	Bad debts written off	1,343,240	271,020	1,343,240	271,020
	Balance at end of the year	**(557,775,022)**	**(394,228,064)**	**(557,775,022)**	**(394,228,064)**

Loans have been advanced for periods up to 84 months. Interest on advances is charged at 5% per annum on loans up to P500,000 and 7.5% on loans above P500,000. Approximately 71% of the loan book is at the rate of 7.5% (2011: 78%).

11.3 Commitments to advance funds to customers at 31 March, but not yet disbursed at that date amounted to,

	Group 2012	Group 2011	Company 2012	Company 2011
At the end of the year	**142,784,121**	**144,308,104**	**132,910,021**	**128,004,169**

The above advances will be funded from internally generated funds and grants from the Government of the Republic of Botswana.

		Group		Company	
		2012	2011	2012	2011
		P	P	P	P
12	**Investment in subsidiaries**				
	100% capital investment in CEDA Venture Capital Fund	-	-	200,000,000	200,000,000
	Less: Provision for impairment (note 12.1)	-	-	(83,936,956)	(59,625,929)
		-	-	**116,063,044**	**140,374,071**
	CEDA Venture Capital Fund is a company limited by guarantee and wholly owned by CEDA.				
12.1	**Provision for impairment in investment in subsidiaries**				
	Balance at beginning of the year	-	-	59,625,929	1 4,418,784
	Charge for the year	-	-	24,311,027	45,207,145
	Balance at end of the year	-	-	**83,936,956**	**59,625,929**
13	**Investments in associates**				
13.1	**Cost**				
	At beginning of the year	76,298,249	70,159,371	-	-
	Investments during the year net of conversions	63,772,324	-	63,772,324	-
	Classified as assets held for sale/distribution	(59,573,853)	-	-	-
	Investments disposed during the year	(4,500,000)	(823,200)	-	-
	Total investment in associates	75,996,720	69,336,171	63,772,324	-
	Interest receivable	6,379,813	6,962,078	2,011,045	-
	At end of the year	82,376,533	76,298,249	65,783,369	-
13.2	**Share of post acquisition results of associates**				
	At beginning of the year	2 1,627,165	(8,839,907)	-	-
	Share of associates' (loss)/profit for the year	(4,838,425)	11,279,662	-	-
	Reclassification from impairment to share of post acquisition results	-	19,187,410	-	-
	Release of share of profit on investment disposed during the year	(9,254,384)	-	-	-
	Release of share of profit on investments classified to assets held for sale/distribution	(22,616,174)	-	-	-
	Impairment of associates (note 13.3)	(17,384,652)	(41,355,688)	(15,220,438)	-
	Dividends received from associates	-	(12,686,750)	-	-
	Carrying value of investment in associates	**49,910,063**	**43,882,976**	**50,562,931**	**-**
13.3	**Impairment of investment**				
	At beginning of the year	(41,355,688)	4,196,227	-	-
	Impairment on associates for the year (note 13.4)	9,369,659	(26,364,505)	15,220,438	-
	Reclassification of impairment to share of post acquisition results	-	(19,187,410)	-	-
	Release of provisions on investments classified to assets held for sale/distribution	14,601,377	-	-	-
	At end of the year	(17,384,652)	(41,355,688)	15,220,438	-

13.4 Impairment for the year is recognised in respect of the following investments in associates

	Group 2012 P	Group 2011 P	Company 2012 P	Company 2011 P
Mobility (Pty) Ltd	11,153,156	-	15,220,438	-
Biz Capital (Pty) Ltd	(1,823,118)	2,713,492	-	-
Easy Concrete Products (Pty) Ltd	(4,228,914)	18,659,814	-	-
Hyperbola (Pty) Ltd	(1,594,854)	1,765,331	-	-
ZS Botswana (Pty) Ltd	(9,380,150)	3,225,868	-	-
MRI Botswana (Pty) Ltd	(3,495,779)	-	-	-
	(9,369,659)	26,364,505	15,220,438	-

CEDA subsidiary - CEDA Venture Capital Fund is in the business of start ups/green fields. Accordingly, certain of its investee companies incur losses during the early stages of their operations. For equity investments it is the group policy to value the carrying value of these investments at their fair value less costs to sell determined by reference to an active market .The investments are written down to the extent of the group's share of the company's net assets being an amount that approximate the fair value less cost to sell where there is no active market and the fair value in use approximates zero on the basis of a history of losses. Impairment losses on debentures are recognised where future cash flows are expected not to be sufficient for the entity to service and perform according to the terms and conditions of agreements in place.

13.5 Summarised Financial Infomation of Associates

	Group 2012 P	Group 2011 P	Company 2012 P	Company 2011 P
Revenue - post acquisition results	21,027,655	134,279,791	-	-
(Loss)/profit after tax - post acquisition results	(23,874,967)	43,131,230	-	-
Statement of financial position				
Non current assets	13,722,123	97,902,852	-	-
Current assets	59,898,135	187,853,511	-	-
Total assets	73,620,258	285,756,363	-	-
Equity	24,750,835	131,858,109	-	-
Total liabilities	48,869,223	153,898,254	-	-
Total equity and liabilities	73,620,058	285,756,363	-	-

13.6 Investment in associate companies and subsidiaries

Details of the group's subsidiaries and associates at 31 March 2012 are as follows:

