

**Citizen Entrepreneurial Development Agency (CEDA)
(Registration number BW00000557286)
Group Financial Statements for the year ended
31 March 2019**

Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Group Financial Statements for the year ended 31 March 2019

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Citizen Entrepreneurial Development Agency (CEDA)

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Group Financial Statements for the year ended 31 March 2019

General Information

Country of incorporation and domicile	Botswana
Nature of business and principal activities	<p>The Citizen Entrepreneurial Development Agency ("CEDA") was established by the Government of the Republic of Botswana to provide financial and technical support for business development with the view of promoting viable and sustainable citizen owned business enterprises. CEDA was incorporated as a company limited by guarantee on 12 April 2001 and commenced operations in June 2001.</p> <p>In order to fulfill its objectives CEDA provides the following services:</p> <ul style="list-style-type: none">• Financial assistance to enterprises in the form of loans which are offered at subsidized 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;• Provision of loan finance to young farmers;• Provide access to finance for Small Micro and Medium Enterprises (SMME) and to assist businesses operating in the SMME sector of the economy to fulfil the security requirements of commercial banks and other development financial institutions; and• Provision of risk capital to citizen owned projects and joint ventures between citizens and non-citizens through CEDA Venture Capital Fund.
Registered office	Plot 54350 Four Thirty Square Phillip Matante Road CBD Gaborone
Business address	Plot 54350 Four Thirty Square Phillip Matante Road CBD Gaborone
Postal address	Private Bag 00504 Gaborone

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General Information

Bankers	Standard Chartered Bank Botswana Limited Absa Bank of Botswana Limited First National Bank of Botswana Limited BancABC Limited Stanbic Bank Botswana Limited Bank Gaborone Limited
Auditors	Deloitte & Touche Certified Auditors
Secretary	Cynthia Sebonego
Company registration number	BW00000557286

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Group Financial Statements for the year ended 31 March 2019

Directors' Responsibilities and Approval

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


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

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

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

The directors have reviewed the company and group's cash flow forecast for the 12 month period from the date of authorization of the financial statements and in the light of this review and the current financial position they are satisfied that the company and group have or have access to adequate resources to continue in operational existence for the foreseeable future.

The group financial statements set out on pages 12 to 87 which have been prepared on the going concern basis were approved by the board of directors on 15/06/2021 and were signed on its behalf by:



Director



Director

Citizen Entrepreneurial Development Agency (CEDA)

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Group Financial Statements for the year ended 31 March 2019

Directors' Report

The directors have pleasure in submitting their report on the financial statements of Citizen Entrepreneurial Development Agency (CEDA) (company) and its subsidiaries and associates (the group) for the year ended 31 March 2019.

1. Nature of business

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

2. Review of financial results and activities

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards. The accounting policies have been applied consistently compared to the prior year, except for the adoption of IFRS 9: Financial Instruments.

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

3. Capital Reserve

There were changes in the stated capital of the group during the year under review to the tune of P576 000 representing the value of land allocated by the Government of Botswana.

4. Dividends

No dividends were declared or paid to the members during the year (2018 P Nil).

5. Fixed assets

There have been no major changes in the nature of the fixed assets of the company and the group during the year under review and the policy relating to their use.

6. Directors

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

Directors	Nationality	
Dr. A Tsheboeng - Chairperson	Motswana	
W Mosweu	Motswana	
G K Mosimaneotsile	Motswana	
B Bogopa	Motswana	
D Mading	Motswana	
Dr. T S Mampane	Motswana	Resigned 30 November 2019
AT Khunwane	Motswana	Resigned 30 November 2020
M Mbaakanyi	Motswana	Appointed 01 April 2020
G Mmolawa	Motswana	Appointed 01 October 2018
P N Nuku-Basaakane	Motswana	Appointed 01 December 2020

7. Events after the reporting period

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

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Group Financial Statements for the year ended 31 March 2019

Directors' Report

8. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realization of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of the business. Refer to note 39 for the details on the consideration of going concern by the Directors.

9. Auditors

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

10. Secretary

The company secretary is Cynthia Sebonego.

Postal address

Private Bag 00504
Gaborone

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

Opinion

We have audited the Consolidated and Separate Financial Statements ('the financial statements') of Citizen Entrepreneurial Development Agency ('the Agency') and its subsidiaries ('the Group'), set out on pages 12 to 87, which comprise the consolidated and separate statements of financial position as at 31 March 2019, the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in capital and funding, consolidated and separate statements of cash flows for the year then ended, and a summary of significant accounting policies including the notes to the Consolidated and Separate Financial Statements.

In our opinion, the Consolidated and Separate Financial Statements give a true and fair view of the consolidated and separate financial position of the Group and the Agency as at 31 March 2019, and their consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 33 to the financial statements which indicates the prior year restatements for the errors noted in the current year audit relating to the prior year financial statements which were audited by another audit firm.

Key Audit Matters

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



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

Key Audit Matter	How the matter was addressed in the audit
Impairment of loans and advances, other receivables and guarantees (Consolidated and Separate)	
<p>The Group has adopted IFRS 9 – <i>Financial Instruments</i> for the first time in the 2019 reporting period. IFRS 9 requires impairment losses to be evaluated on an expected credit loss ('ECL') basis instead of the incurred loss basis under International Accounting Standard 39: <i>Recognition and Measurement</i> ('IAS39').</p> <p>The impairment of advances, other receivables and guarantees was considered to be a matter of significant importance to our current year audit due to the following:</p> <ul style="list-style-type: none"> • Advances, other receivables and guarantees are material to the financial statements; and • The level of subjective judgement applied in determining the ECL on advances, guarantees. <p>With the adoption of IFRS 9, the Group developed an impairment model to determine the Expected Credit Losses ("ECLs").</p> <p>In determining the ECLs, the following key judgements were applied by the Group:</p> <ul style="list-style-type: none"> • appropriate model and assumptions for the measurement of ECLs; • Establishing groups of similar financial assets for the purpose of measuring ECLs; • The input assumptions and methodologies applied to estimate the probability of default (PD), exposure at default (EAD) and loss given default (LGD) within the ECL calculations; • The assessment of whether there has been a Significant Increase in Credit Risk ('SICR') since origination date of the exposure to the reporting date; • Determination of macroeconomic forecast and forward-looking information; and • The determination of the lifetime of a financial instrument subject to ECL assessment. <p>Refer to accounting policy Note 1.4 on credit risk, Note 17 on loans and advances to customers and Note 17.1 on net impairment losses on financial instruments.</p>	<p>We assessed the ECL policies and judgements applied by management against the requirements of IFRS 9. In addition, we evaluated the design and implementation of key controls over the impairment processes, focusing on the identification of the ECL, the governance processes implemented for credit models and inputs into the ECL models and how the Directors ensure they have appropriate oversight of the ECL.</p> <p>We performed the following procedures:</p> <ul style="list-style-type: none"> • Obtained an understanding of the methodologies and assumptions used by management in the various ECL model components (PD, EAD, LGD) and assessed these against the requirements of IFRS 9 and best practice; • Assessed and challenged management on the data inputs and key assumptions into the ECL models, which includes the estimated macroeconomic inputs, stage classification of exposures and the estimated probability of default, exposure at default and loss given default; • Evaluated the ECL models and key assumptions applied in the calculation of the ECL. This includes use of Deloitte internal credit risk specialists to evaluate the assumptions and accuracy of the calculations in the models; • Confirmed that the latest available and relevant probability weighted forward-looking information has been appropriately incorporated within the impairment models by comparing these to widely available market data; • Tested the information with respect to loans and advances, other receivables and guarantees utilised in the models to underlying accounting records and other information maintained by the Group; and • Evaluated the adequacy of the financial statement disclosures including key assumptions, judgements and sensitivities. <p>In conclusion, we evaluated the impairment of loans and advances to customers, other receivables and guarantees is not materially misstated and the related disclosures are appropriate.</p>

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

Key Audit Matter

How the matter was addressed in the audit

Valuation of investment in Norsad Finance Limited (Consolidated and Separate)

The Group has an equity investment in an unlisted entity comprising of ordinary and preference shares which has been classified as a financial asset at Fair Value through Profit or Loss.

Due to the significant judgements involved in determining the basis of valuation as well as the level of estimation uncertainty we classified the valuation of the investment as a KAM. Refer to accounting policy Note 1.5 on initial recognition and subsequent measurement and Note 19.1 on fair value of other financial assets.

We performed the following procedures:

- Assessed the identification and classification of the investment as a financial asset at Fair Value through Profit or Loss in accordance with IFRS 9.
- Tested the design and implementation of key internal controls over the valuation process;
- Obtained an understanding of the methodologies and inputs used by management in determining the valuation amount;
- Evaluated the objectivity, competence, capabilities and qualification of management's external experts;
- Evaluated the arithmetical accuracy of management's valuation calculation;
- Involved our internal financial advisory experts to develop an independent fair value range to assess management's valuation;
- Evaluated management's valuation against the fair value range determined by our internal financial advisory experts; and
- Evaluated the related disclosures in the financial statements.

In conclusion, we evaluated that the valuation of the investment in Norsad is not materially misstated and the related disclosures are appropriate.

Other Information

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

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

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

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

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

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

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

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

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the Consolidated and Separate Financial Statements, including the disclosures, and whether the Consolidated and Separate Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Deloitte & Touche

Deloitte & Touche
Certified Auditors
Practicing Member: C V Ramatlapeng (CAP 008 2021)

Gaborone
13 July 2021

Citizen Entrepreneurial Development Agency (CEDA)

(Registration number BW00000557286)

Group Financial Statements for the year ended 31 March 2019

Statements of Profit or Loss and Other Comprehensive Income for the year ended 31 March 2019

Figures in Pula	Notes	Group		Company	
		2019	2018 Restated	2019	2018 Restated
Revenue	4	91 058 378	87 268 986	86 552 053	83 366 498
Cost of sales	5	(711 410)	(579 413)	-	-
Gross profit		90 346 968	86 689 573	86 552 053	83 366 498
Government grants	6	274 314 780	302 358 624	274 314 780	302 358 624
Other operating Income	7	4 723 164	6 455 181	3 900 414	2 695 207
Operating expenses	9	(82 644 465)	(70 092 201)	(77 816 690)	(65 011 384)
Staff expenses	10	(148 121 271)	(131 398 689)	(146 614 701)	(130 150 854)
Provision for guarantee claims		9 822 687	(1 998 081)	9 822 687	(1 998 081)
Gain/ (loss) on revaluation of other financial assets	11	2 248 484	(12 146 488)	2 248 484	(12 146 488)
Release/(charge) for impairment	12	81 658 465	(71 778 325)	82 805 140	(71 553 484)
Operating profit		232 348 812	108 089 594	235 212 167	107 560 038
(Loss)/gain from equity accounted investments	13	(1 380 688)	260 262	-	-
(Loss)/ profit arising on disposal of investments	8	-	(12 083 039)	-	3 670 413
Finance costs	14	(378 660)	(1 116 107)	(371 794)	(1 091 365)
Profit for the year		230 589 464	95 150 710	234 840 373	110 139 086
Other comprehensive income					
Revaluation of property, plant and equipment		-	5 787 496	-	5 787 496
Share of other comprehensive income from associate	15	-	9 744 422	-	-
Total comprehensive income for the year		230 589 464	110 682 628	234 840 373	115 926 582
Profit for the year attributable to :					
Owners of the parent		230 931 108	95 561 511	234 840 373	115 926 582
Non-controlling interests		(341 644)	(410 801)	-	-
		230 589 464	95 150 710	234 840 373	115 926 582
Total comprehensive income attributable to:					
Owners of the parent		230 931 108	111 093 429	234 840 373	115 926 582
Non-controlling interests		(341 644)	(410 801)	-	-
		230 589 464	110 682 628	234 840 373	115 926 582

Citizen Entrepreneurial Development Agency (CEDA)

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Group Financial Statements for the year ended 31 March 2019

Statements of Financial Position as at 31 March 2019

Figures in Pula	Notes	Group		
		2019	2018 Restated	2017 Restated
Assets				
Cash and cash equivalents	16	344 661 248	286 534 572	391 640 487
Loans and advances	17	1 043 835 412	1 556 484 218	1 329 336 043
Other assets	18	213 730 406	180 229 391	188 762 357
Other financial assets	19	47 375 903	45 127 420	38 603 237
Investments in subsidiaries	20	-	-	-
Investments in associates	21	11 306 255	11 306 254	35 473 357
Inventories	23	128 406	127 566	100 102
Property plant and equipment	24	43 576 522	47 317 585	35 178 702
Intangible asset	25	323 464	6 664	11 368
Total assets		1 704 937 616	2 127 133 670	2 019 105 653
Capital funding and liabilities				
Capital and funding				
Capital reserve		1 283 803 845	1 283 228 162	1 268 994 184
Revaluation reserve	26	13 021 710	15 179 634	-
Retained income		311 915 833	726 502 182	630 588 387
Capital and funding attributable to owners of the parent		1 608 741 388	2 024 909 978	1 899 582 571
Non-controlling interests		(133 828)	207 816	618 617
Total capital and funding		1 608 607 560	2 025 117 794	1 900 201 188
Liabilities				
Loan from shareholders	27	71 000	71 000	71 000
Other financial liabilities	28	21 529 924	26 441 318	26 330 211
Finance leases	29	1 334 095	3 047 728	4 995 510
Trade and other payables	30	52 519 172	41 474 391	57 881 836
Financial guarantee contracts	31	20 875 865	30 981 439	29 625 908
Total liabilities		96 330 056	102 015 876	118 904 465
Total capital funding and liabilities		1 704 937 616	2 127 133 670	2 019 105 653

