



Annual Report 2009



CEDA Branch Network

Mission

To fund and support the development of viable and sustainable citizen businesses

Vision

To be the citizen empowerment partner of choice through the provision of financial services in Botswana

Values

Customer Focused
Enterprising
Decisiveness
Accountability



contents

CEDA Annual Report 2009

Overview

Strategy Review	4
Financial/Treasury Risks	5
Consolidated three year financial review	6

Executive Statements

Board of Directors	8
Chairman's Statement	10
Senior Management Team	12
Chief Executive Officer's Statement	13
Organisational Structure	15

Corporate Governance

Statement	16
Board Committees	17

Operational Review

Development Fund	19
CEDA Credit Guarantee Scheme	21
Young Farmers Fund	22
CEDA Venture Capital Fund	25

Corporate Review

Human Resources	27
Information Technology	28
Legal Services	28
Marketing and Communications	29
Corporate Social Investment	29

Financial Statements Review

Review of Results	30
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Group Annual Financial Statements

General Information	36
Director's Statement of Responsibility	38
Independent Auditor's Report	39
Income Statements	40
Balance Sheets	41
Cash Flow Statements	42
Statements of Changes in Capital Funding	43
Group Accounting Policies	45
Financial Risk Management	57
Critical Accounting Estimates and Judgements	67
Notes to Group Financial Statements	71



Overview

Strategy Review

The review of the second CEDA Strategic Plan and development of the third plan come at an opportune time when a lot of changes in our business focus have been experienced, internally and externally. This review has accorded us the opportunity to reassess the CEDA business model and determine what posture the Agency should take in positioning itself for future success. The review has interrogated the new CEDA guidelines from Government and reconciled it with the ever changing external business environment.

This is the third Strategic Plan since the establishment of CEDA in 2001. The first plan covering 2002-2005 concentrated on setting the agenda of the new Agency, focusing on the adequacy of outreach and development of appropriate human capital and operational infrastructure. It communicated the mandate of the Agency, its relevance in the public domain and setting about key components for one to access funding. The second plan dealt with responding to the growing market and refining business processes in order to increase operational performance. The greatest emphasis was given to the quality of delivery to clients.

The third and current plan 2009-2012 Strategic Plan, is aimed at positioning the Agency to reflect the current expectations of both Customers and the Shareholder. It is intended to balance the two ideals of entrepreneurship development and managing business risks and sustainability. This model is expected to respond to all stakeholders and deliver the mandate as expected in the coming three years.

The Vision for this plan is "To be the citizen empowerment partner of choice through the provision of financial services in Botswana" and the mission is "To fund and support the development of viable and sustainable citizen businesses." The vision and mission are supported by a set of four values, viz: Customer focus, Enterprising, Decisive and Accountability. The high level performance areas adopted for measuring its success are Number of businesses empowered, net growth in investment value, sustainability of project financed, recovery rate and cost to revenue ratio.

The plan continues to place customers at the forefront through simplification and broadening of all funding instruments at CEDA. It further provides the greatest avenue to meet the specific requirements of our customers. The Plan is expected to impact positively on the Millennium Development Goals, the Visions 2016 and support the country's 5Ds (Democracy, Development, Dignity, Discipline and Delivery).

This strategy's output is principally the creation of more "successful businesses", and sustainable "jobs" for citizens. It is our expectation and desire that through its implementation, we retain the flair of being a "Citizen Empowerment Partner of Choice."

Financial/Treasury Risks

Type of Risk	Description	Implication	Mitigating Factors
Interest rate risk	The risk that an adverse movement in interest rates will lead to a decrease in interest income from CEDA's treasury investments in money market instruments, or an increase in funding costs from borrowings.	It has an impact on the income line and future anticipated borrowings.	Regular review of risk by Treasury Committee.
Foreign exchange risk	The risk that CEDA will suffer a decrease in the Pula value of its assets or an increase in the value of its liabilities due to fluctuations in foreign exchange rates.	CEDA is not exposed to any forex risk as all dealings are denominated in local currency. However, CEDA anticipates that future expansion may be financed through foreign capital.	<ul style="list-style-type: none"> • Transact in the local currency. • Continuous review of risk management strategies.
Credit risk	The risk that CEDA treasury will suffer a loss due to default by a counter party to one of its treasury transactions. It also includes the risk of borrowers not meeting their repayment obligations when they become due.	<ul style="list-style-type: none"> • Increased bad debts. • Reduced cash flow. • Failure to revolve the fund. 	<ul style="list-style-type: none"> • Continuous focus on loan applications to assess credit worthiness. • Regular review and follow up of loans. • Timely intervention on non-performing loans.
Operating risk	The risk that CEDA treasury will suffer loss through: <ul style="list-style-type: none"> • Error • Fraud on the part of a CEDA treasury employee or external party • Failure of manual or computerized systems • Lack of/ failure of internal controls 	<ul style="list-style-type: none"> • Mis-statements in the financial statements. • Qualified audit report. • Increased reporting costs to CEDA. 	<ul style="list-style-type: none"> • Review of controls by the Internal Audit department. • Implementation of the Treasury Policy.
Liquidity risk	The risk of insufficient cash being available to meet liabilities as they fall due.	Failure to meet liabilities and to assist clients and/or potential clients in accordance with the Agency's mandate.	<ul style="list-style-type: none"> • Commitment of the Agency to match the disbursements with collections. • Production of periodic cash forecasts to identify shortages at an early stage.