Name of subsidiary / associate	Proportion of ownership interest	Proportion of voting power held	Principal activity
Phika Entrepreneurs (Pty) Ltd	49%	54%	Air charters
PG Industries (Botswana) (Pty) Ltd	51%	51%	Supply and manufacture of timber and wood products
Delta Dairies (Pty) Ltd	82%	82%	Manufacturing of Long life milk and UHT products
Latex Medical Products (Pty) Ltd	99%	99%	Condom manufacturing and distribution
ZS Botswana (Pty) Ltd	49%	49%	Supply and maintenance of radio communication equipment
Biz Capital Botswana (Pty) Ltd	49%	49%	Supply of short term working capital requirements
Mobility (Pty) Ltd	49%	49%	Telecommunications and Equipment suppliers
Pula Steel Casting and Manufacturing	35%	35%	Steel casting and Manufacturing
Pule Modisana Holdings (Pty) Ltd	40%	40%	Funeral and Financial services

Details of the company's subsidiaries and associates at 31 March 2012 are as follows:

Name of subsidiary / associate	Proportion of ownership interest	Proportion of voting power held	Principal activity
CEDA Venture Capital Fund	100%	100%	Venture capital and private equity investments
Mobility (Pty) Ltd	49%	49%	Telecommunications and Equipment suppliers
Pula Steel Casting and Manufacturing	35%	35%	Steel casting and Manufacturing
Pule Modisana Holdings (Pty) Ltd	40%	40%	Funeral and Financial services

13.7

Break down of costs of investment in associates - Group

Name	Investment in Equity	Investment in Preference Shares	Investment in Debentures	Investment via loans	Total 2012	Total 2011
	P	P	P	P	P	P
Transport Holdings (Pty) Ltd	-	-	-	-	-	4,500,000
Aon Botswana (Pty) Ltd	-	-	-	-	-	26,553,750
ZS Botswana (Pty) Ltd	1,249,300	6,302,583	-	-	7,551,883	7,035,914
MRI Botswana (Pty) Ltd	-	-	-	-	-	8,918,800
Biz Capital Botswana (Pty) Ltd	1,000,000	8,041,283	-	-	9,041,283	8,207,110
Easy Concrete Products (Pty) Ltd	-	-	-	-	-	18,655,016
Hyperbola (Pty) Ltd	-	-	-	-	-	2,427,660
Mobility (Pty) Ltd	49	30,026,458	-	-	30,026,507	-
Pula Steel Casting and Manufacturing	5,337,523	-	13,089,753	-	18,427,276	-
Pule Modisana Holdings (Pty) Ltd	40	17,329,546	-	-	17,329,586	-
	7,586,912	61,699,870	13,089,753	-	82,376,535	76,298,250

Break down of costs of investment in associates - Company

	Investment in Equity	Investment in Preference Shares	Investment in Debentures	Interest receivables	Total 2012	Total 2011
	P	P	P	P	P	P
Mobility (Pty) Ltd	49	28,500,000	-	1,526,458	30,026,507	-
Pula Steel Casting and Manufacturing	5,337,523	-	13,000,000	89,753	18,427,276	-
Pule Modisana Holdings (Pty) Ltd	40	16,934,712	-	394,834	17,329,586	-
	5,337,612	45,434,712	13,000,000	2,011,045	65,783,369	-

13.8 Break down of carrying values of investment in associates

Group

Name	Investment	Share of post acquisition results	Dividends received	Impairment	Net 2012	Net 2011
	P	P	P	P	P	P
Transport Holdings (Pty) Ltd	-	-	-	-	-	13,754,384
Aon Botswana (Pty) Ltd	-	-	-	-	-	36,154,654
ZS Botswana (Pty) Ltd	7,551,883	(7,445,860)	-	(106,023)	-	(5,708,277)
MRI Botswana (Pty) Ltd	-	-	-	-	-	6 ,611,958
Biz Capital Botswana (Pty) Ltd	9,041,283	(2,915,809)	-	(6,125,474)	-	(42,030)
Easy Concrete Products (Pty) Ltd	-	-	-	-	-	(7,072,040)
Hyperbola (Pty) Ltd	-	-	-	-	-	184,328
Mobility (Pty) Ltd	30,026,507	(4,067,282)	(1,526,458)	(11,153,156)	13,279,611	-
Pula Steel Casting and Manufacturing	18,427,276	(163,352)	(89,753)	-	18,174,171	-
Pule Modisana Holdings (Pty) Ltd	17,329,586	(489,516)	(394,834)	-	16,445,236	-
	82,376,535	**(15,081,819)**	**(2,011,045)**	**(17,384,653)**	**47,899,018**	**43,882,977**

Company

	Investments	Impairment	Net 2012	Net 2011
	P	P	P	P
Mobility (Pty) Ltd	30,026,507	(15,220,438)	14,806,069	-
Pula Steel Casting and Manufacturing	18,427,276	-	18,427,276	-
Pule Modisana Holdings (Pty) Ltd	17,329,586	-	17,329,586	-
	65,783,369	**(15,220,438)**	**50,562,931**	**-**

13.9 Investments in associate companies and subsidiaries (continued)

a) 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 the company, PG, undertaking a non underwritten rights issue of shares. Subsequent to this , the group now holds 13,156,236 shares representing 51% share holding. The group now exercises control, which makes it a subsidiary, and hence, the results of this company have been consolidated in these group financial statements.

b) Phika Entrepreneurs (Pty) Ltd

The interest in Phika Entrepreneurs (Pty) Limited was acquired in November 2004. The group holds a 49% equity interest in this company. The group has subscribed for 226 convertible debentures with a nominal value of P10 000 each. There is therefore a possible conversion of an additional 226 shares, which has the potential to increase the effective holding to 54%. Consequently, this company's operating result are consolidated in these group financial statements.