Citizen Entrepreneurial Development Agency (CEDA)

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Group Financial Statements for the year ended 31 March 2019

Statements of Financial Position as at 31 March 2019

Figures in Pula	Notes	Company		
		2019	2018 Restated	2017 Restated
Assets				
Cash and cash equivalents	16	284 997 567	226 957 034	332 382 115
Loans and advances	17	1 043 835 412	1 556 484 218	1 329 336 043
Other assets	18	213 610 483	180 151 658	189 333 260
Other financial assets	19	47 375 903	45 127 420	38 603 237
Investments in subsidiaries	20	59 221 098	58 750 641	58 750 641
Investments in associates	21	6 200 000	3 538 507	25 538 879
Inventories	23	-	-	-
Property plant and equipment	24	41 601 036	43 046 352	28 057 685
Intangible asset	25	323 464	6 664	11 368
Total assets		1 697 164 963	2 114 062 494	2 002 013 228
Capital funding and liabilities				
Capital and funding				
Capital reserve		1 283 803 845	1 283 228 162	1 268 994 184
Revaluation reserve	26	3 277 288	5 435 212	-
Retained income		317 351 313	728 028 397	617 537 027
Capital and funding attributable to owners of the parent		1 604 432 446	2 016 691 771	1 886 531 211
Non-controlling interests		-	-	-
Total capital and funding		1 604 432 446	2 016 691 771	1 886 531 211
Liabilities				
Loan from shareholders	27	-	-	-
Other financial liabilities	28	21 483 367	26 288 435	26 070 260
Finance leases	29	1 334 095	3 047 728	4 995 510
Trade and other payables	30	49 039 190	37 053 121	54 790 339
Financial guarantee contracts	31	20 875 865	30 981 439	29 625 908
Total liabilities		92 732 517	97 370 723	115 482 017
Total capital funding and liabilities		1 697 164 963	2 114 062 494	2 002 013 228

Citizen Entrepreneurial Development Agency (CEDA)

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Group Financial Statements for the year ended 31 March 2019

Statements of Changes in Capital and Funding

Figures in Pula	Stated capital	Revaluation reserve	Retained income	Total attributable to equity holders of the group	Non-controlling interest	Total equity
Group						
Balance at 1 April 2017 as previously stated	1 268 994 184	-	605 937 550	1 874 931 734	618 617	1 875 550 351
Reversal of impairment on related party receivable (note 33)			6 673 793	6 673 793	-	6 673 793
Guarantees liability written back (note 33)			5 398 985	5 398 985	-	5 398 985
Valuation of other financial assets- Norsad Finance (note 33)			12 578 059	12 578 059		12 578 059
Balance at 1 April 2017- restated	1 268 994 184		630 588 387	1 899 582 571	618 617	1 900 201 188
Profit for the year	-	-	95 561 511	95 561 511	(410 801)	95 150 710
Profit for the year	-	-	95 561 511	95 561 511	(410 801)	95 150 710
Share of revaluation reserve in associate (note 15)		9 744 422	-	9 744 422	-	9 744 422
Revaluation reserve (note 26)		5 787 496	-	5 787 496	-	5 787 496
Total comprehensive income for the year	-	15 531 918	95 561 511	111 093 429	(410 801)	110 682 628
Transfer from revaluation reserve -Revaluation portion	-	(352 284)	352 284	-		-
Donated land	720 000	-	-	720 000	-	720 000
CEMAEF projects transferred from Government	13 513 978	-	-	13 513 978	-	13 513 978
Total contributions by and distributions to owners of company recognised directly in equity	14 233 978	15 179 634	95 913 795	125 327 407	(410 801)	124 916 606

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Group Financial Statements for the year ended 31 March 2019

Statements of Changes in Capital and Funding (continued)

Figures in Pula	Stated capital	Revaluation reserve	Retained income	Total attributable to equity holders of the group	Non- controlling interest	Total equity
Balance at 01 April 2018 - restated before the effects of IFRS 9	1 283 228 162	15 179 634	726 502 182	2 024 909 978	207 816	2 025 117 794
Effects on initial application of IFRS 9 (note 17, 18 and 30)	-	-	(647 675 698)	(647 675 698)	-	(647 675 698)
Balance as at 01 April 2018- restated	1 283 228 162	15 179 634	78 826 484	1 377 234 280	207 816	1 377 442 096
Profit for the year	-	-	230 931 108	230 931 108	(341 644)	230 589 464
Total comprehensive income for the year			230 931 108	230 931 108	(341 644)	230 589 464
Transfer from revaluation reserve-Revaluation portion of depreciation	-	(2 157 924)	2 157 924	-	-	-
Donated land (note 24)	576 000	-	-	576 000	-	576 000
Reclassification of capital to retained earnings	(317)	-	317	-	-	-
Total contributions by and distributions to owners of company recognised directly in equity	575 683	(2 157 924)	233 089 349	231 507 108	(341 644)	231 165 464
Balance at 31 March 2019	1 283 803 845	13 021 710	311 915 833	1 608 741 388	(133 828)	1 608 607 560
Note(s)		26				

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Statements of Changes in Capital and Funding

Figures in Pula	Capital Reserve	Revaluation reserve	Retained income	Total attributable to equity holders of the company	Total equity
Company					
Balance at 1 April 2017 as previously stated	1 268 994 184	-	599 559 983	1 868 554 167	1 868 554 167
Guarantees liability write back (note 33)	-		5 398 985	5 398 985	5 398 985
Valuation of other financial assets- Norsad Finance (note 33)			12 578 059	12 578 059	12 578 059
Balance at 1 April 2017-restated	1 268 994 184		617 537 027	1 886 531 211	1 886 531 211
Profit for the year	-	-	110 139 086	110 139 086	110 139 086
Revaluation reserve (note 26)	-	5 787 496	-	5 787 496	5 787 496
Total comprehensive income		5 787 496	110 139 086	115 926 582	115 926 582
Transfer from revaluation reserve - revaluation portion of depreciation (note 26)	-	(352 284)	352 284	-	-
Donated land (note 24)	720 000	-	-	720 000	720 000
CEMAEF projects transferred from Government	13 513 978	-	-	13 513 978	13 513 978
Total contributions by and distributions to owners of company recognised directly in equity	14 233 978	5 435 212	110 491 370	130 160 560	130 160 560
Balance at 01 April 2018 - restated before the effects of IFRS 9	1 283 228 162	5 435 212	728 028 397	2 016 691 771	2 016 691 771

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Statements of Changes in Capital and Funding (continued)

Figures in Pula	Capital Reserve	Revaluation reserve	Retained income	Total attributable to equity holders of the	Total equity
Balance at 01 April 2018 - restated before the effects of IFRS 9	1 283 228 162	5 435 212	728 028 397	2 016 691 771	2 016 691 771
Effects on initial application of IFRS 9 (note 17, 18 and 30)	-	-	(647 675 698)	(647 675 698)	(647 675 698)
Balance as at 01 April 2018 - restated	1 283 228 162	5 435 212	80 352 699	1 369 016 073	1 369 016 073
Profit for the year	-	-	234 840 373	234 840 373	234 840 373
Total comprehensive income for the year	-	-	234 840 373	234 840 373	234 840 373
Transfer from revaluation reserve-Revaluation portion of depreciation	-	(2 157 924)	2 157 924	-	-
Donated land (note 24)	576 000	-	-	576 000	576 000
Reclassification of capital to retained earnings	(317)	-	317	-	-
Total contributions by and distributions to owners of company recognised directly in equity	575 683	(2 157 924)	236 998 614	235 416 373	235 416 373
Balance at 31 March 2019	1 283 803 845	3 277 288	317 351 313	1 604 432 446	1 604 432 446
Note(s)		26			

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Statements of Cash Flows

Figures in Pula	Notes	Group		Company	
		2019	2018 Restated	2019	2018 Restated
Cash flows from operating activities					
Cash generated from/(used in) operations	32	67 500 189	(91 835 824)	67 290 744	(92 424 335)
Net cash from operating activities		67 500 189	(91 835 824)	67 290 744	(92 424 335)
Cash flows from investing activities					
Purchase of property, plant and equipment	24	(8 374 941)	(15 748 151)	(8 258 505)	(15 629 702)
Purchase of intangible assets	25	(330 688)	-	(330 688)	-
Proceeds on disposal of property, plant and equipment		620 703	505 189	620 703	505 189
Movement in other financial assets		-	(1 992 640)	-	(1 837 086)
Interest received from Norsad	4	803 706	-	803 706	-
Movement in investments	8	-	7 000 000	-	7 000 000
Net cash from investing activities		(7 281 220)	(10 235 602)	(7 164 784)	(9 961 599)
Cash flows from financing activities					
Interest paid		(378 660)	(1 116 107)	(371 794)	(1 091 365)
Net movement in amounts due to related parties		-	29 400	-	-
Decrease in finance lease		(1 713 633)	(1 947 782)	(1 713 633)	(1 947 782)
Net cash from financing activities		(2 092 293)	(3 034 489)	(2 085 427)	(3 039 147)
Total movement for the year		58 126 676	(105 105 915)	58 040 533	(105 425 081)
Cash and cash equivalents at the beginning of the year		286 534 572	391 640 487	226 957 034	332 382 115
Cash and cash equivalents at the end of the year	16	344 661 248	286 534 572	284 997 567	226 957 034

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Group Financial Statements for the year ended 31 March 2019

Accounting Policies

1. Presentation of Group Financial Statements

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

1.1. Consolidation

Basis of consolidation

The group financial statements incorporate the financial statements of the company and all investees which are controlled by the group and investees where the group has significant influence.

Investment in subsidiaries

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

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

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

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

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

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

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Group Financial Statements for the year ended 31 March 2019

Accounting Policies

1.1 Consolidation (continued)

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

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

- a) the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus
- b) any costs directly attributable to the purchase of the subsidiary.

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

Non-controlling interests

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

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

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

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

Investment in associates

An associate is an entity over which the group has significant influence and which is neither a subsidiary nor 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.

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

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Accounting Policies

1.1 Consolidation (continued)

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

Any goodwill on acquisition of an associate is included in the carrying amount of the investment however a gain on acquisition is recognised immediately in profit or loss.

Profits or losses on transactions between the group and an associate are eliminated to the extent of the group's interest therein.

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

1.2. Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

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

Property, plant and equipment is depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for motor vehicles and buildings which are carried at revalued amount less accumulated depreciation and any impairment losses. The revaluation of motor vehicles and buildings is done every two years. The useful lives of items of property, plant and equipment have been assessed as follows:

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

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

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds if any and the carrying amount of the item.

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Accounting Policies

1.3 Intangible assets

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

Item	Average useful life
Computer software	3 years

1.4 Financial instruments - IFRS 9

Classification and measurement

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

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

Financial assets measured at amortised cost

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

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

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

- Cash and cash equivalents;
- Trade receivables
- Loans and advances, and
- Other financial assets
- Other assets

Hold to collect business model

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

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

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Accounting Policies

1.4 Financial instruments - IFRS 9 (continued)

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

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

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

The SPPI contractual cash flow characteristics test

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

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

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

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

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

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

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

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

The accounting requirements for debt instruments classified as FVOCI are:

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

Equity investments at FVOCI

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

The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI

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Accounting Policies

1.4 Financial instruments - IFRS 9 (continued)

and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value.

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

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

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

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

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

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

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

Classification and measurement of financial liabilities

The classification and measurement of financial liabilities in accordance with IFRS 9 remains largely unchanged from IAS 39 Financial Instruments: Recognition and Measurement. Financial liabilities are classified as either:

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

Financial liabilities measured at amortised cost

Financial liabilities are measured at amortised cost unless either:

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

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

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Accounting Policies

1.4 Financial instruments - IFRS 9 (continued)

Financial liabilities designated at fair value through profit or loss

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

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

Classification summary

	IAS 39 Measurement category	IFRS 9 Measurement category
Financial Assets		
Cash and cash equivalents	Amortised cost	Amortised cost
Loans and advances	Amortised cost	Amortised cost
Other financial assets	FVTPL (Designated)	FVTPL (Designated)
Other assets	Amortised cost	Amortised cost
Financial Liabilities		
Trade and other payables	Amortised cost	Amortised cost
Loans from shareholders	Amortised cost	Amortised cost
Other financial liabilities	Amortised cost	Amortised cost
Financial guarantee contract	Provision amount per IAS 37	Higher of ECL allowance and the amount initially recognised less cumulative amortisation, where appropriate.