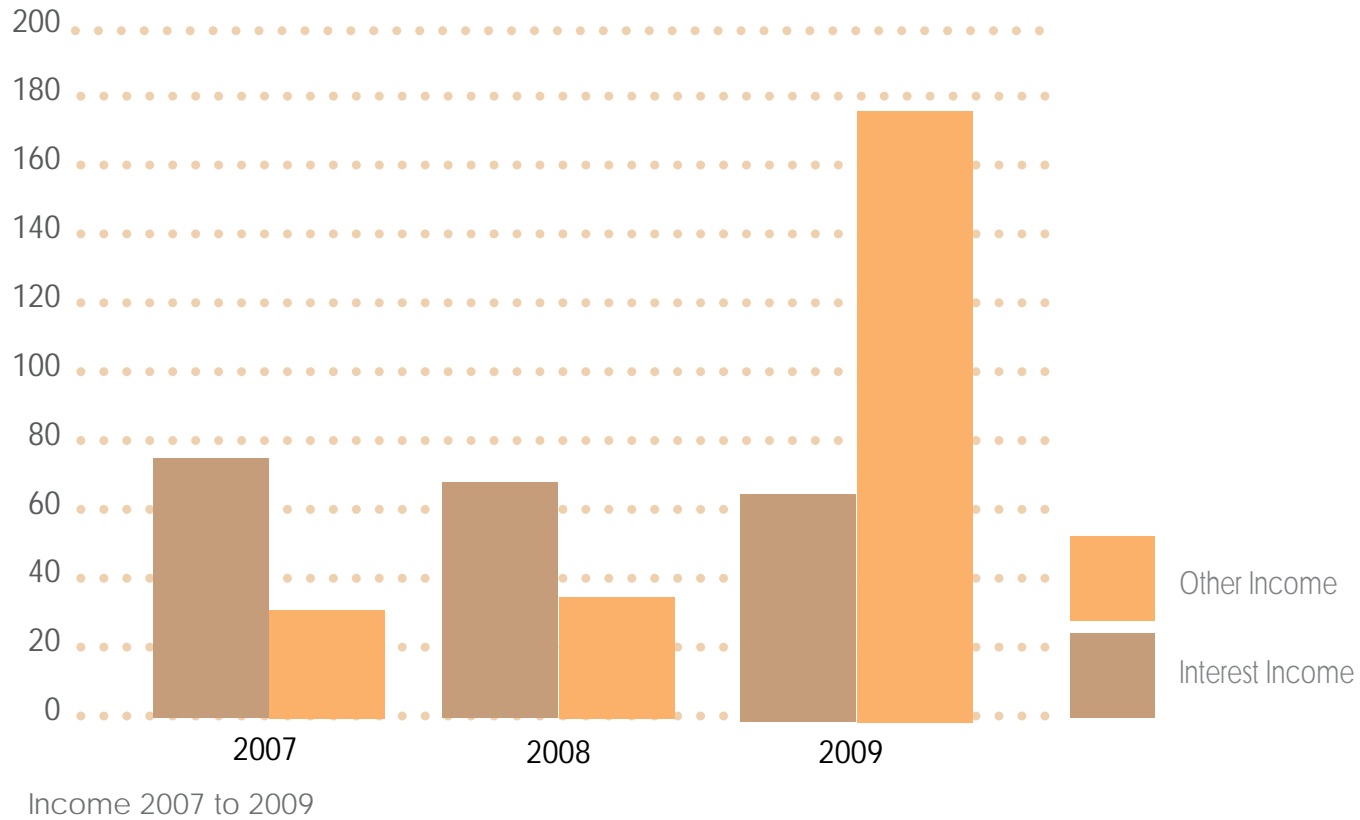
Consolidated Three Year Financial Review (2007-2009)

Group Summary

	2009	2008	2007
	PM	PM	PM
Interest Income	64	68	76
Other Income	176	30	29
Admin Expenses	-14	-17	-20
Staff Expenses	-60	-48	-38
Other Expenses	-29	-32	-54
Profit (Loss) before impairment	137	1	-7
Impairment-Investments	-30	-7	-5
Loss on disposal of investment	-31	-	-
Impairment-Advances	-41	-88	-27
Share of profit/(loss) of associate	-	-5	-5
Income tax credit	-	0.4	-
Withholding tax on dividend	-	-2	-
Discontinued operations	-3	-	-
Net Loss	32	-101	-44

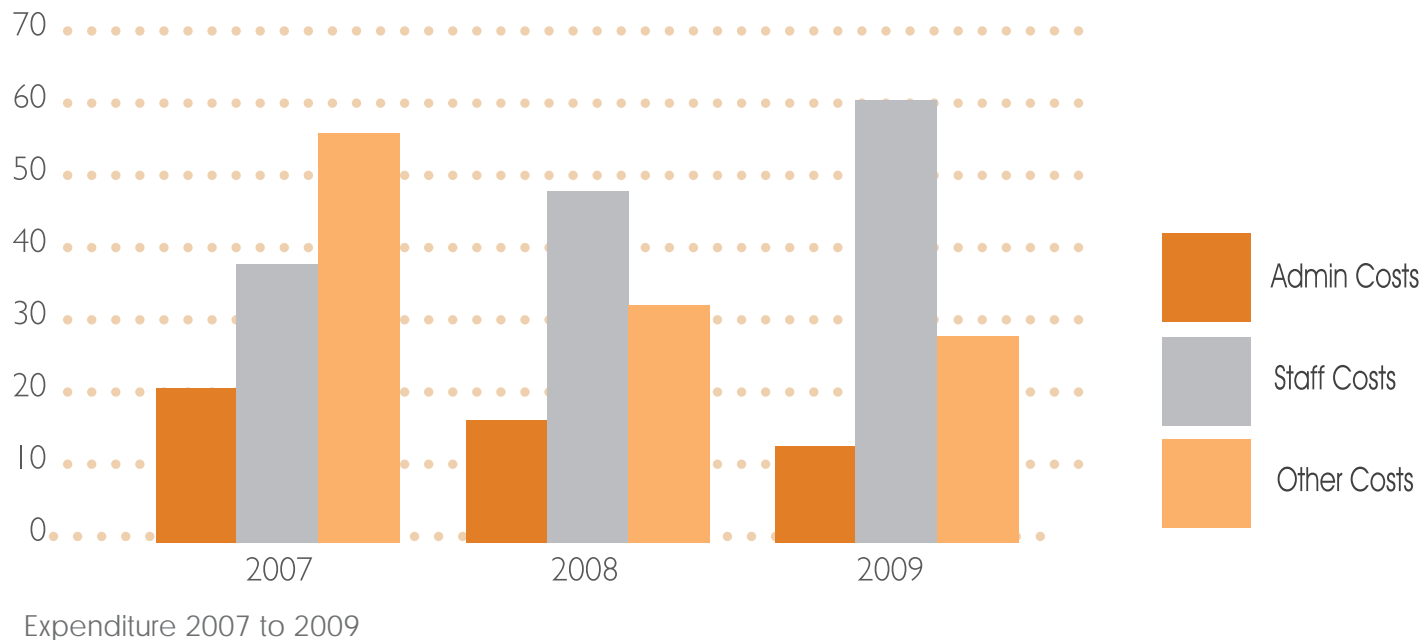
The performance of CEDA is greatly influenced by two elements that have shown to be inconsistent over the years, therefore making financial performance to fluctuate significantly. The two elements that have a significant impact are the level of grants received from Government and the level of provisions for impairment required on the loan book. Financial year 2006/07 recorded a loss of P44M and this improved to a profit of P32M in 2008/09. The positive results are mainly attributable to the significant grant received from Botswana Government in 2008/09. During this year P160M received from the government was credited to income in line with IAS 20: Accounting for government grant and disclosure of government assistance.