Interest on debentures is charged at prime plus 1% and is payable on a semi-annual basis. These debentures may be convertible to ordinary shares at the rate of one to one. The debentures are secured by deed of hypothecation over all movable assets of the company.

c) Delta Dairies (Pty) Ltd

The interest in Delta Dairies (Pty) Limited was acquired in December 2005. The group increased its share holding to 82% equity interest on 1 January 2009 in this company.

The company went through a statement of financial position restructuring on 1 January 2009 where P9,431,679 debenture notes and accrued interest of P10,568,321 were converted into ordinary shares by way of the company issuing additional shares.

An additional investment of P8,200,000 was made during the financial year ended 2011 as a shareholder loan. The group also granted shareholder loans of P16,367,900 to Delta Dairies (Pty) Ltd during the year, of which P11,267,900 was unsecured, interest free and convertible to stated capital and P5,100,000 was unsecured, accrued interest at prime plus 3% per annum and convertible to stated capital.

d) Fabulous Flowers (Pty) Ltd

The operations of this business were closed down during January 2008 due to production problems. The company has since been placed into provisional liquidation by the High Court of Botswana. This investment has now been fully written off.

The interest in the company was acquired in September 2006. The company held a 38% equity interest in this company, thus making it an associate company.

e) **Cabling for Africa (Pty) Ltd**
The interest in the company was acquired in September 2006. The group holds a 26% equity interest in this company. The investment was disposed off during the financial year ended 2011. (See note 07)

f) **Transport Holdings (Pty) Ltd**
The interest in the company was acquired in December 2006. The group holds a 40% equity interest in this company, thus making it an associate company. The investment was disposed off during the current financial year. The profit on disposal has been accounted for in these financial statements. (See note 07)

g) **ZS Botswana (Pty) Ltd**
The group currently holds 49% of the equity in ZS Botswana (Proprietary) Limited through ordinary shares acquired in January 2007. The investment in the company has been equity accounted in these group financial statements.

The group holds 3 670 redeemable and cumulative preference shares of P 1 300 per share. The dividend is payable at a coupon rate of 12% annually.

Preference shares are redeemable in three instalments from the third anniversary of the effective date (January, 2008) or earlier on mutual agreement with the ordinary share holders, at a premium that will give an internal rate of return (IRR) of 23% to the holder, over the period that the shares has been held.

h) **Latex Medical Products (Pty) Ltd**
The group now holds 99.4% (2011 - 99%) of the equity in Latex Medical Products (Proprietary) Limited through ordinary shares acquired in May 2007. The investment in the company has been consolidated in these group financial statements. In 2010, the Fund acquired a further 5,972,853 shares by a cash injection of P3,622,000 and conversion of interest of 2,346,853.

2,000,000 debentures of P1 each were issued on the 1 August 2008. Dividends shall only be payable on ordinary shares to the extent that interest on the debentures have been paid. In 2011, A further 2,000,000 debentures of P1 each were issued and an additional loan of P1,154,238 was granted.

On 31 March 2012, Fund also acquired 12,015,588 shares by converting preference shares and unpaid dividend amounting to P7,011,713 and debentures amounting to P 5,003,875.

The Fund also granted shareholder loan of P5,200,000 to Latex Medical Products (Pty) Ltd which was unsecured, interest free and convertible to stated capital during the year.

i) **Biz Capital (Pty) Ltd**
The group holds 49% of the equity in Biz Capital (Pty) Limited through ordinary shares acquired in January 2008.The investment in the company has been equity accounted in these group financial statements.
The group holds 5,000,000 preference shares of P1 each. Preference shares earn dividends at 12 thebe per share

annually. The preference dividend is due and payable half yearly in March and September.

j) **Mobility (Pty) Ltd**

The group holds 49% of the equity in Mobility (Pty) Limited through ordinary shares acquired in November 2011. The investment in the company has been equity accounted in these group financial statements.

The group holds 28,500,000 cumulative preference shares 16,094,954 shares issued in September 2011 and 12,405,046 shares issued in January 2012. The shares carry a cumulative preference dividend calculated at a fixed coupon rate of 13% on an annual basis. P1,526,458 was capitalised as dividend accrued during the financial year ended 31 March 2012.

k) **Pula Steel Casting and Manufacturing**

The interest in Pula Steel Casting and Manufacturing (Pty) Limited was acquired in March 2012. The group holds 35% of the equity in the company. The investment in the company has been equity accounted in these group financial statements.

The group holds 13,000,000 debentures issued in March 2012. Preferential dividend shall be calculated at a fixed coupon rate of 14% per annum. P89,753 was capitalised as interest accrued during the financial year ended 31 March 2012.

l) **Pule Modisana Holdings (Pty) Ltd**

The group holds 40% of the equity in Pule Modisane 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. P394,834 was capitalised as dividend accrued during the financial year ended 31 March 2012.

14 Assets held for sale/distribution

The assets related to companies classified as assets held for sale / distribution have been presented below and there were no any liabilities related to these companies at year end.