Impairment of financial assets

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

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

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

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Accounting Policies

1.4 Financial instruments - IFRS 9 (continued)

Impairment of financial assets (continued)

Group categories of loans and advances

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

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

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

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

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

Probability of Default (PD)

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

Exposure at Default (EAD)

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

Loss Given Default (LGD)

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

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

Where financial assets are impaired through the use of an allowance account the amount of the loss is recognised in profit or loss. When such assets are written off the write off is made against the relevant

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Accounting Policies

1.5 Financial instruments - IFRS 9 (continued)

allowance account. Subsequent recoveries of amounts previously written off are credited against the impairment line on profit or loss.

Impairment of debt instruments measured at FVOCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment.

Forward looking information

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

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

Loan modification

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

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

The group has two guarantee schemes, CEDA Credit Guarantee Scheme (CCGS) and Supplier Credit Guarantee (SCG). The group estimates the expected portion of the loan commitment that will be drawn down over its expected life. Given the low volumes of data and low exposures, a simplified methodology for impairment calculation was used by the group. For good CCGS accounts a lifetime claim rate of 4.35% was used to calculate the amount of provision on good, not in default accounts. Similarly a lifetime claim rate of 4.17% has been used for inhouse good accounts. This was based on the history of claims in the past five years. The balance at the date of the guarantee pay-out can reduce in the case of CCGS due to collections and liquidation by the commercial bank, however the group adopted EAD and LGD of 100%. The participating banks lodge claims with the group for their net loss upon the conclusion of their litigation process and sale of any collateral.

Write-off

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

Loans to/ (from) related parties

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

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

Loans to shareholders, directors, managers and employees.

These financial assets are classified as loans and advances.

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1.4 Financial instruments - IFRS 9 (continued)

Other assets

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

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

Trade and other receivables are classified as other assets.

Cash and cash equivalents

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

Trade and other payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Bank overdraft and borrowings

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

1.5 Financial instruments- IAS 39

Classification

The group classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through profit or loss - held for trading
- Financial assets at fair value through profit or loss - designated
- Held-to-maturity investment
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities at fair value through profit or loss - held for trading
- Financial liabilities at fair value through profit or loss - designated
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis except for derivatives and financial assets designated as at fair value through profit or loss which shall not be classified out of the fair value through profit or loss category.

Financial assets classified as at fair value through profit or loss which are no longer held for the purposes of

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1.5 Financial instruments- IAS 39 (continued)

selling or repurchasing in the near term may be reclassified out of that category:

- in rare circumstances
- if the asset met the definition of loans and receivables and the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

No other reclassifications may be made into or out of the fair value through profit or loss category. A financial asset classified as available-for-sale that would have met the definition of loans and receivables may be reclassified to loans and receivables if the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

Initial recognition and measurement

Financial instruments are recognised initially when the group becomes a party to the contractual provisions of the instruments.

The group classifies financial instruments or their component parts on initial recognition as a financial asset a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value except for equity investments for which a fair value is not determinable which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit or loss transaction costs are included in the initial measurement of the instrument.

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

Subsequent measurement

Financial instruments at fair value through profit or loss are subsequently measured at fair value with gains and losses arising from changes in fair value being included in profit or loss for the period.

Net gains or losses on the financial instruments at fair value through profit or loss include dividends and interest.

Loans and receivables are subsequently measured at amortised cost using the effective interest method less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable which are measured at cost less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in equity until the asset is disposed of or determined to be impaired. Interest on available-for-

sale financial assets calculated using the effective interest method is recognised in profit or loss as part of other income. Dividends received on available-for-sale equity instruments are recognised in profit or loss as part of other income when the group's right to receive payment is established.

Changes in fair value of available-for-sale financial assets denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost and other changes in the carrying amount. Translation differences on monetary items are recognised in profit or loss while translation differences on non-monetary items are recognised in other comprehensive income and accumulated in equity.

Financial liabilities at amortised cost are subsequently measured at amortised cost using the effective interest method.

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1.5 Financial instruments - IAS 39 (continued)

Impairment of financial assets

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

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

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

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

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as Current tax for current and prior periods is to the extent unpaid recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset available-for-sale.

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

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

1.6 Tax

Current tax assets and liabilities

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

Deferred tax assets and liabilities

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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1.6 Tax (continued)

Tax expenses

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

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

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

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

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

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

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

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

1.8 Inventories

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

1.9 Assets held for sale (disposal groups)

Assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

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1.9 Assets held for sale (disposal groups) (continued)

Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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

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

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

1.10 Impairment of non-financial assets

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

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

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

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

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

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

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

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

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

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

1.11 Stated capital and equity

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

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Accounting Policies

1.11 Stated capital and equity (continued)

Ordinary shares are classified as equity

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

1.12 Employee benefits

Short-term employee benefits

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

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

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

Defined contribution plans

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

1.13 Provisions and contingencies

Provisions are recognised when:

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

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

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

Provisions are not recognised for future operating losses.

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

A constructive obligation to restructure arises only when an entity:

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

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1.13 Provisions and contingencies (continued)

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

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

Contingent assets and contingent liabilities are not recognised but are disclosed in note 38.

1.14 Government grants

Government grants are recognised when there is reasonable assurance that:

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

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

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

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

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

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

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

1.15 Revenue

IFRS 15 Revenue from Contracts with Customers

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

- a) Identify the contract(s) with a customer.
- b) Identify the performance obligations in the contract.
- c) Determine the transaction price.
- d) Allocate the transaction price to the performance obligations in the contract.
- e) Recognise revenue when (or as) the entity satisfies a performance obligation.

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

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1.15 Revenue (continued)

Interest income

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

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

In terms of IAS 39, 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.

IAS 18 Revenue Recognition

Revenue from the sale of goods is recognised when all the following conditions have been satisfied in line with IAS 18:

- a) the group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) the amount of revenue can be measured reliably;
- d) it is probable that the economic benefits associated with the transaction will flow to the group; and
- e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Dividends

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

Dividend income from financial assets classified at fair value through profit or loss is recognised on the last date to register. Preference share dividends are recognised using the effective interest rate method.

In terms of IFRS 15 relating to service fees, income is recognised when the group can;

Revenue (continued)

- a) Identify the contract(s) with a customer.
- b) Identify the performance obligations in the contract.
- c) Determine the transaction price.
- d) Allocate the transaction price to the performance obligations in the contract.
- e) Recognise revenue when (or as) the entity satisfies a performance obligation.

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.

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1.15 Revenue (continued)

Service fees

When the outcome of a transaction involving rendering of services can be estimated reliably as per IAS 18, revenue associated with the transaction is recognised with reference to the stage of completion of the transaction at the reporting date. Income is recognised when;

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

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

Recovery of Micro Credit Scheme debts

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

Insurance Premiums

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

1.16 Cost of sales

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

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

1.17 Borrowing costs

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

1.18 Translation of foreign currencies

Foreign currency transactions

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

At the end of the reporting period:

- a) foreign currency monetary items are translated using the closing rate;
- b) non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and

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Accounting Policies

1.19 Translation of foreign currencies (continued)

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

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

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

1.20 Insurance claim expenses

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

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

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

1.21 Financial guarantee contracts

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

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

Outstanding claims payable

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

Impairment for guaranteed contracts

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

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

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1.21 Financial guarantee contracts (continued)

Stage 1 - Current

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

Stage 3 - Guarantee has been claimed

Stage 2 and 3 have been treated the same and held with a conservative provision. The Exposure at Default (EAD) and Loss given Default (LGD) are taken as 100% for conservative estimates. The participating banks lodge claims with the group for their net loss upon the conclusion of their litigation process and sale of any collateral. For good CCGS accounts a lifetime loss of 4.35% was adopted. A 4.17% lifetime loss on inhouse good guarantees was adopted, both rates are based on history of claims for the past 5 years.

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2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year the group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">IFRS 9-'Financial instruments'(2009 & 2010)-<ul style="list-style-type: none">-Financial liabilities-Derecognition of financial instruments-Financial assets-General hedge accounting	01 January 2018	Material impact
<ul style="list-style-type: none">Amendment to IFRS 9 -'Financial instruments'-on general hedge accounting	01 January 2018	No Material impact
<ul style="list-style-type: none">IFRS 15 - Revenue from contracts with customers.	01 January 2018	No Material impact
<ul style="list-style-type: none">Amendment to IFRS 15 - Revenue from contracts with customers	01 January 2018	No Material impact
<ul style="list-style-type: none">IFRIC 22, 'Foreign currency transactions and advance consideration'	01 January 2018	No Material impact
<ul style="list-style-type: none">Amendments to IFRS 10, 12 and IAS 28: Investment Entities. Applying the consolidation exemption	01 January 2018	No Material impact
<ul style="list-style-type: none">Improvements 2014-2016	01 January 2018	No Material impact

IFRS 9 Financial Instruments (Amended July 2014) impact assessment

In the current year the group has applied IFRS 9: Financial instruments. The group as permitted by this standard, elected not to restate any comparative information. Accordingly the impact of adopting the revised requirements of IFRS 9 has been applied retrospectively with an adjustment to opening retained earnings. Reported information in terms of the financial year end 31 March 2018 and all previous financial years were not affected by the application of IFRS 9. Measurement and classification are as discussed under accounting policy 1.4.

2.2 Standards and interpretations not yet effective

The group has chosen not to early adopt the following standards and interpretations which have been published and are mandatory for the group's accounting periods beginning on or after 1 April 2019 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">Amendment to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies, changes in accounting estimates and errors' on the definition of material.	01 January 2020	No Material impact
<ul style="list-style-type: none">Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement.	01 January 2019	No Material impact
<ul style="list-style-type: none">Amendment to IFRS 3, 'Business combinations' Definition of a business.	01 January 2020	No Material impact

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2.2 Standards and interpretations not yet effective (continued)

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Amendments to IFRS 9 - 'Financial instruments' on prepayment features with negative compensation and modification of financial liabilities.	01 January 2019	No Material impact
• IFRS 16 - Leases	01 January 2019	Material impact
• Amendments to IAS 28, 'Investments in associates and joint ventures' - long-term interests in associates and joint ventures.	01 January 2019	No Material impact
• improvements cycle 2015-2017	01 January 2019	No Material impact
• IFRIC 23, 'Uncertainty over income tax treatments'	01 January 2019	No material impact

Amendment to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies, changes in accounting estimates and errors' on the definition of material.

These amendments to IAS 1 and IAS 8 and consequential amendments to other IFRSs:

- use a consistent definition of materiality through IFRSs and the Conceptual Framework for Financial Reporting;
- clarify the explanation of the definition of material; and
- incorporate some of the guidance in IAS 1 about immaterial information.

The amended definition is:

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

Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement.

These amendments require an entity to:

- Use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
- Recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus (recognised or unrecognised). This reflects the substance of the transaction, because a surplus that has been used to settle an obligation or provide additional benefits is recovered. The impact on the asset ceiling is recognised in other comprehensive income, and it is not reclassified to profit or loss. The impact of the amendments is to confirm that these effects are not offset.

Amendment to IFRS 3, 'Business combinations'

Definition of a business

This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. More acquisitions are likely to be accounted for as asset acquisitions.

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Accounting Policies

2.2 Standards and interpretations not yet effective (continued)

To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs). To be a business without outputs, there will now need to be an organised workforce.

Amendments to IFRS 9 - 'Financial instruments' on prepayment features with negative compensation and modification of financial liabilities.

The narrow-scope amendment covers two issues:

- a) The amendments allow companies to measure particular prepayable financial assets with so-called negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met—instead of at fair value through profit or loss. It is likely to have the biggest impact on banks and other financial services entities.
- b) How to account for the modification of a financial liability. The amendment confirms that most such modifications will result in immediate recognition of a gain or loss. This is a change from common practice under IAS 39 today and will affect all kinds of entities that have renegotiated borrowings.

IFRS 16 - Leases

This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular.

Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases - Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

All leases were analysed and right of use computed, there were no exceptions considered. A modified retrospective approach will be adopted by CEDA and the incremental borrowing rate will be used, options to renew the leases have been taken into account in arriving at right of use period.

The accounting for leases will be changing in the next financial year ending 31 March 2020 as per the requirements of IFRS 16. An impact analysis shows that there will be a significant increase in the assets (right-of-use asset) and liabilities as a result of the change in the accounting treatment of approximately P58 575 580. The impact on the profit or loss is to increase interest by P6 196 736 and depreciation by P9 277 082 and reduce expenses by P11 283 181.

Amendments to IAS 28, 'Investments in associates and joint ventures' - long-term interests in associates and joint ventures.

The amendments clarified that companies account for long-term interests in an associate or joint venture, to which the equity method is not applied, using IFRS 9.