The revenue distribution for the Agency for the three years is illustrated as follows:



Expenditure

The main strategic focus in the last three years was on cost containment and management. As a result of this management put deliberate strategies in place to drive savings. Savings were achieved mainly on controllable costs, save for salaries which had to increase in line with the market trends and type of business that the Agency operates. Admin expenses have been reducing year on year as demonstrated in the following graph.



The performance of CEDA is greatly affected by the provision for bad and doubtful debts. Though management has been focusing on tightening the credit policy, challenges experienced during the formation years of CEDA have had an impact on the performance of the loan book. Loans approved in periods 201-2004 had been very problematic as a result of capacity constraints experienced during those years.

CEDA Board Directors



Motlware Masi, Chairman



- 1 Dr. Patricia Makepe
- 2 Edison Wotho
- 3 Anderson Kgomotso
- 4 Cynthia Ross
- 5 Dr. Tebogo Matome
- 6 Nkaa Tjiyapo
- 7 Dr. Nkisan Moeti
- 8 Palalani Moitlhobogi
- 9 Stanley Makosha



Chairman's Statement

Motlhwane Masisi

"the 'One Stop Shop' model allows the Agency to seamlessly service customers and offer all forms of assistance under the same roof"

The Agency has continued to consolidate all funds under management, a process started at the beginning of the 2008/2009 financial year under the Chairmanship of my predecessor, with the in-sourcing of the CEDA Credit Guarantee Scheme, to place the Agency as a "One Stop Shop" citizen economic empowerment arm of Government. All funds are now under management in house, with the exception of the CVCF which is managed by an external Fund Manager under a ten year contract due to expire in August 2013.

The Board will continually review the existing arrangement at CVCF to align it further with the Agency's product offering to a model that provides efficiency and harmony to the overall service delivery. The consolidation of funds and the implementation of the "One Stop Shop" model allows the Agency to seamlessly service customers and offer all forms of assistance under the same roof and avoid fragmented service to clients. This, I believe, will result in a positive customer experience.

The Agency has also been mandated to take over the management of Citizen Entrepreneur Mortgage Assistance Equity (CEMAEF) as part of Government efforts to consolidate all financial assistance programme under CEDA management. The handover process of CEMAEF, though delayed, is ongoing and is expected to be completed during the course of the 2009/10 financial year. CEDA has taken over the pipeline of projects under CEMAEF and continues to receive new applications.

The Agency is also in the process of reviewing the CEMAEF guidelines and a proposal on the management of the product, going forward, will be forwarded to the Ministry of Finance and Development Planning.

Overall, the performance of the Agency as at the end of March 2009 is encouraging, with the Agency able to meet or surpass targets in a number of areas. However, this has not translated into a healthy financial position as CEDA and its subsidiaries experienced a decline in operating revenue. This reduction in revenue is largely due to the adverse trading conditions experienced by funded businesses across the entire spectrum of the Agency and reflects the challenges that CEDA face in executing its mandate.

It is therefore, expected that the Agency would continue depending on Government support to effectively execute its mandate of entrepreneurship development in the country. This is a challenging but equally important mandate for the country to achieve its aspiration of being a prosperous and productive nation. CEDA operates in lower end of the market, in terms of financing, where the market is predominately start-ups. Globally 80% of start-ups collapse in the first three years of their existence and the challenge for CEDA therefore is to survive as many enterprises as possible. This calls for continued support towards the provision of training and mentoring services by CEDA. It is also important that we inculcate the culture of honouring repayment of loans from our customers and the

challenge for us is to find smart ways to encourage our customers to faithfully service their loan obligations within agreed time schedules to enable the Agency to fund as many of our people as possible.

Third Strategic Plan (2009 – 2012)

The Agency prepared its third strategic plan, for the period 2009 - 2012, which has been approved by my Board and is under implementation from the beginning of the financial year 2009/2010. This third strategic plan focuses on positioning the Agency as a development financial institution as well as position it to respond to Government's wish to have CEDA as the hub of all Government's assistance to SMMEs. We believe that the Agency would be positioned to offer all financing products to SMMEs more efficiently. My Board believes that the second strategy has been a key learning point for the Agency and believes that the elements that underpinned this strategy should be carried forward into the next phase.

The objective is to entrench and sustain citizen participation in the economy through increased assistance to citizen entrepreneurs and improved survival of the funded projects to revolve the fund. The Agency is also cognisant of the need to be financially sustainable and therefore cost containment and revenue enhancement remain important for the Agency going forward.

Let me conclude by thanking the executive management and staff of CEDA for the good performance of the Agency during the year under review and encourage them to continue in their efforts to place the Agency at the helm of Government's assistance programmes and carrying out the important task of developing entrepreneurs in the economy.

Let me also thank my fellow Directors of CEDA and the Shareholder for the direction and leadership they afforded the Agency during the year.



Motlhwane Masi - Chairman

CEDA Senior Management Team



Dr. Thapelo Matsheka, CEO



Mike Dube
DCEO - Corporate Services



Lorato Morapedi
DCEO - Operations

1. Benson Chota
Internal Audit Manager
2. Midas Sekgabo
Strategy and Projects Coordinator
3. Thabo Thamane
Young Farmers Fund Coordinator
4. Mothoothata Lesole
Legal Services Manager
5. Tiroyamodimo Kayawe
Executive Coordinator
6. Elvidge Mothibi
Information Technology Manager
7. Pascaline Sefawe
Finance and Administration Manager
8. Tirelo Leshella
Human Resource Manager

Resignations: Oabile Regoeng
Communications and Public Relations Manager





Chief Executive Officer's Statement Dr. Thapelo Matsheka

*"To Fund and Support the Development
of Viable and Sustainable
Citizen Businesses"*

The end of this financial year marks a watershed in the history of the Agency as it coincides with the conclusion of the Agency's second strategic plan period, an era in which the Agency redefined itself as being a fully fledged developmental agency focusing on facilitating entry of citizens into the mainstream of the economy. Starting in February 2008, the Board and Management of CEDA began to take stock of the various CEDA programs and how these could be harnessed into simple delivery mechanisms and improving the quality of service to our clients. The result of which has been the decision to in-source and place under one central authority all CEDA schemes. Following on from this decision, the implementation of the "One Stop Shop" model allows the Agency to seamlessly service customers and offer all forms of assistance under the same roof. The Agency has also received more responsibility with the takeover of the Citizen Entrepreneur Mortgage Assistance Equity Fund (CEMAEF). This is in line with the wishes of Government to have CEDA at the centre of all Government financial assistance programmes.