	Group		Company	
	2012	2011	2012	2011
	P	P	P	P
Assets held for sale	50,670,261	-	-	-
Assets held for distribution	2,226,966	4,453,931	-	-
	52,897,227	4,453,931	-	-

At 31 March 2012	Cost of investment	Share of post acquisition results	Dividends received	Impairment	**Carrying value**
	P	P	P	P	P
Assets held for sale					
Aon Botswana (Pty) Ltd	26,553,750	2 8,194,841	(12,686,750)	-	42,061,841
MRI Botswana (Pty) Ltd	8,918,800	1 ,966,576	(4,231,638)	-	6,653,738
Hyperbola (Pty) Ltd	2,603,161	(478,001)	-	(170,478)	1,954,682
	38,075,711	2 9,683,416	(16,918,388)	(170,478)	50,670,261
Assets held for distribution					
Easy Concrete Products (Pty) Ltd	21,498,142	(7,067,242)	-	(14,430,900)	-
Tannery Industries Botswana (Pty) Ltd liquidation proceeds	4,453,931	-	-	(2,226,966)	2 ,226,966
	2 5,952,073	(7,067,242)	-	(16,657,866)	2 ,226,966

a) Aon Botswana (Pty) Ltd

The interest in Aon Botswana (Pty) Limited was acquired in April 2007. The group holds a 25% equity interest in this company, thus making it an associate company. At the year end, this investment was classified as assets held for sale and measured at the lower of its carrying amount and fair value less costs to sell. Management have actively been marketing the instrument in order to dispose it. The sale process was initiated subsequent to year end.

b) MRI Botswana (Pty) Ltd

The interest in MRI Botswana (Pty) Limited was acquired in March 2008. The group holds a 40% equity interest in this company, thus making it an associate company. At the year end, this investment was classified as assets held for sale and measured at the lower of its carrying amount and fair value less costs to sell. Management have actively been marketing the instrument in order to dispose it. The sale process was initiated subsequent to year end.

c) Hyperbola (Pty) Ltd

The interest in Hyperbola (Pty) Limited was acquired in March 2009. The group holds a 26% equity interest in this company, thus making it an associate company. At the year end, this investment was classified as assets held for sale and measured at the lower of its carrying amount and fair value less costs to sell. Management have actively been marketing the instrument in order to dispose it. The sale process was completed subsequent to year end.

d) Easy Concrete Products (Pty) Ltd

The group holds 49% of the equity in Easy Concrete Products (Pty) Limited 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 Barclays Bank of

Botswana from time to time applied on an annual 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.

e) Tannery Industries (Botswana) (Pty) Ltd.

The interest in Tannery Industries (Botswana) (Pty) Limited was acquired in June 2005. The company went into creditors liquidation in December 2010 and has been accounted for as a disposal in previous 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 after recognition of an impairment charge.

15) Intangible assets

	Group		Company	
	2012	2011	2012	2011
	P	P	P	P
Balance at beginning of year	5,468,000	6,786,000	-	-
Amounts recognised from business combinations				
Impairment charge for the year (note 8)	(4,150,000)	-	-	-
Amortisation of intangible assets	(1,318,000)	(1,318,000)	-	-
Balance at end of year	-	**5,468,000**	-	-

	2012		2011	
	Trade marks	Contractual customer relationships	Trade marks	Contractual customer relationships
Cost	10,180,000	9,500,000	10,180,000	9,500,000
Accumulated impairment and amortisation	(10,180,000)	(9,500,000)	(4,712,000)	(9,500,000)
Carrying Value at year end	-	-	**5,468,000**	-

Customer contracts and relationships (Delta Dairies (Pty) Ltd)

Customer contract relates to a contract entered into by Delta Dairies with the Botswana Government to supply milk to schools as part of Governments national feeding scheme. This contract expired in September 2009 and in accordance with IAS 38 - 'intangible assets', this is considered a reacquired right recognised an intangible asset in business combination and thus customer contract is fully amortised. The customer relationship relates to the contract entered into with the principal distributor/customer and the value of this sale is dependent upon the sales to Government since in terms of the agreement, the distributor/customer had agreed to buy the remainder of the produce. This agreement is reviewed annually. As this is closely linked to the contract entered into with the Government of Botswana, the intangible asset recognised for customer relationship is also amortised over the same period as the customer contract.

Trade marks (Delta Dairies (Pty) Ltd)
At the date of business combination the trade marks were evaluated and their useful lives were estimated as five years. At the reporting date, management assessed the carrying value of the trade mark and considered it fully impaired as management did not expect to recognise any future economic benefits from these trade marks.

Trade marks (PG Industries (Botswana) (Pty) Ltd)
At the date of business combination, the remaining useful life of the trade marks was estimated as ten years and amortised accordingly. At the reporting date, management assessed the carrying value of the trade mark and considered it fully impaired as management did not expect to recognise any future economic benefits from these trade marks.