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Accounting Policies

2.2 Standards and interpretations not yet effective (continued)

Improvements cycle 2015-2017

These amendments include minor changes to:

- a) IFRS 3, 'Business combination' - a company remeasures its previously held interest in a joint operation when it obtains control of the business.
- b) IFRS 11, 'Joint arrangements', - a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- c) IAS 12, 'Income taxes' - The amendment clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.
- d) IAS 23, 'Borrowing costs' - a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

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Significant judgements and sources of estimation uncertainty

3 Significant judgements and sources of estimation uncertainty

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

Trade receivables and Loans and receivables

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

Impairment testing

Impairment losses on loans and advances

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

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

Probability of Default (PD)

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

Two types of PDs are used for calculating ECLs:

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

Exposure at Default (EAD)

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

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Significant judgements and sources of estimation uncertainty

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

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

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

Loss given Default (LGD)

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

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

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

Stage 1

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

Stage 2

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

Significant increase in credit risk (SICR)

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

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

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Significant judgements and sources of estimation uncertainty

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

Stage 3

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

Definition of default and credit impaired assets

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

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

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

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

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

Summary of credit loss measurement and recognition requirements

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

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Significant judgements and sources of estimation uncertainty

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

Forward looking information incorporated in the ECL Models

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

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

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

Cure definition

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

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

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

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

Write-offs

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

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

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Significant judgements and sources of estimation uncertainty

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

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

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

Loss allowance

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

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Significant judgements and sources of estimation uncertainty

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

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

31 March 2019-IFRS 9	Existing impairment allowance	Impact on changes in PD		Impact on changes in EAD		Impact on changes in LGD		Impact on changes in Discount Factor	
P'000		(+) 5%	(-) 5%	(+) 5%	(-) 5%	(+) 5%	(-) 5%	(+) 5%	(-) 5%
Stage 1	38 782	50 047	36 626	45 550	41 123	51 925	34 738	45 587	41 087
Stage 2	33 223	36 151	32 214	36 016	32 349	40 965	27 400	35 965	32 400
Stage 3	1 274 724	1 295 664	1 172 267	1 295 664	1 172 267	1 316 120	1 151 811	1 295 664	1 172 267
Total Provision	1 346 729	1 381 862	1 241 107	1 377 230	1 245 739	1 409 010	1 213 949	1 377 216	1 245 754

31 March 2018-IAS 39	Existing impairment allowance	Impact on changes in Emergence period		Impact on changes in Roll rates		Impact on changes in Recovery experience	
P'000		(+) 3 months	(-) 3 months	(-) 5%	(+) 5%	(+) 5%	(-)5%
Portfolio provision	692 343	4 114	(4 114)	(341 028)	341 028	91 136	(91 136)
Specific provision	94 342	-	-	-	-	4 171	(4 171)
Total provision	786 685	4 114	(4 114)	(341 028)	341 028	95 307	(95 307)

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Significant judgements and sources of estimation uncertainty

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

Impairment losses on investments

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

Residual values of property, plant and equipment

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

Revaluation reserve

Revaluations are carried out every two years on motor vehicles and buildings (accounting policy 1.2).

Provisions

Provisions are raised when management determine an estimate based on the information available. Provisions for Guarantees as at year end were P20 875 865 (2018: 30 981 439) (note 31). The net loss is unknown until final claim has been submitted by the bank.

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Notes to the Group Financial Statements

Figures in Pula	Group		Company	
	2019	2018	2019	2018
4. Revenue				
Total revenue	91 058 378	87 268 986	86 552 053	83 366 498
The amount included in revenue arising from exchanges of goods or services included in revenue are as follows:				
Interest income (4.1)	85 531 673	79 526 890	85 287 666	79 292 774
Bond fee income	226 964	1 760 855	226 964	1 760 855
Interest from associates	803 706	1 960 080	803 706	1 960 080
Gross premiums - Credit Guarantee Scheme	233 717	352 789	233 717	352 789
Lodging	4 176 268	3 568 213	-	-
Game drive and bar sales	86 050	100 159	-	-
	91 058 378	87 268 986	86 552 053	83 366 498
4.1 Interest income				
Interest from advances	61 246 658	61 066 698	61 246 658	61 066 698
Interest from staff loans	13 629 464	7 746 381	13 629 464	7 746 381
Interest from short term investments	10 655 551	10 713 811	10 411 544	10 479 695
	85 531 673	79 526 890	85 287 666	79 292 774
5. Cost of sales				
Sale of goods and services				
Food cutlery linen and crockery	711 410	579 413	-	-
6. Government Grants				
Funds received from Government - CEDA	274 314 780	290 540 080	274 314 780	290 540 080
Release of CEMAEF previously deferred income	-	11 818 544	-	11 818 544
	274 314 780	302 358 624	274 314 780	302 358 624
7. Other operating income				
Profit on disposal of plant and equipment	334 102	476 010	334 102	476 010
Legal and hypothecation fees	1 927 949	1 295 476	1 927 949	1 295 476
Bad debt recovery	396 327	649 022	396 327	649 022
Other income	2 064 786	4 034 673	1 242 036	274 699
	4 723 164	6 455 181	3 900 414	2 695 207
8. Profit arising on sale of investment - Hoisting Solutions Pty Ltd				
Cost	-	3 329 587	-	3 329 587
Accumulated share of profit on investment	-	12 891 231	-	-
Accumulated impairment	-	(808 192)	-	-
Profit realized at company level	-	3 670 413	-	-
Proceeds	-	(7 000 000)	-	(7 000 000)
Loss/(profit)	-	12 083 039	-	(3 670 413)

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Figures in Pula	Group		Company	
	2019	2018	2019	2018
9. Operating expenses				
Auditor's remuneration	1 773 355	1 793 826	1 767 755	1 683 576
Depreciation	11 829 251	9 357 427	9 417 068	6 399 505
Amortisation of intangible asset	13 888	4 704	13 888	4 704
Directors' emoluments	167 400	252 600	167 400	252 600
Mentoring expenses	2 434 052	3 226 788	2 434 052	3 226 788
Consultancy fees	4 890 287	2 823 835	4 559 831	2 495 532
Operating leases	12 292 387	9 311 722	11 835 619	8 933 839
Security expenses	2 183 963	2 315 615	2 183 967	2 315 615
Computer and IT support costs	6 311 568	6 808 855	6 298 583	6 795 363
Postage and telephone	2 409 555	2 574 771	2 396 279	2 574 501
Legal costs	5 777 664	5 125 968	5 777 664	5 125 968
Public Relations expenses	8 945 604	7 407 076	8 902 428	7 310 256
Training expenses	159 104	116 537	159 104	116 537
ACGS Insurance	4 717 048	3 610 433	4 717 048	3 610 433
Insurance	2 063 069	1 906 690	1 893 939	1 698 110
Strategy	1 125 594	2 749 331	1 125 594	2 749 331
Due diligence consultancies	56 080	-	56 080	-
Printing and stationery	1 267 357	1 173 792	1 240 593	1 166 689
Other administration expenses	14 227 239	9 532 231	12 869 798	8 552 037
	82 644 465	70 092 201	77 816 690	65 011 384
10. Staff expenses				
Salaries and wages	101 396 358	84 202 013	99 889 788	82 954 178
Leave pay	4 179 585	2 872 777	4 179 585	2 872 777
Gratuity	8 728 948	7 569 843	8 728 948	7 569 843
Pension scheme contributions	9 372 377	8 481 403	9 372 377	8 481 403
Medical aid contributions	6 005 718	4 953 782	6 005 718	4 953 782
Staff training costs	7 163 829	5 792 082	7 163 829	5 792 082
Staff travelling and other expenses	11 274 456	17 526 789	11 274 456	17 526 789
	148 121 271	131 398 689	146 614 701	130 150 854
11. Gain/ (loss) on valuation of other financial assets				
Gain /(loss) on valuation of Norsad Finance	2 248 484	(3 974 410)	2 248 484	(3 974 410)
Gain /(loss) on valuation of United Refineries	-	(8 172 078)	-	(8 172 078)
	2 248 484	(12 146 488)	2 248 484	(12 146 488)

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Figures in Pula	Group		Company	
	2019	2018	2019	2018
12. Release/(Charge) for impairment				
	IFRS 9	IAS 39	IFRS 9	IAS 39
Impairment release/(charge) on loans and advances	71 599 531	(62 775 820)	71 599 531	(62 775 820)
Staff loan impairment release/ (charge)	10 883 217	-	10 883 217	-
Impairment release on investments in subsidiaries (note 12.1)	-	-	470 457	-
United Refeneries accrued interest impairment	-	(8 811 762)	-	(8 811 762)
Impairment release/(charge) on investment in associates (note 12.2)	1 312 379	(190 743)	2 593 184	34 098
Impairment (charge) on other receivables	(2 136 662)	-	(2 741 249)	-
	81 658 465	(71 778 325)	82 805 140	(71 553 484)
12.1 Impairment of investment in subsidiary:				
CEDA Venture Capital Fund	-	-	470 457	-
12.2 Impairment release/(charge) on investments in associates				
African Wild Lodges and Safaries Pty Ltd	1 312 379	(190 743)	2 593 184	34 098
	1 312 379	(190 743)	2 593 184	34 098
13 (Loss)/ gain from equity accounted investments				
African Wild Lodges and Safaries Pty Ltd	(1 380 688)	260 262	-	-
	(1 380 688)	260 262	-	-
14 Finance costs				
Finance leases	378 660	1 116 107	371 794	1 091 365
15. Share of other comprehensive income				
Gain on revaluation of property, plant and equipment				
African Wild Lodges and Safaries Pty Ltd	-	9 744 421	-	-
16. Cash and cash equivalents				
Cash and cash equivalents consist of:				
Cash on hand	15 000	15 000	15 000	15 000
Bank balances	48 507 039	46 181 528	48 205 230	45 732 612
Short term deposits	296 139 209	240 338 044	236 777 337	181 209 422
	344 661 248	286 534 572	284 997 567	226 957 034

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Figures in Pula	Group		Company	
	2019	2018	2019	2018
16. Cash and cash equivalents (continued)				
Short term deposit represent amounts placed with commercial banks bearing interest rates of 4% per annum (2018:4.01%). All deposits are callable within three months. Cash and cash equivalents include the above for purposes of the statements of cash flows.				
17. Loans and advances				
	IFRS 9	IAS 39	IFRS 9	IAS 39
Loans and advances	1 043 835 412	1 556 484 218	1 043 835 412	1 556 484 218
The loans have been advanced for a period up to 180 months. Interest on advances is charged at 5% per annum on loans up to P500 000 and 7.5% on loans above P500 000 to P4 million and prime rate for loans above P4 million to P30 million				
	1 043 835 412	1 556 484 218	1 043 835 412	1 556 484 218
There were no changes in loan interest rates during the year. The group holds mortgages, hypothecation over financed assets and personal sureties as security over the loans advanced.				
17.1 Reconciliation of provision for impairment of loans and advances				
Opening balance	(786 685 173)	(712 986 751)	(786 685 173)	(712 986 751)
Effect of IFRS 9 impairment loans and advances	(642 568 000)	-	(642 568 000)	-
Effect of IFRS 9 impairment ex-employees	39 385	-	39 385	-
Release/ (impairment) of provision loans and advances	71 599 531	(62 775 820)	71 599 531	(62 775 820)
Reclassification of staff loans impairment	-	(10 922 602)	-	(10 922 602)
Release of ex-employees impairment	10 883 217	-	10 883 217	-
	(1 346 731 040)	(786 685 173)	(1 346 731 040)	(786 685 173)
17.2 Loans and advances				
Loans and advances	2 390 566 452	2 343 169 391	2 390 566 452	2 343 169 391
Impairment provision	(1 346 731 040)	(786 685 173)	(1 346 731 040)	(786 685 173)
	1 043 835 412	1 556 484 218	1 043 835 412	1 556 484 218
18. Other assets				
Trade receivables	92 001	-	-	-
Staff loans	159 782 002	160 867 203	159 782 002	160 867 203
Prepayments	27 654 795	27 664 756	27 654 795	27 632 556
Deposits	1 294 211	706 439	1 287 211	706 439
Other receivables	53 182 380	15 344 226	60 439 838	21 972 486
Impairment of other receivables (note 18.1)	(28 274 983)	(24 353 233)	(35 553 363)	(31 027 026)
	213 730 406	180 229 391	213 610 483	180 151 658

The directors consider the carrying amount of other assets to approximate their fair values. Short term for staff loans amounts to P20 361 066 (2018: P17 110 335) while long term portion is P139 420 936 (2018: P143 756 869).