The 2009-2012 Strategic Plan which is the third strategic plan since the establishment of CEDA, is in place. The aim of the strategy is to position the Agency to reflect the current expectations of both Customers and the Shareholder. It is intended to balance the two ideals of entrepreneurship

development and managing business risks and sustainability. The plan continues to place customers at the forefront and further provides the best avenue to meet the specific requirements. The Agency has also reviewed its vision, mission and values to align them to the direction that the Agency is taking going forward. The new vision is "To be the Citizen Empowerment Partner of Choice through the Provision of Financial Services in Botswana" and the mission statement is "To Fund and Support the Development of Viable and Sustainable Citizen Businesses." To achieve its vision, CEDA has adopted the following set of values; customer focused; enterprising; decisiveness and accountability.

Following Government's approval of the revised CEDA Guidelines, Management reviewed the impact of the revised guidelines on its structures and processes. The revised guidelines extended the product range that CEDA could offer and also provides us with an opportunity to tap into new sources of funding. These include co-financing with other institutions and approaching the capital markets to finance some of our activities. The revised guidelines give us an opportunity to further review our portfolio of projects and find innovative ways to restructure the loans to ensure sustainability,

through extended repayment periods, which was not possible as per the initial guidelines.

As a result of the expanded mandate, the Agency reviewed its structures. The review resulted in the reorganisation of the Operations Division, with the portfolio now divided into three main sectors: services, property and manufacturing and agribusiness. We have also introduced equity assistance under direct management of CEDA with the establishment of the Structured Finance Department. We believe that these changes would further enhance our service to customers and bring efficiencies around SMME lending.

As part of our efforts to place customers at the centre of all our activities going forward, the Agency is implementing a three year Customer Service Culture Plan aimed at improving customer service and entrenching it into the day to day activities of the Organisation. To support this Plan, a customer satisfaction survey will be undertaken each year starting in the 2009/10 financial year and will form the basis for the development of the customer service standards manuals and also provide baseline data to allow the Agency to measure impact and improvements in the area of customer service.

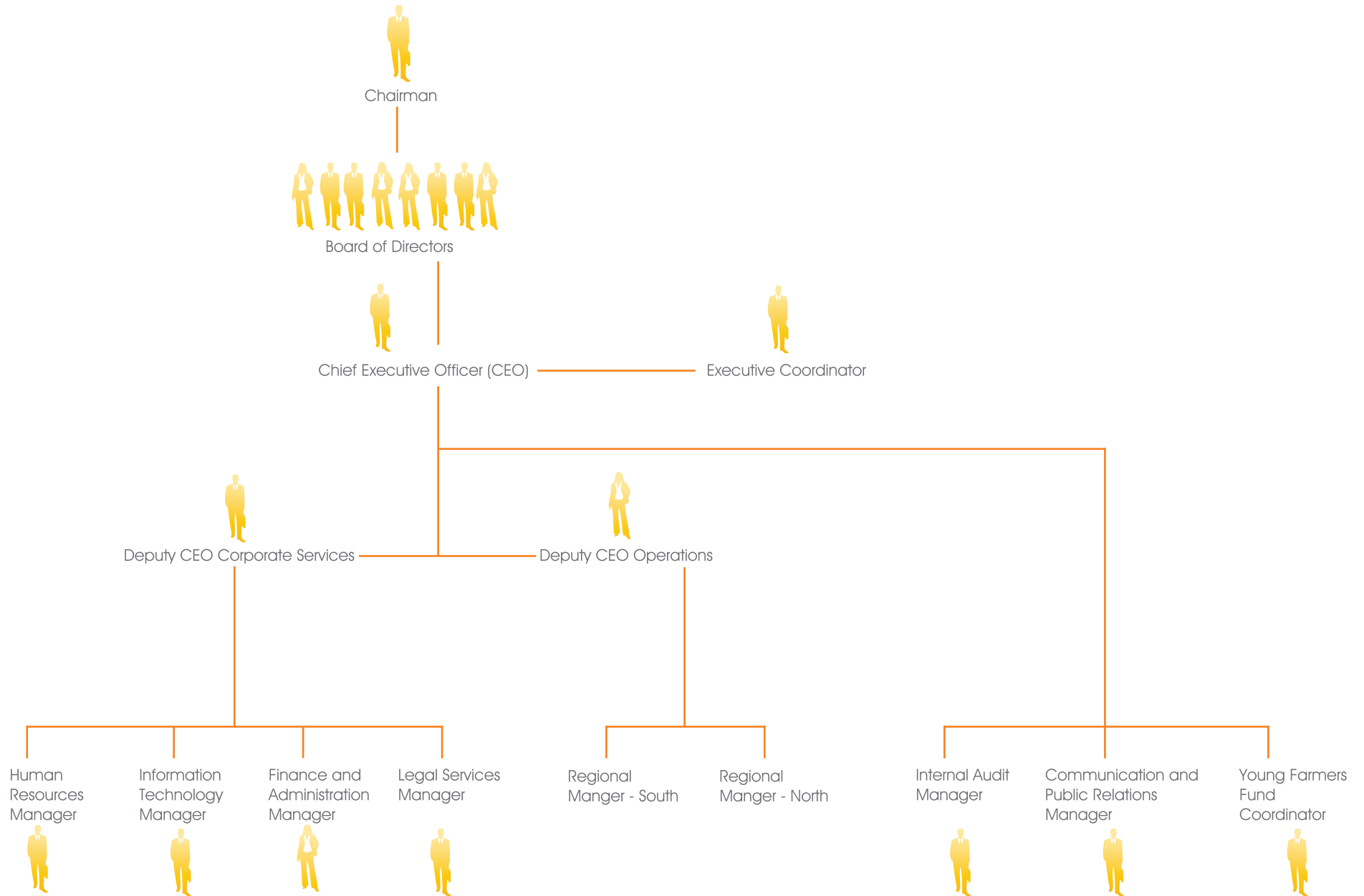
The Agency has also streamlined and focused its training effort into four main areas in order to support our effort to better serve customers and place the customer at the centre of our activities. These are management development, portfolio management, risk management, and optimal utilisation of our enterprise resource planning platform, SAP. A group-focused training strategy was adopted so as to include as many people as possible in these four areas. In the year under review, thirty-one employees have undergone Executive Development and Management Development Programmes. The Agency is also implementing a talent management and succession planning programme to support efforts to build capacity to drive the customer-centric approach.