		Group		Company	
16)	**Inventories**	**2012**	**2011**	**2012**	**2011**
		P	**P**	**P**	**P**
	Merchandise	33,654,494	33,405,702	-	-
	Raw materials	3,347,735	5,666,936	-	-
	Finished products	2,120,460	227,030	-	-
	Provision for impairment of inventories	(2,285,908)	-	-	-
		36,836,781	**39,299,668**	**-**	**-**
17)	**Other assets**				
	Staff loans	86,282,923	73,844,679	86,282,923	73,844,682
	Loans to related parties (note 27)	1,051,632	1,051,632	-	-
	Receivables from related party (note 27)	233,330	-	-	-
	Proceeds receivable from disposal of Transport Holdings	45,000,000	-	-	-
	Other receivables	33,578,361	29,715,932	7,521,950	6,291,901
	Provision for impairment of receivables	(366,735)	-	-	-
		165,779,511	**104,612,243**	**93,804,873**	**80,136,583**

Staff loans are repayable over periods of 5 and 10 years. Loans are substantially granted to purchase fixed property and motor vehicles and loans are secured by Mortgage Bonds and the relevant assets financed by these loans. Terms and conditions for staff loans are same as the terms and conditions on loans for ordinary customers at the interest rate of 5% to 7.5% per annum.

18) Deferred tax (assets)/liabilities

	Group		Company	
	2012	**2011**	**2012**	**2011**
	P	**P**	**P**	**P**
Deferred tax assets				
Balance at beginning of year	(7,537,193)	(20,701,405)	-	-
Movements during the year attributable to:				
Reversal on disposal of subsidiary	-	3,885,174	-	-
Decrease in tax losses available for set off against future taxable income.	5,333,828	9,279,038	-	-
Balance at the end of the year	**(2,203,365)**	**(7,537,193)**	**-**	**-**
Deferred tax liabilities				
Balance at beginning of year	3,973,756	5 ,573,287	-	-
Movements during the year attributable to:				
Write back	-	(1,466,633)	-	-
Reversal on disposal of subsidiary	-	(132,898)	-	-
Decrease in tax losses available for set off against future		-	-	-
taxable income.	1,778,879	-	-	-
Originating temporary difference on fixed assets	682,768			
Balance at the end of the year	**6,435,403**	**3,973,756**	**-**	**-**

19) Property, plant and equipment

	Land & Buildings	Plant & Machinery	Motor vehicles	Office furniture and fittings	Computer equipment and software	Aircrafts	**Total**
Group	**P**	**P**	**P**	**P**	**P**	**P**	**P**
At 31 March 2012							
At cost / revaluation	30,203,413	59,037,176	20,667,639	11,517,296	22,012,537	7,439,044	150,877,105
Impairment of Aircraft	-	-	-	-	-	(372,606)	(372,606)
Accumulated depreciation	(395,954)	(12,566,847)	(13,217,697)	(6,250,292)	(13,428,352)	(1,449,466)	(47,308,608)
Net book value at 31 March 2012	**29,807,459**	**46,470,329**	**7,449,942**	**5,267,004**	**8,584,185**	**5,616,972**	**103,195,891**
Opening net book value	21,148,852	48,589,484	8,238,624	4,788,745	8,654,191	5,967,022	97,386,918
Additions	73,647	118,326	1,602,531	1,355,517	3,175,083	-	6,325,104
Revaluation surplus	8,609,993	-	-	-	-	-	8,609,993
Reclassification - cost	-	-	-	107,265	(107,265)	-	-
Reclassification - accumulated depreciation	-	-	-	(11,310)	11,310	-	-
Disposals	-	-	(1,420,153)	(13,715)	(26,539)	-	(1,460,407)
Depreciation charge (note 5)	(25,033)	(2,237,481)	(2,339,517)	(968,977)	(3,131,880)	(350,050)	(9,052,938)
Depreciation on disposal	-	-	1,368,457	9,479	9,285	-	1,387,221
Net book value at 31 March 2012	**29,807,459**	**46,470,329**	**7,449,942**	**5,267,004**	**8,584,185**	**5,616,972**	**103,195,891**
At 31 March 2011							
At cost / revaluation	21,519,773	58,918,850	20,485,261	1 0,068,229	18,971,258	7,439,044	137,402,415
Impairment of Aircraft	-	-	-	-	-	(372,606)	(372,606)
Accumulated depreciation	(370,921)	(10,329,366)	(12,246,637)	(5,279,484)	(10,317,067)	(1,099,416)	(39,642,891)
Net book value at 31 March 2011	**21,148,852**	**48,589,484**	**8,238,624**	**4,788,745**	**8,654,191**	**5,967,022**	**97,386,918**
Opening net book value	23,367,880	64,444,559	7,293,003	4,779,598	4,989,091	6,689,678	111,563,809
Additions	-	5 19,342	4,158,567	1,486,737	5,789,889	-	11,954,535
Assets relating to subsidiary disposed	(1,860,889)	(13,416,691)	(153,480)	(101,720)	(33,298)	-	(15,566,078)
Disposals	-	(217,792)	(2,631,893)	(1,367,766)	(8,431,316)	-	(12,648,767)
Impairment of Aircraft	-	-	-	-	-	(372,606)	(372,606)
Depreciation charge (note 5)	(358,139)	(2,739,934)	(2,370,416)	(986,874)	(1,993,239)	(350,050)	(8,798,652)
Depreciation on disposal	-	-	1,942,843	9 78,770	8 ,333,064	-	11,254,677
Net book value at 31 March 2011	**21,148,852**	**48,589,484**	**8,238,624**	**4 ,788,745**	**8 ,654,191**	**5,967,022**	**9 7,386,918**