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	2019	2018 Restated	2019	2018 Restated
18. Other assets (continued)				
18.1 Impairment of other assets				
Opening balance	(24 353 233)	(22 185 462)	(31 027 026)	(22 185 462)
Day 1 adjustment of financial guarantees	(4 677 387)	-	(4 677 387)	-
Ta Shebube accrued interest impairment reclassification	2 892 299	-	2 892 299	-
Recovery of associate Investment impairment	517 842	(29 802)	517 842	(29 802)
United Refeneries accrued interest impairment	-	(8 811 762)	-	(8 811 762)
Staff loans impairment	(6 225 904)	-	(6 225 904)	-
Outsourced staff loans impairment	(841 165)	-	(841 165)	-
Write off of other assets	3 807 978	-	3 807 978	-
Elimination of related party receivable impairment	604 587	6 673 793	-	-
	(28 274 983)	(24 353 233)	(35 553 363)	(31 027 026)
19. Other financial assets				
At fair value through profit or loss designated				
Ordinary shares Investment in Norsad Finance	21 897 973	21 866 151	21 897 973	21 866 151
Preference shares investment in Norsad Finance	14 979 337	12 762 676	14 979 337	12 762 676
Investment in United Refineries Pty Ltd	10 498 593	10 498 593	10 498 593	10 498 593
	47 375 903	45 127 420	47 375 903	45 127 420
19.1 Other financial assets movement				
At fair value through profit or loss designated				
Opening balance Norsad Finance	34 628 827	38 603 237	34 628 826	38 603 237
Valuation gain/(loss)-Norsad Finance	2 248 483	(3 974 409)	2 248 484	(3 974 409)
Opening balance United Refeneries Pty Ltd	10 498 593	-	10 498 593	-
Transfer of United Refineries Pty Ltd from investment in associates	-	18 670 670	-	18 670 670
Valuation loss-United Refineries Pty Ltd	-	(8 172 078)	-	(8 172 078)
	47 375 903	45 127 420	47 375 903	45 127 420

Fair value of other financial assets

The group holds an effective 3.68% shareholding in Norsad Finance, comprising of ordinary and preference shares in Norsad Finance Limited, a company involved in finance of viable business operations. The fair value of the group's investments in the company is P36 877 310 (2018:P34 628 827). The group holds 18% in United Refineries Pty Ltd a company dealing in refinement of cooking oil, the fair value of the investment is P10 498 593 (2018: P10 498 593). The group has a first mortgage bond over property valued at more than P100 million in United Refineries. The group expects to recover the debenture investment in United Refineries.

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20. Investments in subsidiaries

20.1 Interests in subsidiaries

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

Group Name of company	Held by	%voting power 2019	%voting power 2018	% voting power 2019	% voting power 2018
CEDA Venture Capital Fund	CEDA	100%	100%	100%	100%
PG Industries (Botswana) Pty Ltd (note 22.6)	CEDA Venture Capital Fund	51%	51%	51%	51%
Ta Shebube Pty Ltd	CEDA	87%	87%	87%	87%

Ta Shebube Pty Ltd

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

CEDA Venture Capital Fund (CVCF)

CEDA Venture Capital Fund is a company limited by guarantee and wholly owned by CEDA. The Fund was initially set up for a 10 year period and upon completion of this initial period CEDA decided to not extend the life of Fund, therefore the Fund was dormant during the current year.

(Company)

Name of company	Held by	% voting power 2019	% voting power 2018	% holding 2019	% holding 2018	Carrying amount 2019	Carrying amount 2018
CEDA Venture Capital	CEDA	100%	100%	100%	100%	184 000 000	184 000 000
Ta Shebube Pty Ltd		87%	87%	87%	87%	23 849 421	23 849 421
Transfer of Ta Shebube interest from other assets						2 892 299	-
						210 741 720	207 849 421
Impairment of investment in subsidiary 20.2 and 20.3		-	-	-	-	(151 520 622)	(149 098 780)
						59 221 098	58 750 641

20.2 Provision for impairment of investment in subsidiaries

	2019	2018
Balance at beginning of the year	149 098 780	149 098 780
Transfer Ta Shebube impaired accrued interest	2 892 299	-
Release of impairment for CVCF for the year	(470 457)	-
	151 520 622	149 098 780

20.3 Impairment per subsidiary

	2019	2018
CEDA Venture Capital Fund	124 778 902	125 249 359
Ta Shebube Pty Ltd	26 741 720	23 849 421
	151 520 622	149 098 780

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21. Investments in associates

21.1 Interests in Associates Group	Carrying amount	Carrying
	2019	2018
Equity investments (21.2)	2 571 469	2 571 469
Preference shares (21.3)	3 628 531	20 563 283
Total cost	6 200 000	23 134 752
Accumulated share of losses in associates	(6 678 873)	(5 787 701)
Group share of revaluation reserve	9 744 422	9 744 422
Impairment release /(charge) of investments in associates	2 040 706	(15 785 219)
	5 106 255	(11 828 498)
Total carrying value	11 306 255	11 306 254
Company	2019	2018
Equity investments (21.2)	2 571 469	2 571 469
Preference shares (21.3)	3 628 531	20 563 283
	6 200 000	23 134 752
Impairment of investments in associates	-	(19 596 245)
	6 200 000	3 538 507

Names	Nature of business	Method	% Ownership	% Ownership
			2019	2018
African Wild Lodges and Safaries Pty Ltd	Tourism	Equity	21 %	21 %
Pule Modisana Holdings Pty Ltd (note 22)	Funeral & financial services	Equity	40%	40%
Rim Rock Pty Ltd (note 22)	Contracting	Equity	40%	40%
Pula Steel Casting and Manufacturing Pty Ltd (note 22)	Steel casting and manufacturing	Equity	26%	26%

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

African Wild Lodges and Safaries Pty Ltd

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

Preference dividend is calculated at a 15% fixed rate. Cumulative interest payable on the preference shares is P517 842 which has accumulated since 2013. No dividends were charged and capitalised during the year ended 31 March 2019 because the investment was impaired in the previous years. The previous years' impairment was released as at year end as a result of improvement in the value of the investment.

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	2019	2018	2019	2018
21 Investments in associates (continued)				
21.2 Equity investment in associates at cost				
Pule Modisana Holdings Pty Ltd	-	40	-	40
African Wild Lodges and Safaries Pty Ltd	2 571 469	2 571 429	2 571 469	2 571 429
	2 571 469	2 571 469	2 571 469	2 571 469
21.3 Preference shares investments in associates				
Pule Modisana Pty Ltd	-	16 934 712	-	16 934 712
African Wild Lodges and Safaries Pty Ltd	3 628 531	3 628 571	3 628 531	3 628 571
	3 628 531	20 563 283	3 628 531	20 563 283
	6 200 000	23 134 752	6 200 000	23 134 752
21.4 Summarised financial information of associates				
Revenue - post acquisition results	37 367 715	27 006 663	37 367 715	27 006 663
(Loss)/profit after tax - post acquisition results	(6 574 705)	(7 597 403)	(6 574 705)	(7 597 403)
Other comprehensive income	25 479 292	46 402 008	25 479 292	46 402 008
Statement of financial position				
Non-current assets	129 485 760	95 959 902	129 485 760	95 959 902
Current assets	2 653 778	1 048 900	2 653 778	1 048 900
Total assets	132 139 538	97 008 802	132 139 538	97 008 802
Equity	54 308 597	35 404 010	54 308 597	35 404 010
Total liabilities	77 830 941	61 604 792	77 830 941	61 604 792
Total equity and liabilities	132 139 538	97 008 802	132 139 538	97 008 802

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21. Investments in associates (continued)

21.5 Breakdown of the carrying amount of investments in Associates

2019

	Total investment at cost	Share of revaluation reserve	Disinvestment/transfers	Share of post-acquisition profit/ (loss)	Accumulated impairment reversal	Carrying amount (2019)
African Wild Lodges and Safaries Pty Ltd	6 200 000	9 744 422	-	(6 678 873)	2 040 706	11 306 255
	6 200 000	9 744 422	-	(6 678 873)	2 040 706	11 306 255

2018

	Total Investments at cost	Share of revaluation reserve	Disinvestment/transfers	Share of post-acquisition profit/(loss)	Accumulated impairment (losses)/reversal	Carrying amount (2018)
Pule Modisana Holdings Pty Ltd	16 934 752	-	-	(489 516)	(16 445 236)	-
Hoisting Solutions Pty Ltd	3 329 587	-	(3 329 587)	-	-	-
African Wild Lodges and Safaries Pty Ltd	6 200 000	9 744 422	-	(5 298 186)	660 018	11 306 254
United Refineries Pty Ltd	18 670 670	-	(18 670 670)	-	-	-
	45 135 009	9 744 422	(22 000 257)	(5 787 702)	(15 785 218)	11 306 254

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	2019	2018	2019	2018
22. Assets held for sale/distribution				
22.1 Investment in associate held for distribution:				
Easy Concrete Products Pty Ltd				
Cost	21 498 142	21 498 142	-	-
Accumulated impairment	(14 430 900)	(14 430 900)	-	-
Accumulated share of profit/(loss)	(7 067 242)	(7 067 242)	-	-
	-	-	-	-
22.2 Investment in associate held for distribution:				
Pule Modisana Holdings Pty Ltd				
Cost	16 934 752	-	16 934 752	-
Accumulated share of profit/(loss)	(489 516)	-	-	-
Accumulated impairment	(16 445 236)	-	(16 934 752)	-
	-	-	-	-
22.3 Investment in associate held for distribution:				
Tannery Industries (Botswana) Pty Ltd				
Cost	4 453 931	4 453 931	-	-
Accumulated impairment	(4 453 931)	(4 453 931)	-	-
	-	-	-	-
22.4 Investment in associate held for distribution:				
Rim Rock Pty Ltd				
Cost	18 079 670	18 079 670	18 079 670	18 079 670
Share of post-acquisition losses	(4 241 818)	(4 241 818)	-	-
Accumulated impairment	(13 837 852)	(13 837 852)	(18 079 670)	(18 079 670)
	-	-	-	-
22.5 Investment in associate held for distribution:				
Pula Steel Casting and Manufacturing Pty Ltd				
Cost	18 200 000	18 200 000	18 200 000	18 200 000
Accumulated impairment	(18 200 000)	(18 200 000)	(18 200 000)	(18 200 000)
	-	-	-	-
22.6 Investment in associate held for distribution				
PG Industries (Botswana) Pty Ltd				
Cost	29 258 771	29 258 771	-	-
Accumulated impairment	(29 258 771)	(29 258 771)	-	-
	-	-	-	-

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	2019	2018	2019	2018
22 Assets held for sale/distribution (continued)				
22.7 Investment in associate held for sale: Hoisting Solutions Pty Ltd				
Cost	-	3 329 587	-	3 329 587
Accumulated share of profit/ (loss)	-	12 891 231	-	-
Accumulated impairment	-	(808 192)	-	-
Profit realised at company level	-	3 670 413	-	-
Proceeds	-	(7 000 000)	-	(7 000 000)
Loss/ (profit)	-	12 083 039	-	(3 670 413)

Pule Modisana Pty Ltd

The group holds 40% of the equity in Pule Modisana Holdings through ordinary shares acquired in January 2012. The investment in the company has been equity accounted in these group financial statements.

16 934 712 preference shares of P1 each were issued in January 2012. Preferential dividend shall be calculated at a fixed coupon rate of 11.5% per annum. The company went into liquidation during the 2019 financial year. Accumulated preference shares dividend stands at P2 352 997.

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 Industries Botswana Pty Ltd undertaking a non-underwritten rights issue of shares. Subsequent to this the group now holds 13 156 236 shares representing 51% shareholding.

PG Industries (Botswana) Pty Ltd was placed under liquidation on 8 May 2014 and hence is classified as held for sale/distribution. Management do not expect any liquidation proceeds and hence the company was accounted for at the lower of its carrying amount and fair value less costs to sell. There are no new latest developments.

Easy Concrete Products Pty Ltd

The group holds 49% of the equity in Easy Concrete Products Pty Ltd through ordinary shares acquired in July 2008.

The group holds 12 108 591 redeemable cumulative convertible and non-voting preference shares issued on 23 June 2008. The shares carry a dividend rate equivalent to the prime lending rate plus 0.5% as determined by Absa Bank of Botswana from time to time applied on an on going basis.

The Easy Concrete Products Pty Ltd was placed under provisional liquidation on 30 March 2012 and the final order was granted in June 2012. As of year-end the management does not expect any liquidation proceeds and hence this investment was classified as assets held for distribution and measured at the lower of its carrying amount and fair value less costs to sell. There are no new developments.

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	2019	2018	2019	2018

22 Assets held for sale/distribution (continued)

Tannery Industries (Botswana) Pty Ltd

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

Rim Rock Pty Ltd

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

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

The investment has been held for distribution since 2015.

Pula Steel Casting and Manufacturing Pty Ltd

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

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

Pula Steel Casting and Manufacturing Pty Ltd was placed under liquidation during financial year ended 31 March 2017.