The Agency is also in the process of implementing ISO 9001 standard; the project commenced on 1st June 2009 and is expected to be concluded in January 2010, after which the Agency will undergo ISO certification. This, we believe will be a milestone in our efforts to further streamline our processes in order to serve customers more efficiently.



Dr. T Matsheka
Chief Executive Officer

Organisational Structure



Corporate Governance Statement

The Board of CEDA believes that the first step towards good corporate governance is to embrace the requirements of the relevant governance framework – in our case, the King II Report on Corporate Governance, 2002. The Board will further study King III on Corporate Governance when it is released with a view to implement any new requirements that may be relevant to it. More than this, the Board believes that sustainable and effective corporate governance is best demonstrated through a consistent pattern of 'doing the right thing', through good times and bad. The Board is committed to complying with all legislations, regulations and best practices relevant to our business.

During the financial year under review, the following Board and Management Committees and their functions were in place.

Board of Directors

The Board consists of non-executive directors who are appointed by the Minister of Finance and Development Planning. The Board has a strong mix of industry-specific knowledge and general commercial experience that enables them to bring informed and independent judgment to all aspects of the Organization's strategic development and performance.

The Board meets a minimum of four times each financial year and more frequently as per the Organization's business needs. In addition to the scheduled Board meetings, the Board meets at least six times a year to approve projects falling within its delegated limits.

The Board retains powers of decision making on all matters of strategy, together with all significant commercial issues, including all expenditure in excess of a specified level.

Board Secretary

The Board Secretary is responsible for ensuring that Board procedures are followed and for advising the Board, through the Chairman, on all matters of governance. All Directors have access to the Board Secretary whenever required. In the event that any Director wishes to take independent professional advice on any matter arising in relation to the exercise of their duties and in accordance with written procedure, the Board Secretary will arrange for this professional advice at the Organization's expense.

Board Committees

The Board Committees in place during the year under review were; Audit Committee, Human Resources Committee, Board Tender Committee and the Young Farmer's Investment Committee. Each Committee reviews its terms of reference and its effectiveness on a regular basis and recommends to the Board any changes required as a result of such a review. The terms of reference for each Committee are available at CEDA Head Office.

Audit Committee

It consists of not more than five members, comprising of three members from the CEDA Board and two external members from the business community. The CEDA Board appoints the chairperson of the Audit Committee. The members serve a maximum of two consecutive two-year terms for external members and three consecutive two-year terms for members appointed from the CEDA Board. The committee reviews the effectiveness of the system of internal controls through the following processes;

- Review of internal and external audit plans.
- Review of any significant unsatisfactory control matters reported in the quarterly internal audit reports and matters reported by the external auditors after their statutory audit.

The Chairman of the committee reports to the Board after every Audit Committee meeting.

Internal Audit

CEDA has an internal audit function which is independent from the external auditors. The Audit Committee ensures that this function is appropriately staffed and that its scope of work is adequate in light of the key identified risks facing the organization and that other monitoring functions are in place. Furthermore, the Audit Committee reviews and approves an annual internal audit plan. The Internal Audit Manager has unfettered access to management and the Audit Committee.

The role of internal audit;

- Assess the design and operating effectiveness of controls governing key operational processes and business risks.
- Provide the Audit Committee with an assessment, independent of Management, regarding the adequacy of the Agency's internal operating and financial controls as well as systems and practices.
- Assist the Audit Committee in meeting its corporate governance and regulatory responsibilities.
- Provide advisory services to Management in order to enhance the control environment and improve business performance.

Human Resource Committee

The Board Human Resources Committee is appointed by the Board and consists of three members of the Board of Directors. A chairperson is appointed from the three members and the term of office for the Committee is a maximum period of three years. Members may be re-appointed for another term.

The functions of the Board HR Committee is to ensure that the Agency recruits suitably qualified and experienced staff, specifically at senior and middle management levels:

- To ensure that the Agency's employees are appropriately and fairly rewarded for their individual performance and contribution to the Agency's overall performance.
- To play an active role in the succession planning activities for executive management positions; to act as the Appointing Authority and delegate the authority to offer appointments to the Chief Executive Officer.

- To handle CEDA employees' appeals, as and when necessary.
- To approve the training strategy and to recommend to the Board, appropriate organizational structure, General Conditions of Service and other related Human Resources policies. The committee convenes at least four times a year.

Board Tender Committee

The Board Tender Committee is appointed by the Board and consists of four members of the Board of Directors and the Chief Executive Officer. The Chairman of the Board and Chairman of the Audit Committee are excluded from being appointed to this Committee. The chairperson is appointed from the four members of the Board and the term of office for this Committee is a maximum period of three years. Members may be re-appointed for another term.

The functions of the Board Tender Committee include, but are not restricted to, the adjudication and approval of proposed amendments to the Tender Rules and Regulations;

- To ensure that Tender Rules and Regulations are properly complied with.
- To ensure that high quality standards are maintained in the award of Tenders.
- To ensure that all acquisitions and disposals are in accordance with approved budgets or specific approval from the Board where necessary. The Board Tender Committee considers all procurement values in excess of P500,000. The Committee convenes at least four times a year.

Young Farmer's Investment Committee

The Young Farmer's Investment Committee was appointed by the Board of CEDA to make investment decisions for and on behalf of the Young Farmers Fund. Representatives are drawn from key stakeholders with responsibilities for youth matters, agriculture and businesses. Current membership includes representatives from the Ministry of Agriculture, Local Enterprise Authority and the Botswana National Youth Council.

The Committee convenes once a month, but additional meetings can be called depending on the number of projects coming before the Committee.

Internal Control and Risk Management

The Board continues to review the effectiveness of CEDA's system of controls, including operational and compliance controls and risk management. The internal audit function provides assurance of the maintenance of these controls on an ongoing basis and advise both Management and Board accordingly.

Internal Control Environment

The Board of Directors is responsible for the system of internal controls and for regularly reviewing its effectiveness through the Audit Committee. The system of internal controls includes but is not limited to;

- Clear definition of the organization's structure and the appropriate delegation of authorities to Management.
- Maintenance of appropriate segregation of duties together with other procedural controls.
- Strategic planning and related annual budgeting and quarterly review process.
- Adoption of accounting policies to help ensure consistency, integrity and accuracy of CEDA's financial records.

Tip-Offs Anonymous

CEDA has a tip-off reporting service which commenced in 2007. Matters can be reported anonymously and employees are assured of full protection for tip-offs under the policy.