Company	Motor vehicles	Office furniture and fittings	Computer equipment and software	Aircrafts	**Total**
	P	P	P	P	P
At 31 March 2012					
At cost / revaluation	12,380,595	7,542,185	17,223,122	-	37,145,902
Accumulated depreciation	(8,120,450)	(3,371,315)	(9,255,219)	-	(20,746,984)
Net book value at 31 March 2012	**4,260,145**	**4,170,870**	**7,967,903**	**-**	**16,398,918**
Opening net book value	4,407,374	3,570,223	7,864,267	-	15,841,864
Additions	1,602,531	1,130,682	3,143,423	-	5,876,636
Disposals	(1,248,937)	(13,715)	(26,539)	-	(1,289,191)
Depreciation on disposal	1,238,747	9,479	9,285	-	1,257,511
Reclassification - cost	-	107,265	(107,265)	-	-
Reclassification - accumulated depreciation	-	(11,310)	11,310	-	-
Depreciation charge (note 5)	(1,739,570)	(621,754)	(2,926,578)	-	(5,287,902)
Net book value at 31 March 2012	**4,260,145**	**4,170,870**	**7,967,903**	**-**	**16,398,918**
At 31 March 2011					
At cost / revaluation	12,027,001	6,317,953	14,213,503	-	32,558,457
Accumulated depreciation	(7,619,627)	(2,747,730)	(6,349,236)	-	(16,716,593)
Net book value at 31 March 2011	**4,407,374**	**3,570,223**	**7,864,267**	**-**	**15,841,864**
Opening net book value	2,352,967	3,135,003	3,924,976	-	9,412,946
Additions	4,138,567	1,445,873	5,751,170	-	11,335,610
Disposals	(2,351,197)	(1,364,613)	(8,430,511)	-	(12,146,321)
Depreciation on disposal	1,942,843	978,770	8,333,064	-	11,254,677
Depreciation charge (note 5)	(1,675,806)	(624,810)	(1,714,432)	-	(4,015,048)
Net book value at 31 March 2011	**4,407,374**	**3,570,223**	**7,864,267**	**-**	**15,841,864**

	Group		Company	
	2012	2011	2012	2011
20) Revaluation	P	P	P	P
Movements during the year				
Surplus arising from the revaluation of assets	20,455,407	23,139,535	5,121,568	5,121,568
Gain/(impairment) on property revaluation	8,609,993	(2,311,522)	-	-
Impairment on aircraft	-	(372,606)	-	-
Balance at the end of the year	29,065,400	20,455,407	5,121,568	5,121,568
Attributable to minority	(12,001,381)	(7,782,484)	-	-
Attributable to group	**17,064,019**	**12,672,923**	**5,121,568**	**5,121,568**

The group revalued land and buildings effective on 31 March 2012 by independent professional valuer. The carrying value of land and buildings would have been P 7 777 521 had the properties been carried at cost less depreciation.

The group also revalued the aircraft by independent valuers namely, Porflight Engineering Services to determine the fair value of the aircrafts. The valuation which confirms to International Valuation Standards for the industry was carried out on 10 March 2008. The revaluation surplus net of applicable deferred income taxes was credited to 'revaluation reserve.

	Group		Company	
	2012	2011	2012	2011
21) Borrowings	P	P	P	P
Finance leases	7,321,887	3,244,502	-	-
Term loans	21,939,139	22,700,976	-	-
Preference shares	-	11,964,611	-	-
	29,261,026	**37,910,089**	**-**	**-**
22) Trade and other payables				
Trade payables	42,664,427	45,103,858	3,538,114	4,346,236
Deferred Income	953,978	4,232,342	953,978	4,232,342
Provision for guaranteed loans (note 22.1)	22,327,706	18,148,590	22,327,706	18,148,590
Amounts due to related parties (note 27)	13,857,298	-	-	-
Other payables	30,860,054	20,482,557	26,174,896	20,482,557
	110,663,463	**87,967,347**	**52,994,694**	**47,209,725**
22.1) Outstanding claims payable				
Opening balance	5,102,647	4,063,446	5,102,647	4,063,446
Payments	(417,988)	–	(417,988)	-
Provision for the year	1,350,936	1,039,201	1,350,936	1,039,201
Closing balance	**6,035,595**	**5,102,647**	**6,035,595**	**5,102,647**

	Group		Company	
	2012	2011	2012	2011
Provision of guaranteed loans in arrears:	P	P	P	P
Opening balance	13,045,542	6,084,266	13,045,542	6,084,266
Additional provision in the year	3,246,569	6,961,276	3,246,569	6,961,276
Closing balance	**16,292,111**	**13,045,542**	**16,292,111**	**13,045,542**
	22,327,706	**18,148,188**	**22,327,706**	**18,148,188**
Total provision for guaranteed loans				

The outstanding claims payable represents the amount payable on guaranteed loans which have been identified as of the year end where as the provision for guaranteed loans in arrears represents the provision for unknown guaranteed loans as guaranteed under CEDA Credit Guarantee Scheme which are likely to be payable, determined based on the aged loans as reported by the participating banks.

23) Funding of the company

The company is constituted in terms of the Companies Act (Chapter 42:01) as a company limited by guarantee. The Founding Member and Guarantor in terms of the company's Memorandum and Articles of Association is the Government of the Republic of Botswana.

24) Lease commitments

	Group		Company	
	2012	2011	2012	2011
	P	P	P	P
The company has entered into operating leases for the rental of premises.				
The amounts due in terms of these agreements were:				
Due within one year	5,833,862	4,962,419	5,833,862	4,962,419
Due thereafter	20,484,500	4,242,478	20,484,500	4,242,478
	26,318,361	**9,204,896**	**26,318,361**	**9,204,896**

Lease commitments are standing in respect of twelve lease agreements for properties scattered over the country used in respect of carrying out the operation of branches of CEDA. These commitments will be financed out of internally generated funds.