23 Inventories

Cutlery and Crockery	128 406	127 566	-	-
	128 406	127 566	-	-

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24 Property, plant and equipment

Group	2019			2018		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	14 365 700	(6 287 798)	8 077 902	13 640 000	(5 671 132)	7 968 868
Buildings	14 079 127	(8 995 199)	5 083 928	12 658 220	(7 252 302)	5 405 918
Furniture and fixtures	27 375 338	(11 492 137)	15 883 201	25 845 227	(9 222 502)	16 622 725
Motor vehicles	28 265 593	(20 600 900)	7 664 693	27 443 759	(17 224 307)	10 219 452
Computer hardware and equipment	24 701 411	(17 834 613)	6 866 798	22 751 751	(15 651 129)	7 100 622
Total	108 787 169	(65 210 647)	43 576 522	102 338 957	(55 021 372)	47 317 585

Company

Company	2019			2018		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	5 115 700	-	5 115 700	4 390 000	-	4 390 000
Buildings	6 717 830	(408 037)	6 309 793	5 387 639	(248 725)	5 138 914
Furniture and fixtures	25 375 854	(9 509 668)	15 866 186	23 871 463	(7 305 127)	16 566 336
Motor vehicles	26 341 329	(18 817 484)	7 523 845	25 519 495	(15 585 447)	9 934 048
Computer equipment	24 550 844	(17 765 332)	6 785 512	22 601 184	(15 584 130)	7 017 054
Total	88 101 557	(46 500 519)	41 601 036	81 769 781	(38 723 429)	43 046 352

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24 Property, plant and equipment (continued)

Reconciliation of property, plant and equipment

Group - 2019

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

Group - 2018

	Opening balance	Additions	Transfers	Revaluation	Disposals	Depreciation	Total
Land	7 865 535	720 000	-	-	-	(616 667)	7 968 868
Buildings	7 018 768	113 850	-	-	-	(1 726 700)	5 405 918
Furniture and fixtures	7 575 468	10 957 469	(74 251)	-	(2 753)	(1 833 206)	16 622 727
Motor vehicles	6 180 111	1 361 373	-	5 787 496	(1)	(3 109 527)	10 219 452
Computer equipment	6 538 976	2 595 459	63 939	-	(26 427)	(2 071 327)	7 100 620
	35 178 858	15 748 151	(10 312)	5 787 496	(29 178)	(9 357 427)	47 317 585

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24 Property, plant and equipment (continued)

	Opening balance	Additions	Revaluation	Disposals	Depreciation	Total
Reconciliation of property, plant and equipment Company - 2019						
Land	4 390 000	576 000	149 700	-	-	5 115 700
Buildings	5 138 914	1 482 542	(149 700)	-	(161 963)	6 309 793
Furniture and fixtures	16 566 184	1 504 391	-	-	(2 204 389)	15 866 186
Motor vehicles	9 934 048	2 552 276	-	(286 602)	(4 675 878)	7 523 844
Computer equipment	7 017 055	2 143 296	-	-	(2 374 838)	6 785 513
	43 046 201	8 258 505		(286 602)	(9 417 068)	41 601 036

Company - 2018

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Total
Land	3 670 000	720 000				4 390 000
Buildings	5 273 780	-	-	-	(134 866)	5 138 914
Furniture and fixtures	7 048 591	10 957 469	(2 752)	-	(1 436 972)	16 566 336
Motor vehicles	5 548 339	1 361 373	(1)	5 787 496	(2 763 159)	9 934 048
Computer equipment	6 517 127	2 590 863	(26 427)	-	(2 064 509)	7 017 054
	28 057 837	15 629 702	(29 180)	5 787 496	(6 399 506)	43 046 352

Assets subject to finance lease (Net carrying amount)

	Group		Company	
	2019	2018	2019	2018
Motor vehicles	1 334 095	3 047 728	1 334 095	3 047 728

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25 Intangible assets

Group	2019			2018		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Computer software	6 444 772	(6 121 308)	323 464	6 114 084	(6 107 420)	6 664
Total	6 444 772	(6 121 308)	323 464	6 114 084	(6 107 420)	6 664

Company	2019			2018		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Computer software	6 423 320	(6 099 856)	323 464	6 092 632	(6 085 968)	6 664
Total	6 423 320	(6 099 856)	323 464	6 092 632	(6 085 968)	6 664

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25. Intangible assets (continued)

Reconciliation of intangible assets

Group - 2019

	Opening balance	Additions	Transfers	Revaluation	Disposals	Depreciation	Total
Computer Software	6 664	330 688	-	-	-	(13 888)	323 464
	6 664	330 688	-	-	-	(13 888)	323 464

Group - 2018

	Opening balance	Additions	Transfers	Revaluation	Disposals	Depreciation	Total
Computer Software	11 368	-	-	-	-	(4 704)	6 664
	11 368	-	-	-	-	(4 704)	6 664

Company - 2019

	Opening balance	Additions	Transfers	Revaluation	Disposals	Depreciation	Total
Computer Software	6 664	330 688	-	-	-	(13 888)	323 464
	6 664	330 688	-	-	-	(13 888)	323 464

Company - 2018

	Opening balance	Additions	Transfers	Revaluation	Disposals	Depreciation	Total
Computer Software	11 367	-	-	-	-	(4 704)	6 664
	11 367	-	-	-	-	(4 704)	6 664

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	2019	2018	2019	2018
26 Revaluation Reserve				
Opening balance	15 179 634	-	5 435 212	-
Gain on fixed assets revaluation	-	5 787 496	-	5 787 496
Group share of associate revaluation reserve	-	9 744 422	-	-
Transfer to retained earnings upon depreciation	(2 157 924)	(352 284)	(2 157 924)	(352 284)
Closing balance	13 021 710	15 179 634	3 277 288	5 435 212

27 Loans from Ta Shebube shareholders

AKH Ndzinge The loan is interest free is unsecured and has no fixed terms of repayment.	21 000	21 000	-	-
JK Sento The loan is interest free is unsecured and has no fixed terms of repayment.	50 000	50 000	-	-
	71 000	71 000	-	-

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

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

28 Other financial liabilities

Held at amortised cost	21 529 924	26 441 318	21 483 367	26 288 435
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Absa Bank of Botswana Limited

The group sold its staff loan scheme to Absa Bank of Botswana Limited with effect from 1st January 2013. However due to the fact that the group retained the credit risk on these loans, the asset was not derecognised and the group continues to recognise the staff loans under other assets (refer Note 17) the amount of proceeds received from the bank is recognised as a financial liability in accordance with IFRS 9 Financial Instruments: Recognition and measurement. The directors consider the carrying amount of other financial liabilities to approximate their fair value.

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	2019	2018	2019	2018

28 Other financial liabilities (continued)

Currencies - At amortised cost

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

29 Finance leases

Present value of minimum lease payments due

- within one year	1 303 168	1 592 835	1 303 168	1 592 835
- in second to fifth year inclusive	30 927	1 454 893	30 927	1 454 893
	1 334 095	3 047 728	1 334 095	3 047 728

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

The average lease term is 3-5 years and the average effective borrowing rate is 8% (2018: 9%).

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

The group's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer to note 14.

30 Trade and other payables

Trade payables	7 144 959	5 506 142	6 035 736	4 715 115
Amounts received in advance	3 159 321	3 159 321	3 159 321	3 159 321
Other payroll accruals	30 347 366	22 663 906	29 897 089	20 477 247
Accrued audit fees	4 136 398	2 600 647	4 081 452	2 551 301
Other payables	7 731 128	7 544 375	5 865 592	6 150 137
	52 519 172	41 474 391	49 039 190	37 053 121

Fair value of trade and other payables

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

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	2019	2018 Restated	2019	2018 Restated
Financial guarantee contracts	20 875 865	30 981 439	20 875 865	30 981 439
	20 875 865	30 981 439	20 875 865	30 981 439

31 Financial guarantee contracts

The group's guarantees loans given to local investors at participating banks that do not have enough security or no security at all. The maximum term for the loans is 12 years. The group guarantees these bank loans and in the event of default by local entities or individuals the group will have to pay the participating banks a maximum of up to 75% of net loss of the participating banks. The maximum possible group exposure is P132 721 000 and the given guarantees cover the time until maturity of underlying bank loans.

The Day 1 adjustment on adoption of IFRS 9 for guarantees amounted to P430 311 and has been adjusted to retained income.

The provision for guaranteed loans represents amounts that are likely to be payable by CEDA under the Credit Guarantee Scheme. The provision is based on the loan ageing as reported by the participating banks under the Credit Guarantee Scheme.

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	2019	2018 Restated	2019	2018 Restated
32 Cash generated from operations				
Operating profit	232 348 812	108 089 594	235 212 167	107 560 038
Adjustments for:				
Depreciation and amortisation (note 24)	11 829 251	9 357 426	9 417 068	6 399 505
Depreciation and amortisation (note 25)	13 888	4 704	13 888	4 704
Profit on sale of property plant and equipment	(334 102)	(476 010)	(334 102)	(476 010)
Interest from associates (note 4)	(803 706)	(1 960 080)	(803 706)	(1 960 080)
Reclassified profit from sale of associate	-	-	-	3 670 413
Staff loan benefit (note 4.1)	13 629 464	7 746 381	13 629 464	7 746 381
(Gain)/loss on revaluation of other assets (note 11)	(2 248 484)	12 146 488	(2 248 484)	12 146 488
(Release)/ charge for impairment (note 12)	(81 658 465)	71 778 325	(82 805 140)	71 553 484
Changes in working capital:				
Loans and advances	(47 358 913)	(284 340 967)	(47 358 913)	(284 340 967)
Inventories	(841)	(27 463)	-	-
Trade and other payables	11 044 781	(16 407 445)	11 986 069	(17 737 218)
Financial guarantee	(10 105 574)	1 355 531	(10 105 574)	1 355 531
Other financial liabilities	(4 911 394)	111 107	(4 805 068)	218 175
Other assets	(53 944 528)	786 585	(54 506 925)	1 435 221
	67 500 189	(91 835 824)	67 290 744	(92 424 335)
Changes in operating assets and liabilities				
Changes in loans and advances				
Balance at beginning of year	1 556 484 218	1 329 336 043	1 556 484 218	1 329 336 043
Balance at end of the year	(1 043 835 412)	(1 556 484 218)	(1 043 835 412)	(1 556 484 218)
Effects of IFRS 9 implementation on loans and advances- 1 April 2018	(642 568 000)	-	(642 568 000)	-
Effects of IFRS 9 implementation on ex-employees loans	38 148	-	38 148	-
Impairment release/ (charge)	71 599 531	(62 775 820)	71 599 531	(62 775 820)
Impairment release on staff loans	-	5 583 028	-	5 583 028
Staff loans impairment release	10 922 602	-	10 922 602	-
	(47 358 913)	(284 340 967)	(47 358 913)	(284 340 967)
Changes in trade and other payables				
Balance at beginning of year	(41 474 391)	(57 881 836)	(37 053 121)	(54 790 339)
Balance at end of the year	52 519 172	41 474 391	49 039 190	37 053 121
	11 044 781	(16 407 445)	11 986 069	(17 737 218)
Changes in financial guarantees				
Balance at beginning of year	(30 981 439)	(29 625 908)	(30 981 439)	(29 625 908)
Balance at end of the year	20 875 865	30 981 439	20 875 865	30 981 439
	(10 105 574)	1 355 531	(10 105 574)	1 355 531
Changes in other financial liabilities				
Balance at beginning of year	(26 441 318)	(26 330 211)	(26 288 435)	(26 070 260)
Balance at end of the year	21 529 924	26 441 318	21 483 367	26 288 435
	(4 911 394)	111 107	(4 805 068)	218 175
Changes in other assets				
Balance at beginning of year	180 229 391	188 762 357	180 151 658	189 333 260
Balance at end of the year	(213 730 406)	(180 229 391)	(213 610 483)	(180 151 658)
Impairment charge for the year	(2 136 662)	-	(2 741 249)	-
Effects of IFRS 9 implementation	(4 677 387)	-	(4 677 387)	-
Staff loan benefit charge	(13 629 464)	(7 746 381)	(13 629 464)	(7 746 381)
	(53 944 528)	786 585	(54 506 925)	1 435 221

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33 Adjustment and restatement of prior year financial statements

The adjustments below are considered prior year period errors and in accordance with the requirements of IAS 8; Accounting Policies, Changes in Accounting Estimates and Errors have been accounted for retrospectively and the comparative financial statements for the years ended 31 March 2017 and 31 March 2018 have been restated.

During the financial year ended 31 March 2018, the group did not account for its share of other comprehensive income from an associate amounting to P9 744 422 relating to its share of revaluation reserve in African Wild Lodges and Safaries Pty Ltd. The error has been corrected by restating each of the group's affected financial statements line items for the prior period as follows;

During the financial years ended 31 March 2017 and 31 March 2018 an impairment of P6 673 793 on a receivable from CEDA Venture Capital Fund (a subsidiary) was not reversed when the receivable was eliminated at group level. The error has since been corrected by restating of the group's affected financial statements line items for prior period as below. Further during the same period the outstanding claims reserve with the respective participating banks was overstated by P5 398 985 and P386 591 respectively. There was a reclassification of accrued interest and ex-employees balances amounting to P16 493 571 in total for the year ended 31 March 2018 from other assets to loans and advances.

In prior years the Company used Price Earnings method to determine the value of the investment in Norsad. The valuation method used in prior year was considered inappropriate and thus in the current year the Company used NAV (Net Assets Value) approach to value the ordinary shares and dividend forecast method to value the preference shares. The error was discovered in the current year and prior year financial statement balances relating to the Investment in Norsad and retained earnings have been restated to correct the error. The investment and retained earnings were cumulatively misstated by P5 991 248 and P12 578 059 for the financial year 31 March 2018 and 31 March 2017 respectively. The following table summarises the cumulative impact of the prior period error on the financial statements of the company and group.