Operational Review

1. Introduction

The report for the year ended March 2009 discusses the operational performance for the period, with particular reference to;

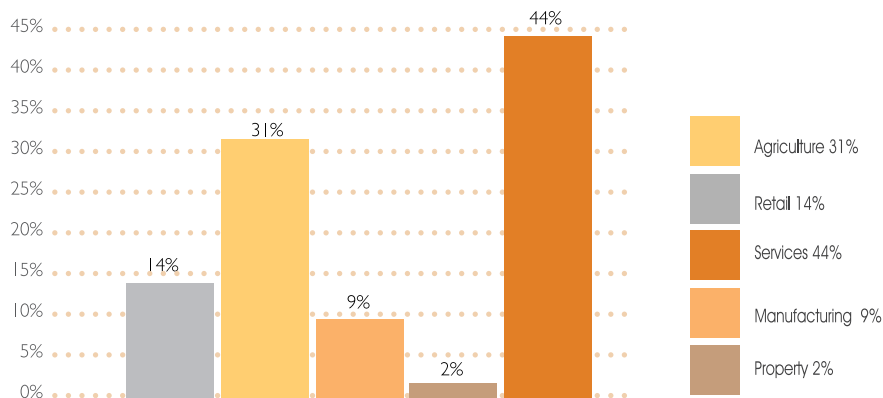
- a) Business Development
- b) Applications Turnaround Time
- c) Portfolio Performance
- d) Training and Mentoring
- e) CEDA Credit Guarantee Scheme

A. Business Development

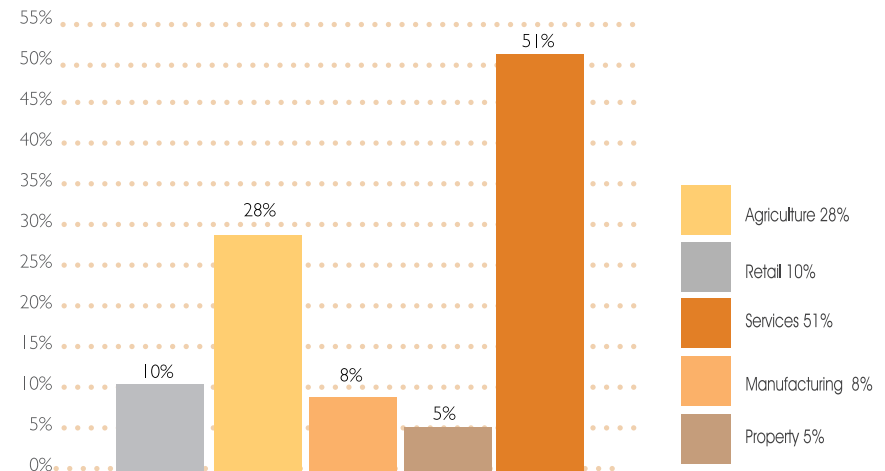
During the period under review the Agency received 791 applications with a value of P621.2 Million. This represents an increase in applications received of 55% by value and 39% by number from the previous year, when applications received amounted to P401 Million in value and 568 in number.

Of the applications received, 292 applications were approved with a value of P189.6 million.

Approvals by Numbers



Approvals by Value



Loans by Sector

As at year end, the CEDA loan book stood at P546.4 million. The Agency is exposed to the sectors in the following proportions:- Services sector 44%, Agriculture 30%, Retail 14%, Manufacturing 9% and Property 2%. Going forward, the Agency has adopted a sector allocation strategy to manage the growth of the loan book.



B. Application Turnaround Time

During the year, the turnaround time has been at an average of 30 days. Management has put in place initiatives as part of the Agency's Strategy to reduce the turnaround time to 14 days by the end of the next financial year.

C. Portfolio Performance

Collections

During the year the Agency collected P112.9 Million of the anticipated P139.2 million, which is an average of 81 % of the anticipated collections. This is significantly higher as compared to the previous year where only 69 % was collected. This commendable effort is attributable to the intensive monitoring undertaken by the Agency during the period as a way of revolving its funds.

Arrears Position

As at year end, the arrears on the Agency's loan book stood at P152.4 million. While the Agency continues to collect from defaulting customers by way of foreclosure, a lot of emphasis is being placed on rehabilitating projects that show prospects of viability. This is particularly so with respect to projects that may have been affected by the recent economic down turn.

D. Training and Mentoring

As part of its offering, the Agency offers mentoring services to existing clients where the need for such mentoring is identified. The Agency further extended this service to all implementing projects as a way of enhancing their sustainability and survival, where it was noted that there is a need. During the year, an amount of P2.8 million was spent on mentoring services for a total of 163 projects.

E. CEDA Credit Guarantee Scheme

This is one of the non-financial products forming the suite of products provided by the Agency, whose administration was initially outsourced. The scheme was seamlessly taken over and run in-house since 1 April 2008.

Taking over the scheme brought about the opportunity for the Agency to be close to the product, align it with other products provided by the Agency, and have it leverage on the Agency's resources, including the country-wide network of branches. This is reflected in the growth of the scheme as evidenced by the increase in the number and amount of applications approved during the year. During the past year, 195 applications amounting to P56.4 million were approved – posting a 50% increase in the amount of application – compared to the same period last financial year.

Young Farmers Fund

The fund continues to show significant growth since inception. The total number of projects received by the fund is 500 at a total value of P201 million. 188 projects valued at P76 million were approved, which constitutes 38% of received applications. 117 projects valued at P44 million were rejected. 123 projects valued at P51 million were closed, while 72 projects valued at P30 million are being processed.

The table below illustrates the loan processing in numbers and values received, as at March 31st 2009.