	Group		Company	
	2012	2011	2012	2011
25) Capital commitments	P	P	P	P
The following expenditure was authorised and/or committed at 31 March:				
Motor vehicles	37,250	1,600,000	37,250	1,600,000
Computer hardware	1,401,000	1,213,000	1,401,000	1,213,000
Computer software	850,000	2,630,000	850,000	2,630,000
Office furniture and fittings	2,559,700	8,244,199	2,559,700	8,244,199
Executive House	5,000,000	-	5,000,000	-
	9,847,950	13,687,199	9,847,950	13,687,199

These commitments will be financed out of internally generated funds.

26) Contingent liabilities

The subsidiary company; Delta Dairies (Pty) Ltd has a contingent liability as at 31 March 2012 in respect of guarantee entered on its behalf in the form of a performance bond to the Ministry of Local Government of Botswana amounting to P 1,210,866.

CEDA Credit Guarantee Fund guarantees the net losses incurred by participating financial institutions as a result of their lending to small and medium sized industries under the CEDA Credit Guarantee Scheme. The fund has guaranteed 60% or 75% of the net losses incurred by the participating financial institutions. The total contingent liability as at 31 March 2012, as a result of guarantees issued amount to P 84,690,642 (2011: P44,807,130).

The agency (CEDA) has certain pending litigations as at 31 March 2012. The outcome of these cases are currently unknown. Management have estimated a contingent exposure of P 3.8 million.

27) Related party transactions

Related party balances consists of amounts due from entities under common ownership or control other than the state, directors, shareholders and Venture Partner Botswana (VPB), an entity which has been contracted to manage CEDA's wholly owned subsidiary, CEDA Venture Capital Fund.

	2012	2011
Transactions during the year **Subsidiary:**	P	P
PG Industries (Botswana) (Pty) Ltd		
Directors' fees	37,800	36,000
Directors' remuneration for executive services	959,076	1,021,470
Latex Medical Products (Pty) Ltd		
Directors' fees	5,600	5,000
Directors' remuneration for executive services	480,000	480,000
Associates:		
ZS Botswana (Pty) Ltd		
Directors' remuneration for executive services	418,188	418,188
Interest on preference shares	515,964	511,762
Aon Botswana (Pty) Ltd		
Directors' fees	15,000	25,000
Directors' remuneration for executive services	3,610,875	3,611,089
Biz Capital (Pty) Ltd		
Directors' fees	15,000	12,882
Directors' remuneration for executive services	450,000	450,000
Interest on preference shares	834,057	792,820
MRI Botswana (Pty) Ltd		
Directors' fees	77,106	90,000
Directors' remuneration for executive services	-	43,948
Easy Concrete (Pty) Ltd		
Directors' remuneration for executive services	-	408,000
Interest on preference shares	1,825,318	1,788,268
Fund management company		
Management fees payable to VPB (Pty) Limited	5,600,000	5,591,667

27) Related Party Transactions - group (Continued)

	2012	2011
	P	P
Receivables from related parties:		
Cabling for Africa (Pty) Ltd	-	39,903
ZS Botswana (Pty) Ltd	-	503,852
Biz Capital (Pty) Ltd	-	245,408
Easy Concrete (Pty) Ltd	233,330	566,734
Hyperbola (Pty) Ltd	-	248,861
	233,330	1,604,758
Payables to related parties:		
Biz Capital (Pty) Ltd	397,000	-
VPB (Pty) Ltd	13,460,298	-
	13,857,298	-
Loans to related parties under loans and advances::		
Biz Capital (Pty) Ltd	116,795	328,503
Loans to related parties under other assets:		
BMB Employee Share Participation Scheme	969,287	969,287
PGIB Employee Share Trust	82,345	82,345
	1,051,632	1,051,632

Compensation of key management personnel

The following is the compensation of key management personnel and these are set by the remuneration committee in relation to performance and the market trends. The balances consists of short term payments which includes gratuity accumulated/paid during the year.

	2012	2011
Salaries	5,400,653	5,139,971
Housing allowance	1,314,696	1,252,858
Car allowance	972,818	995,455
Gratuity, medical aids and other	2,662,182	2,728,909
	10,350,349	10,117,192
Loans to Senior Managers	15,095,046	10,209,103
Loans to directors	1,694,000	838,440

Loans to directors/senior managers are repayable over maximum periods of between 5 and 10 years. Loans are substantially granted to purchase fixed property and motor vehicles and such loans are secured by Mortgage Bonds and the relevant assets financed by these loans. Terms and conditions for loans are same as the terms and conditions on loans for ordinary customers. Loans to directors/senior managers were not impaired as at the year end.

	2012	2011
	P	P
Directors' emoluments - non executive directors	353,333	373,675

28) Events after the reporting date

There were no material events that occurred after the reporting date that require disclosure or adjustment to the financial statements except for the disclosure made in note 14 a) to d).