	As previously stated	As Restated	2017 Restatement adjustment	2018 Reclassification	2018 Restatement adjustment
Statement of Financial Position as at 31 March 2018					
Assets					
Investment in associates-group (note 21)	1 561 833	11 306 254	-	-	9 744 422
Other financial asset-group (note 19)	26 558 113	45 127 420	12 578 059	-	5 991 248
Other financial asset -company (note 19)	26 558 113	45 127 420	12 578 059	-	5 991 248
Other assets-group (note 18)	190 049 169	180 229 391	6 673 793	(16 493 571)	-
Loans and advances (note 17)	1 539 990 647	1 556 484 218	-	(16 493 571)	-
Liabilities					
Financial guarantee contracts-group (note 31)	(36 767 015)	(30 981 439)	5 398 985	-	386 591
Financial guarantee contracts-company (note 31)	(36 767 015)	(30 981 439)	5 398 985	-	386 591
Equity					
Revaluation reserve-group (note 26)	(5 435 212)	(15 179 634)	-	-	(9 744 422)
Retained income-group	(695 473 507)	(726 502 182)	(24 650 836)	-	(6 377 839)
Retained income-company	(703 673 514)	(728 028 397)	(17 977 044)	-	(6 377 829)
Statement of other comprehensive income for the year ended 31 March 2018					
Other Comprehensive Income for the year					
Items that will not be reclassified to profit or loss:					
Share of other comprehensive income from associates	-	9 744 422	-	-	9 744 422

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33. Adjustment and restatement of prior year financial statements (continued)

	As previously stated	As Restated	2018 Reclassification	2018 Restatement adjustment
Statement of Profit or loss and other Comprehensive Income for the year ended 31 March 2018				
Gain on revaluation of other financial assets-group	(18 137 736)	(12 146 488)	-	5 991 248
Gain on revaluation of other financial assets-company	(18 137 736)	(12 146 488)	-	5 991 248
Provision for guarantees claim-group	(2 384 672)	(1 998 081)	-	386 591
Provision for guarantees claim-company	(2 384 672)	(1 998 081)	-	386 591
Statement of Cash Flows for the year ended 31 March 2018				
Cash generated from operations				
Operating profit-group	101 711 755	108 089 594	-	6 377 839
Operating profit-company	104 852 612	107 560 038	(3 670 413)	6 377 839
Reclassified profit from sale of associate	-	-	3 670 413	-
Statement of Financial Position as at 31 March 2017				
	As previously stated	As Restated	2017 Reclassification	2017 Restatement adjustment
Assets				
Other assets-group	182 088 564	188 762 357	-	6 673 793
Other financial assets-group	26 025 178	38 603 237	-	12 578 059
Other financial assets -company	26 025 178	38 603 237	-	12 578 059
Liabilities				
Financial guarantee contracts-group	(35 024 893)	(29 625 908)	-	5 398 985
Financial guarantee contracts-company	(35 024 893)	(29 625 908)	-	5 398 985
Equity and liabilities				
Retained in come-group	(605 937 550)	(630 588 387)	-	(24 650 837)
Retained in come-company	(599 559 983)	(617 537 027)	-	(17 977 044)
Statement of changes in equity and funding				
Group			2018	2017
Retained earnings				
As previously stated			695 473 507	605 937 550
Related party receivable impairment reversal			6 673 793	6 673 793
Write back of guarantee liability			5 785 576	5 398 985
Increase in other financial asset value			18 569 307	12 578 059
Restated			726 502 183	630 588 387
Company				
Retained earnings			2018	2017
As previously stated			703 673 514	599 559 983
Increase in other financial asset value			18 569 307	12 578 059
Write back of guarantee liability			5 785 576	5 398 985
Restated			728 028 397	617 537 027

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34 Related parties

Relationships

Shareholders

Subsidiaries

Government of the Republic of Botswana

CEDA Venture Capital Fund

PG Industries (Botswana) Pty Ltd

Ta Shebube Pty Ltd

Associates

Pula Steel Casting & Manufacturing Pty Ltd

Pule Modisana Holdings Pty Ltd

Rim Rock Pty Ltd

African Wild Lodges and Safaries Pty Ltd

United Refineries Pty Ltd

Easy Concrete Products Pty Ltd

Tanney Industries (Botswana) Pty Ltd

Related party balances

Loan accounts - Owing (to)/by related parties	Group 2019	Group 2018	Company 2019	Company 2018
Loans to United Refineries	14 103 965	13 677 261	14 103 965	13 677 261
Loans to associate- African Wild Lodges and Safaries Pty Ltd	887 502	1 171 542	887 502	1 171 542
Loans to senior management	9 746 097	7 440 170	9 746 097	7 440 170
Loans to non-executive directors	3 000 000	3 000 000	3 000 000	3 000 000

Amounts included in Trade receivables/(Trade Payables) regarding related parties

Pula Steel casting and Manufacturing Pty Ltd	5 256 444	5 256 444
Pule Modisana Holdings Pty Ltd	2 352 997	2 352 997
Rim Rock Pty Ltd	3 378 850	3 378 850
Ta Shebube Pty Ltd	-	2 892 299
United Refineries Pty Ltd	7 813 444	7 813 444
African Wild Lodges and Safaries Pty Ltd	517 842	517 842

Related party impairments

Pula Steel casting and Manufacturing Pty Ltd	5 256 444	5 256 444
Pule Modisana Holdings Pty Ltd	2 352 997	2 352 997
Rim Rock Pty Ltd	3 378 850	3 378 850
United Refineries Pty Ltd	7 813 444	7 813 444
Ta Shebube Pty Ltd	-	2 892 299
African Wild Lodges and Safaries Pty Ltd	-	517 842
Net of receivable and impairment	517 842	-

Related party transactions

Interest on preference loans/ shares and debentures paid to/(received from) related parties

United Refineries Pty Ltd	-	-	3 443	1 705 260
African Wild Lodges and Safaries Pty Ltd			12 025	-

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35 Key Management emoluments

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

Executive and senior management

2019

	Salaries	Housing allowance	Car allowance	Gratuity, medical aid, and other	Non executive directors' fees	Total
For services as management	7 933 216	1 483 000	1 236 000	3 986 536	167 400	14 806 152

2018

	Salaries	Housing allowance	Car allowance	Gratuity, medical aid, and other	Non executive directors' fees	Total
For services as management	6 313 742	1 014 157	786 157	3 815 527	252 600	12 182 183

36 Risk management

Financial risk management

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

Liquidity risk

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

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

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

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

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36 Risk management (continued)

	1-3 months	3-12 months	1-5 years	Total
Group				
At 31 March 2019				
Trade and other payables	25 703 639	17 899 641	7 500 400	51 103 680
Loan from shareholders	71 000	-	-	71 000
Finance leases	325 792	977 376	30 927	1 334 095
Financial guarantee contracts	20 875 865	-	-	20 875 865
Other financial liabilities	1 029 286	2 258 806	18 241 832	21 529 924
	48 005 582	21 135 823	25 773 159	94 914 564

At 31 March 2018

Trade and other payables	17 553 495	23 730 024	-	41 283 519
Loan from shareholders	71 000	-	-	71 000
Finance leases	398 209	1 194 626	1 454 893	3 047 728
Financial guarantee contracts	30 981 439	-	-	30 981 439
Other financial liabilities	261 114	703 791	25 476 413	26 441 318
	49 265 257	25 628 441	26 931 306	101 825 004

Company

At 31 March 2019

Trade and other payables	23 649 817	16 763 134	7 210 747	47 623 698
Financial guarantee contracts	20 875 865	-	-	20 875 865
Finance leases	325 792	977 376	30 927	1 334 095
Other financial liabilities	982 729	2 258 806	18 241 832	21 483 367
	45 834 203	19 999 316	25 483 506	91 317 025

At 31 March 2018

Trade and other payables	10 369 304	26 492 946	-	36 862 250
Financial guarantee contracts	30 981 439	-	-	30 981 439
Finance leases	398 209	1 194 626	1 454 893	3 047 728
Other financial liabilities	261 114	703 791	25 323 530	26 288 435
	42 010 066	28 391 363	26 778 423	97 179 852

Management of liquidity risk

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

Interest rate risk

The group's interest rate risk arises from long-term borrowings. Loans and advances which are prime linked will be affected favourably or unfavourably depending on whether it is an increase or decrease respectively. Further government may change the interest rates that CEDA is borrowing at and depending on whether it is an increase (favourable) or decrease (unfavourable). Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. During 2019 and 2018 the group's borrowings at variable rates were denominated in Pula.

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35 Risk management (continued)

Financial instruments that are sensitive to interest rate risk are loans and advances and short term investments in cash and cash equivalents. The outstanding interest earning loan advances and short term investments in cash and cash equivalents at the report date was P1 680 359 300 (2018: P1 450 649 000 and P344 646 200 (2018: P286 519 600 respectively). A 1% change in interest rate will affect the statement of comprehensive income by P16 803 593 (2018: P14 506 490) and P3 446 462 (2018: P2 865 196) arising substantially from interest earning loan balances and short term investments in cash and cash equivalents respectively.

Capital risk management

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

There are no externally imposed capital requirements.

Finance leases	1 334 095	3 047 728	1 334 095	3 047 728
Loan from shareholders	71 000	71 000	-	-
Other financial liabilities	21 529 924	26 441 318	21 483 367	26 288 435
Total Borrowings	22 935 019	29 560 046	22 817 462	29 336 163
Less: Cash and Cash Equivalents	(344 661 248)	(286 534 572)	(284 997 567)	(226 957 034)
Net cash	(321 726 229)	(256 974 526)	(262 180 105)	(197 620 871)

Credit risk

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

Loans and advances

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

The group measures credit risk using Expected Credit Loss (ECL) model which is a discounted product of probability of default (PD), exposure at default (EAD), loss given default (LGD). This ensures earlier recognition of provisions as loss allowances are recognised at inception to cover future losses regardless of whether a credit event has occurred or not. Methodologies underlying the ECL provision calculation are stage classification denoted by significant increase in credit risk (SICR) and the default definition and probability of default (PD), exposure at default (EAD), loss given default (LGD) and forward-looking information (FLI).

The table below recognises the carrying amounts of the financial assets from the previous measurement recognition in accordance with IAS 39 to the new measurement upon transition to IFRS 9 on 1 April 2018.

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	2019	2018	2019	2018

36. Risk management (continued)

Day one (1) adjustment

Group

	IAS 39 carrying amount 31 March 2018	Restatement	Reclassifications	Remeasurements	IFRS 9 amount 01 April 2018
Amortised Cost					
Cash and balances with banks	286 534 572	-	-	-	286 534 572
Other financial assets	26 558 113	-	-	-	26 558 113
Other assets	190 049 169	6 673 793	(16 493 571)	(4 677 387)	168 878 211
Loans and advances to Customers	1 539 990 647	-	16 493 571	(642 607 385)	913 876 833

Company

	IAS 39 carrying amount 31 March 2018	Restatement	Reclassifications	Remeasurements	IFRS 9 amount 01 April 2018
Amortised Cost					
Cash and balances with banks	226 957 034	-	-	-	226 957 034
Other financial assets	26 558 113	-	-	-	26 558 113
Other assets	196 645 229	-	(16 493 571)	(4 677 387)	175 474 271
Loans and advances to Customers	1 539 990 647	-	16 493 571	(642 607 385)	913 876 833

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

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at 01 April 2018 (IFRS 9)	86 082 798	21 976 721	1 321 193 654	1 429 253 173
Net transfers in/out of stage	(47 904 043)	11 253 436	(45 871 526)	(82 522 133)
Loss allowance as at 31 March 2019	38 178 755	33 230 157	1 275 322 128	1 346 731 040

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36. Risk management (continued)

Financial assets exposed to credit risk at year end were as follows:

2019	Group IFRS 9		Company IFRS 9	
	Outstanding amount	Security at initial value	Outstanding amount	Security at initial value
Loans and advances				
Stage 1	562 739 346	1 724 994 041	562 739 346	1 724 994 041
Stage 2	175 824 610	438 234 778	175 824 610	438 234 778
Stage 3	1 652 002 496	3 810 091 403	1 652 002 496	3 810 091 403
	2 390 566 452	5 973 320 222	2 390 566 452	5 973 320 222

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

2018	Group IAS 39		Company IAS 39	
	Outstanding amount	Security at initial value	Outstanding amount	Security at initial value
Loans and advances				
Performing loans	1 085 835 315	2 852 305 969	1 085 835 315	2 852 305 969
Loans above 5 months in arrears	484 980 222	1 995 569 536	484 980 222	1 995 569 536
Loans which are foreclosed	772 353 854	1 280 695 283	772 353 854	1 280 695 283
	2 343 169 391	6 128 570 788	2 343 169 391	6 128 570 788

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

2019 (IFRS 9)	Group and company		
	Outstanding	Impairment	Net amount
Loans and advances by outstanding balance and impairment sector			
Agribusiness	848 831 670	546 409 909	302 421 761
Property and Manufacturing Services	680 827 751	338 455 385	342 372 366
	860 907 031	461 865 746	399 893 256
	2 390 566 452	1 346 731 040	1 043 835 412

2018 (IAS 39)	Group and company		
	Outstanding	Impairment	Net amount
Loans and advances by outstanding balance and impairment sector			
Agribusiness	885 016 720	330 365 339	554 651 381
Property and Manufacturing Services	625 861 252	116 866 318	508 994 934
	832 291 419	339 453 516	492 837 903
	2 343 169 391	786 685 173	1 556 484 218

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36 Risk management (continued)

Loans and advances by loan size	Group		Company	
	2019	2018	2019	2018
Small (P500-P500 000)	388 798 795	387 603 368	388 798 795	387 603 368
Medium (P500 001-P4 million)	1 479 149 741	1 493 052 345	1 479 149 741	1 493 052 345
Large (Above P4 million)	522 617 916	462 513 678	522 617 916	462 513 678
	2 390 566 452	2 343 169 391	2 390 566 452	2 343 169 391

Loans and advances by maturity	Group		Company	
	2019	2018	2019	2018
Within 1 year	189 198 974	175 743 403	189 198 974	175 743 403
In 1-5 years	642 558 895	617 357 747	642 558 895	617 357 747
Above 5 years	1 558 808 583	1 550 068 241	1 558 808 583	1 550 068 241
	2 390 566 452	2 343 169 391	2 390 566 452	2 343 169 391

Risk Limit control and mitigation policies

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

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

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

Some other specific control and mitigation measures are outlined below.