Loan processing

Applications	Number	Value in BWP (Millions)
Received	500	201
Approved	188	76
Rejected	117	44
Closed	123	51
On-going	72	30

Loans processing per sub sector

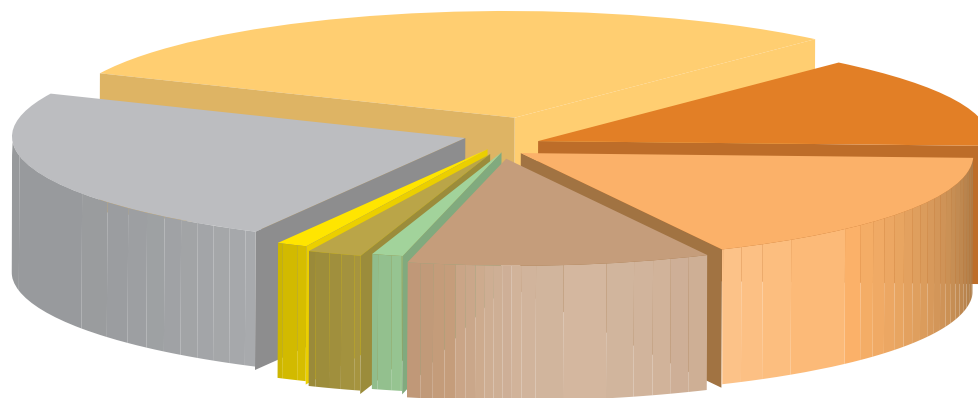
Of the 500 project applications received, pastoral farming accounts for the major share. The following subsectors constitute the share of pastoral farming;

- Cattle breeding 24%
- Small stock 14%
- Poultry 17%
- Piggery and dairy 13%

The remaining 32% of the loans processed for the period is accounted for as follows:

- Horticulture 30%
- Dry land farming 1%
- Fodder production 1%

The Chart below shows the allocation of loans processed by sub sector:



Portfolio by Sub-sector

Cattle breeding	24%
Horticulture	30%
Small stock	14%
Poultry	17%
Piggery	11%
Dry land farming	1%
Dairy	2%
Others	1%

Approvals per sub-sector by value

Approvals in value terms are allocated as follows; horticulture has received 32% of the total funding at P24 million, cattle breeding received P21 million, which is 28% of the total funding, poultry received P11 million, which is 15% of the total funding. Small stock received P8.7 million, which is 11% of the total funding, whilst piggery received P8.2 million, which accounts for 11% of the total portfolio. Dairy farming, dry land farming and fodder production received P2.3 million, accounting for 3% of the total funding.

Training and mentoring

The fund provides training and mentoring to beneficiaries to ensure the long term sustainability and success of funded businesses. These are a combination of sector-specific training, general business development training and practical attachments for hands on learnings.

- 95% of all beneficiaries have gone through mandatory practical attachment training so that they can have hands-on experience before any disbursements of funds towards their projects. Training that has been carried out was for the following areas;
 - Agro-tourism
 - Human Resources – recruitment and labour law
 - Irrigation design and project implementation
 - Marketing of agricultural produce
 - Horticulture production under protected environment
 - Pig production and aquaculture
 - Entrepreneurship development training

Mentoring and monitoring of projects forms a vital aspect of young farmer's projects, hence the reason behind projects being monitored on a

monthly basis. Mentors are attached to the funded projects at various stages in the life cycle of the projects. These include; pre-appraisal mentoring, implementation mentoring and assignment based mentoring.

Employment created from funded projects

Funded projects have a projected employment rate of 705 personnel against a current employment level of 378 people. This translates to a 54% employment rate, mainly due to agricultural project by their nature, taking a longer period to be implemented. Full employment rates are expected to be achieved overtime.

Collections for the fund

Collections for the year were at 63 %(from 82 % in the previous year) against a target of 72%. Though food prices continued to show an upward trend, this has been negated by the persistent increases in input costs. Pockets of natural calamities such as frost and hail storms contributed to the inability of our farmers to repay their loans. The outbreak of foot and mouth disease in the Ghanzi area also affected some of the young farmer's projects.

Notwithstanding the above, the Agency has put measures in place to ensure regular servicing of loans by our farmers. These include intensive monitoring, strategic sub sector funding, encouragement to prospective farmers to introduce mechanized farming and technologies to improve yield of produce. The envisaged introduction of the Agricultural Insurance Scheme will also mitigate against such losses especially to the horticultural and related services.

Public Awareness and Stakeholder Management Public Education continues to form part of the core strategies in increasing the footprint of the fund. Various communications mediums are utilised to create awareness on the fund as well as educate the nation on ways to receive funding. The Fund has leveraged on the existence of stakeholders who are key players in the agricultural field. These are based locally and in the region. Our partnerships have been able to influence policy change in creating a favourable environment for our farmers.

Challenges

The fund continues to face challenges during the processing and implementation of projects. Some of the challenges include overcapitalisation of projects, large infrastructural expenses, land shortage, and the outbreak of foot and mouth disease in certain areas.

In spite of the challenges highlighted above, mitigating factors have been identified to increase the uptake of the fund;

- Clustering of young people to mitigate against shortage of land and enhance production capacity, market access and technology expertise.
- Assisting financed youth to join farmers associations in order to learn from other players in the industry.
- Recent reforms at CEDA, particularly the revised guidelines, allows for graduation of young farmer's projects beyond the P500, 000 funding ceiling.
- An agreement with the Land Authorities has been reached to allow making provisional allocation of land to any Young Farmer's Fund applicant within fourteen days to alleviate delays in land allocation and change of land use.

CEDA Venture Capital Fund

The financial year to March 2009 marks the end of another year of operations for the CEDA Venture Capital Fund, which also included the end of the investment period for the Fund. During this period the fund had fully committed its capital to proposed investments and as a result saw reduced activity in the origination of new investments. Following on the establishment of the Structured Finance Department at CEDA the Fund is no longer receiving any new applications for investment, with all the transactions that were in the pipeline having been handed over by the Fund Manager to CEDA.

There were a number of notable activities during this period which included:

1. The approval of three new transactions, which went some way in diversifying the Fund's portfolio in terms of sectoral exposure and geographical location. These comprised of;
 - Easy Concrete Products: a quarrying business located in Serowe whose target market mainly comprises of the various infrastructure development activities earmarked for the Central District.
 - MRI Botswana: the transaction involved the acquisition and subsequent delisting of an established healthcare business from the Botswana Stock Exchange (BSE). The view being to further develop and enhance the healthcare emergency services sector in the country.
 - Hyperbola: This enterprise was the result of a culmination of efforts by the Fund Manager to assist Debswana to achieve its privatization program that resulted in the diamond company hiving off its non-core activities and in the process empowering some of its former members of staff. The business is a non-food retail and wholesaling business based in the Orapa/Letlhakane Diamond concession area that was, as stated above, outsourced by Debswana to former employees of the business.
2. Award of government supply tenders to Latex Medical Products, the condom manufacturing company and Delta Dairies, the only locally based Ultra High Temperature (UHT) milk manufacturer company. This improved capacity usage at the facilities of both these processing businesses and to a certain extent facilitated market penetration for these newly established businesses and brands.
3. PG Industries Botswana's first year of operation as a merged entity. Integration and merger challenges have been the focus of management over the period under review.