29) Cash generated from operations

	Notes	Group		Company	
		2012	2011	2012	2011
		P	P	P	P
Profit before income tax and finance costs		50,463,064	56,899,237	11,917,737	37,444,072
Adjustments for:					
Interests from associates	1	(5,186,383)	(3,092,851)	(2,011,045)	-
Amortisation of intangible assets	15	1,318,000	1,318,000	-	-
Share of loss/(profit) of associates	13.2	4,838,425	(11,279,662)	-	-
(Profit)/loss on disposal of investment in associates	7	(17,785,318)	560,630	-	-
Profit on disposal of plant and equipment	3	(343,376)	(157,640)	(343,376)	(157,640)
Loss on disposal of investment in subsidiary		-	10,528,121	-	-
Depreciation	19	9,052,938	8,798,651	5,287,902	4,015,048
Charge for impairments	8	162,264,240	172,741,587	204,421,663	191,584,227
Net cash generated from operating activities before changes in operating assets and liabilities		204,621,590	236,316,073	219,272,881	232,885,707
Changes in operating assets and liabilities:					
- Inventories		2,462,887	(1,960,495)	-	-
- Loans and advances	29.1	(196,568,311)	(199,715,246)	(198,077,558)	(199,715,246)
- Trade and other payables	29.2	9,235,818	7,555,428	5,784,969	14,940,437
- Other assets	29.3	(16,534,003)	5,027,591	(13,668,289)	(10,035,711)
Cash generated from operations		**3,217,981**	**47,223,351**	**13,312,003**	**38,075,187**

Notes to statement of cash flows

29.1) Change in loans and advances

	Notes	Group 2012 P	Group 2011 P	Company 2012 P	Company 2011 P
Balance at the beginning of the year		678,527,043	625,188,879	678,527,043	625,188,879
Balance at the end of the year		(710,205,156)	(678,527,043)	(711,714,403)	(678,527,043)
Impairment charge for the year		(164,890,198)	(146,377,082)	(164,890,198)	(146,377,082)
		(196,568,311)	(199,715,246)	(198,077,558)	(199,715,246)
29.2) Change in trade and other payables					
Balance at the beginning of the year		(87,967,347)	(80,411,919)	(47,209,725)	(32,269,288)
Balance at the end of the year		110,663,463	87,967,347	52,994,694	47,209,725
Share of disposal return payable to fund manager		(13,460,298)	-	-	-
		9,235,818	7,555,428	5,784,969	14,940,437
29.3) Change in other assets					
Balance at the beginning of the year		104,612,243	109,639,834	80,136,584	70,100,873
Balance at the end of the year		(165,779,511)	(104,612,243)	(93,804,873)	(80,136,584)
Proceeds receivable from disposal of Transport Holdings		45,000,000	-	-	-
Impairment charge for the year		(366,735)	-	-	-
		(16,534,003)	5,027,591	(13,668,289)	(10,035,711)

30) Prior year adjustments and restatement of comparative figures

In attributing the profit for the year between equity holders of the parent and minorities in the prior year, the group has incorrectly attributed a higher percentage to the equity holder of the parent, consequently affecting minority interest. As this is construed to be a material error, in terms of IAS 8- 'Accounting Policies, Changes in Accounting Estimates and Errors', the correction is effected as a prior year restatement. As this error is limited only to the prior year, a third balance sheet depicting the prior year opening balance is not considered necessary and accordingly not provided.

The effect of this misstatement on previously reported numbers are as follows:

For the year ended 31 March 2011	Equity holder of the parent	Minority shareholders	**Total**
Effects on the statement of comprehensive income			
	P	**P**	**P**
Profit attributable to: as previously stated	32,057,776	6,348,610	**38,406,386**
- Correction of error in the allocation of profit attributable to the minority interest	12,697,232	(12,697,232)	-
Profit attributable to : restated	**44,755,008**	**(6,348,622)**	**38,406,386**

At 31 March 2011	Accumulated loss	Minority interest
Effects on the statement of financial position		
	P	**P**
Balance as previously stated	(334,413,590)	15,051,229
– Correction of error in the allocation of profit attributable to the minority interest	12,697,232	(12,697,232)
Balance - restated	**(321,716,358)**	**2,353,997**

CEDA NETWORK

Head Office
CEDA House
Prime Plaza, Plot 54358,
Corner PG Matante Road and
Khama Crescent Extension,
Central Business District,
Private Bag 00504
Gaborone

Phone: +267 317 0895
Fax: +267 319 0001
info@ceda.co.bw

Francistown
Plot 694 Blue Jacket Street
P O Box 1845
Francistown

Phone: +267 241 2775
Fax: +267 241 6045

Ghanzi
Plot 672 (Opposite Bus Rank
Next to Delta Phamarcy)
P O Box 77
Ghanzi

Phone: +267 659 7331
Fax: + 267 659 7595

Kanye
Plot 1264
Maswabi Complex
Sebonego Ward Kanye
Private Bag 16 Kanye

Phone: +267 544 0324
Fax: +267 544 1109

Maun
Plot 730 Tsheko Road
Mall Extension
P/Bag 393
Maun

Phone: +267 686 4169
Fax: +267 686 4858

Molepolole
Plot 470 Main Road
Borakalalo Ward Molepolole
P O Box 3271 Molepolole

Phone: +267 592 0000
Fax: +267 591 5318

Selebi Phikwe
Plot 6575
Khama Road
Private Bag 190
Selebi Phikwe

Phone: +267 262 2377
Fax: +267 262 2374

Palapye
Plot 446
Bashi Gampone Complex
Shop NO. 5 6 & 7 Old Mall
Private Bag 24
Palapye

Phone: +267 492 0279
Fax: +267 492 0235

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