Collateral

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

The principal collateral types for loans and advances are:

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

Impairment and provisioning policies

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

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36 Risk management (continued)

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

Group and Company

Analysis - Loans and advances

2019	Group Loans and advances IFRS 9	Group Impairment IFRS 9	Company Loans and advances IFRS 9	Company Impairment IFRS 9
Loans and advances				
Stage 1	562 739 346	38 782 073	562 739 346	38 782 073
Stage 2	175 824 610	33 224 949	175 824 610	33 224 949
Stage 3	1 652 002 496	1 274 724 018	1 652 002 496	1 274 724 018
	2 390 566 452	1 346 731 040	2 390 566 452	1 346 731 040
2018				
	Group Loans and advances IAS 39	Group Impairment IAS 39	Company Loans and advances IAS 39	Company Impairment IAS 39
Loans and advances				
Performing loans	1 085 835 315	361 561 192	1 085 835 315	361 561 192
Loans above 5 months in arrears	484 980 222	162 431 326	484 980 222	162 431 326
Loans which are foreclosed	772 353 854	262 692 655	772 353 854	262 692 655
	2 343 169 391	786 685 173	2 343 169 391	786 685 173

Credit risk exposure relating to financial assets on the statement of financial position are as follows:

Credit risk exposure	Group		Company	
	2019	2018	2019	2018
Cash and cash equivalents	334 661 248	286 534 572	284 997 567	226 957 034
Loans and advances	1 043 835 412	1 556 484 218	1 043 835 412	1 556 484 218
Other assets	186 075 611	152 564 635	185 955 688	152 519 102
Other financial assets	47 375 903	45 127 420	47 375 903	45 127 420
	1 611 948 174	2 040 710 845	1 562 164 570	1 981 087 774

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36 Risk management (continued)

Loans and advances

Loans and advances are summarised as follows:

Analysis

2019	Group - IFRS 9	Company - IFRS 9
Loans and advances		
Stage 1	562 739 346	562 739 346
Stage 2	175 824 610	175 824 610
Stage 3	1 652 002 496	1 652 002 496
Less: Allowance for impairment	(1 346 731 040)	(1 346 731 040)
	1 043 835 412	1 043 835 412

2018

Loans and advances

	Group - IAS 39	Company - IAS 39
Performing loans	1 085 835 315	1 085 835 315
Loans above 5 months in arrears	484 980 222	484 980 222
Loans which are foreclosed	772 353 854	772 353 854
Less: Allowance for impairment	(786 685 173)	(786 685 173)
	1 556 484 218	1 556 484 218

The total impairment provision for loans and advances is P1 346 731 040 (2018: P786 685 173) of which 69% (2018: 52%) represents loan facilities that are in stage 3.

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.

Other assets

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

	2019	2018
12 month exit rate	4.98%	3.64%
Former staff recovery rate	23%	25%

During 2019, the Agency obtained assets by taking possession of collateral held as security which totalled P4 780 700 (2018: P4 295 925). Repossessed assets consist of land and buildings, plant and machinery and equipment. Repossessed properties are sold as soon as practical with the proceeds used to reduce the outstanding indebtedness.

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36 Risk management (continued)

Fair value of financial assets and liabilities

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

Assumptions used to determine the fair value

- (i) Loans and advances to customers and other assets

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

- (ii) Financial liabilities

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

Borrowings are financed at market interest rates; therefore, the carrying values approximates fair values. As per IFRS 9 requirement, off balance sheet transactions (financial guarantees) are now considered for impairment at on boarding stage for both defaulting and none defaulting guarantees whereas IAS 37 considered defaulting guarantees for impairment. CEDA designed a simplified method of assessing the impairments of guarantees with the of rate 4.35% in 2019 (2018: 2.54%).

Fair value

The determination of fair value for financial assets and financial liabilities for which there is no observable market price requires the use of valuation techniques as described in the group's accounting policy in accounting policy 1.1. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

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

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly or indirectly derived from prices. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

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

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

Group and Company	Note	Level 1	Level 2	Level 3	Total
31 March 2019					
Norsad	19	-	-	36 877 311	36 877 311
United Refineries	19	-	-	10 498 592	10 498 592
		-	-	47 375 903	47 375 903
31 March 2018					
Norsad	19	-	-	34 628 828	34 628 828
United Refineries	19	-	-	10 498 592	10 498 592
		-	-	45 127 420	45 127 420

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36 Risk management (continued)

Fair value (continued)

Norsad fair value has been determined by means of level 2 from 2016 until 2018, a PE (Price Earnings) ratio method (looks at group's share price with its earnings per share) was used to arrive at the fair value. During the years 2017, 2018 and 2019 the method was changed to level 3 to use a more appropriate method to value Norsad Finance. For Level 3 fair value hierarchy, the group has used reasonable unobservable inputs to value fair Norsad Finance. This resulted in restatement of 2017 and 2018 financials to incorporate the new values. The group changed the accounting estimates to adopt the Price to Book Value method for ordinary shares method (looks at market values for comparable companies) and Dividend Forecast method for preference shares in valuation of Norsad Finance, this has resulted in a significant increase in the value of the investment, an increase of P12 578 059 was realised in 2017, a decrease of P3 974 410 in 2018 and an increase of P2 248 484 in 2019.

United refineries is under litigation. Property and land valuation for United Refineries was done by an independent valuer, forced sale value was used to determine CEDA's share in United Refineries. CEDA holds first mortgage bond on the property and therefore the debenture ranks first among the company's creditors. Of the P11 337 337 debentures notes held, the group will recover P10 498 592 upon sale of the property. The value of ordinary shares is held at nil because they rank last on distribution of liquidation proceeds.

Financial liabilities by category

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

Group - 2019

	Financial liabilities at amortised cost	Total
Other financial liabilities	21 529 925	21 529 925
Finance leases	1 334 095	1 334 095
Financial guarantee	20 875 865	20 875 865
Loans from shareholders	71 000	71 000
Trade and other payables	51 103 680	51 103 680
	94 914 565	94 914 565

Group - 2018

Other financial liabilities	26 441 318	26 441 318
Finance leases	3 047 728	3 047 728
Financial guarantee	30 981 439	30 981 439
Loans from shareholders	71 000	71 000
Trade and other payables	41 283 519	41 283 519
	101 825 004	101 825 004

Company - 2019

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

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	2019	2018	2019	2018
36 Risk management (continued)				
Fair value (continued)				
Company - 2018				
			Financial liabilities at amortised cost	Total
Other financial liabilities			26 288 435	26 288 435
Finance lease			3 047 728	3 047 728
Financial guarantee			30 981 439	30 981 439
Trade and other payables			36 862 250	36 862 250
			97 179 852	97 179 852
37 Commitments				
Already contracted for but not provided for				
Building	-	-	-	-
Motor vehicles	-	21 938	-	21 938
Computer hardware	-	4 221	-	4 221
Computer software	-	-	-	-
Furniture and fittings	-	126 308	-	126 308
	-	152 467	-	152 467
Operating leases - as lessee (expense)				
Minimum lease payments due				
- within one year	11 229 596	10 085 921	11 229 596	10 085 921
- in second year and later	26 696 857	34 574 360	26 696 857	34 574 360
	37 926 453	44 660 281	37 926 453	44 660 281
Lease commitments are in respect of lease agreements for properties across the country in carrying out operations of the CEDA group. The commitments will be financed out of internally generated funds.				
Commitments to advance funds to customers but not yet disbursed at year end				
At the end of the year	139 303 085	136 412 767	139 303 085	136 412 767

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38 Contingencies

CEDA Credit Guarantee Scheme guarantees the net losses incurred by participating financial institutions as a result of their lending to small and medium sized entities under the CEDA Credit Guarantee Scheme. The company has guaranteed 75% of the net losses incurred by the participating institutions. Further CEDA has provided supplier guarantees and performance bonds guarantees for a fee of 1.75% of the total guarantee amount applied for. The total contingent liability as at 31 March 2019 as a result of guarantees issued amounts to P12 010 854 (2018: P28 945 977). Maximum credit guarantees exposure across seven banks is P132 721 000 relating to Absa Bank, Standard Chartered Bank, Stanbic Bank, Bank Gaborone, Banc ABC, First National Bank of Botswana and Bank of Baroda.

CEDA has an employee guarantee loan scheme facility with Absa Bank of P100 000 000 and the debtors book cession of P140 000 000 over the loans advanced by Absa Bank.

39 Going concern

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

The ability of the group to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors continue to procure funding for the ongoing operations for the group. However, the Directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The directors have assessed the ability of the group to continue operating as a going concern and believe that the preparation of these financial statements on a going concern basis is still appropriate. The directors, however believe that under the current economic environment a continuous assessment of the ability of the group to continue to operate as a going concern will need to be performed to determine the continued appropriateness of the going concern assumption that has been applied in the preparation of these financial statements.

40 Events after the reporting period

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

Covid-19 impact

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

As a result of the Covid 19 and the anticipated impact on CEDA clients cash flows, CEDA had to revise down its anticipated revenues and collections projections for the year ending 31 March 2021. Originally CEDA had planned to generate portfolio revenue of P96 million and collections of P516 million but these were revised down to P46 million and P303 million respectively based on the expected cashflows.

To cushion the funded projects from the impact of Covid 19, targeted loan facilities were restructured and in some cases given repayment holidays of between 3 and 12 months. Contractual terms have been amended on the system so that clients do not inadvertently trigger migration to IFRS 9 stage 2 due to technical arrears. The situation is being observed as the Agency seeks to ensure survival of these funded businesses.

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40 Events after the reporting period (continued)

Current ECL rate for stage 3 accounts is 75.1%, the outstanding balance of the loans granted repayment holiday amounted to P149 million as at 31 March 2019. If these accounts were not given the repayment holiday, they were going to default and move to stage 3 of the ECL model. Expected credit loss on those loans would be P86 million in addition to March 2019 impairment already booked.

Compliance to Covid 19 protocols also came at a cost to CEDA. The Agency had an opportunity to join hands with other Parastatals to donate hygiene requisites to the Health Sector, particularly the patient facing staff (nurses and doctors). As part of the Agency's transformational agenda, CEDA seamlessly implemented online services; from submission of applications to disbursement processing and payments, minimizing human contact at all times.

Covid-19 impact on Tashebube Pty Ltd and African Wild Lodges and Safaries Pty Ltd

Tashebube Pty Ltd and African Wild Lodges and Safaries Pty Ltd are a subsidiary and an associate for CEDA group respectively, and both companies are in the tourism business. Due to Covid-19 the business activities of both companies have been significantly affected resulting in reduced revenue during 2021.

Approved sale of Saguni Lodge

Saguni (Nkarally) Lodge, which is one of the subsidiaries of African Wild Lodges and Safaries Pty Ltd, has been put up for sale as a result of a consent court order in relation to the African Wild Lodges and Safaries Pty Ltd's loan obligation to BancABC. African Wild Lodges and Safaries Pty Ltd was granted 5 months from April 2021 to complete the sale. At the date of the audit report, no sale was made.

African Wild Lodges and Safaries Pty Ltd proposed shares buy back

African Wild Lodges and Safaries Pty Ltd, an associate that the CEDA group, holds a 21% stake in has made a proposal to buy back the group's stake for P16 million, the proposal has been accepted by the CEDA Board. The sale will not be completed within 12 months since the promoters have not followed on their offer and therefore the investment has not been reclassified to held for sale.

United Refineries proposed shares buy back

In February 2020 United Refeneries Pty Ltd offered to buy CEDA stake in the company for P7 million, the offer has been accepted by the Agency.

CEDA revised guidelines

In July 2020 CEDA implemented the revised lending guidelines. These resulted in reduced interest rates which are linked to the bank and prime rates. Further, conditions on security have been relaxed and the loan terms have been extended which will consequently reduce expected revenue and collections.

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