Portfolio Performance

In the previous reporting period it was reported that the focus of the Fund Manager was to now maximise the growth of the portfolio companies and mitigate challenges that the companies may have in achieving growth strategies. The period under review however saw the downturn in global financial markets as well as recession setting in on the world economy. Like many other countries around the globe, Botswana was not immune to the effects of the downturn in global markets and was significantly exposed due to the country's economic reliance on mineral revenues, which have been adversely affected by these developments. The operating environment for the portfolio companies has thus been quite challenging as a result of the decline in the national aggregate demand in goods and services, and as a consequence, this has significantly affected the performance of the portfolio companies that are positively correlated with the economy. This slowdown was acute, moreso in the second half of the year. Several of the businesses required additional funding to improve their operational efficiencies and overall output.

During the period under review, two portfolio companies: Mabele Breweries and Benson Craig failed to perform resulting in the Fund having to actively pursue an exit. Mabele Breweries which was set up as a sorghum beer manufacturer had significant market penetration and performance challenges. As a result of its problems, the Mabele board duly made a decision to liquidate the operation of the company. The Fund is expected to recover from the liquidation, albeit at an amount that is less than the investment made by the Fund into the company.

The Fund exited from a cigarette manufacturing business, Benson Craig through a trade sale of the business to industry players, constituting the third exit by the Fund. All the proceeds realised from the investment went towards the settlement of liabilities incurred by the company during the short period that it operated as a going concern. This company faced serious management and operational challenges during inception and at the early ages of the start up phase. The new owners of Benson Craig have continued to trade following the exit of the Fund, though the Fund realised losses from this investment it has however caused the creation of a new manufacturing industry in Botswana that leverages off the supply of tobacco from neighbouring Zimbabwe. This industry continues to grow in Botswana and the market has seen the establishment of a second cigarette manufacturing business that is Benson Craig, also based in the City of Gaborone.

Other portfolio companies continue to perform well. The investment in AON Botswana has yielded good results where the Fund received its second payment of ordinary dividends since the Fund's participation in the transaction two years ago.

The portfolio companies employed 1075 people and had assisted in the development of 311 entrepreneurs and managers. This number is expected to grow as the Fund companies continue to expand their operations and as more of the startup businesses "ramp up" in accordance with their projected business plans. All the investments made by the Fund involve meaningful participation of citizens at shareholding level.

Financial overview

For the period under review the portfolio companies achieved revenues of P 524 Million. The period also saw the Fund record a loss of P52 Million for the year, compared to a P4 Million profit for the prior period. This confirms the difficult business environment that most companies faced due to the economic recession. Companies in the manufacturing industry, namely Tannery Industries Botswana and Delta Dairies were the hardest hit. The loss was further exacerbated by the losses realised on divestment of some of the portfolio companies.

Investment Activity

During the period under review the fund had a total commitment of P212.9 million inclusive of guarantees and had disbursed P191 million to projects. The balance outstanding was due for follow on disbursement to some of the portfolio companies.

Since inception 404 projects with a value of P3.75 billion were assessed out of which 20 were approved representing an approval rate of approximately 5% of all projects reviewed. Projects approved by the fund are dominated by start-up companies, which again reflect the developmental nature of Botswana's economy.

The focus of the Fund Manager remains the same as in the previous reporting period and this essentially entails prioritising its efforts on value addition and maximisation of growth of the portfolio companies, to ensure that each of the portfolio companies performs according to expectation and meets its obligations relating to cash flows, and returns generated by the Fund. Robust initiatives geared towards strengthening capacity and building efficiencies in the portfolio are therefore being undertaken by the Fund Manager through its representation on the boards of the various investee companies. These initiatives include streamlining operations and restructuring of the balance sheets of some of the portfolio companies. This will hopefully go a long way in assisting in the mitigation against the challenges facing the investee companies which challenges may have contributed in the companies failing to achieve their initial growth strategies. Exit strategies will continue to be developed in line with the Fund's 10 year mandate.

Corporate Review

Human Resources

The Human Resources Department is responsible for the provision of efficient human resources services to the Agency and specifically to plan, organise, direct and champion the development and implementation of sound human resources policies, strategies, systems, procedures and programs to promote a positive working environment and enhance productivity within CEDA. The department also plays an advisory and support role to other departments and individual employees to facilitate and enhance a constructive work environment in order to meet the Agency's business strategic objectives.

Human Resources Development

Within the department, the training and development unit is responsible for providing high quality training and human capacity enhancements that will maximise the benefits received from the Agency's involvement in the Botswana economy and ensure its sustainability over the longer term. The provision of practical training initiatives contributes not only to people's individual development but also enables a more knowledgeable and skilled workforce to better deliver the new strategic mandate of CEDA. Staff training and development, therefore, continues to be a key strategic objective for the Agency.

In the period under review, training was conducted in various skills development areas, these are;

- The Accelerated Development Program (through London Business School)
- Executive Development Program (through the Wits Business School)
- Management Development Program (through the University of Stellenbosch Business School)

CEDA has been able to develop partnerships with the above mentioned institutions and has trained a total of 27 (twenty seven) employees in leadership skills. Other areas of need are continuously being identified and appropriate interventions put in place on an ongoing basis.

Customer Service Culture Plan

The programme was identified as being critical to entrenching a culture of good customer service throughout the organisation. Customer satisfaction studies undertaken in the past had revealed a weakness in servicing customers and a decision was taken to partner with Botswana National Productivity Centre on a three year customer service programme in an effort to cultivate a customer friendly environment throughout all structures of the Agency.

Union Management Relations

The need for a union was initiated by the CEDA Management as a way of establishing a consultative forum with employees on various issues. Efforts to formalize the CEDA Employees' Union spanned for about a year and a half and a formal Memorandum of Recognition was signed in February 2009. The Union currently has a membership of 76 members.

Staff Complement and Talent Management

As at March 31 2009, CEDA had 217 employees. Out of these, 111 were male whilst 106 were female. In addition, out of the total complement, the Agency had 40 contracted employees and 177 pensionable employees.

The staff turnover (voluntary and involuntary) was at 7 % against a target of 5 %.

The Agency continues to work on a talent management programme aimed at retaining key skills and individuals. The roll out of the programme was effected in January 2009 and focuses on career path development, performance based remuneration and succession planning.

Pension Fund

The Agency operates a defined contribution staff pension fund for staff employed on permanent and pensionable terms. The fund has been running since 2007 and as at March 2009, the fund had 156 members with a value of P6.6 million. The fund is administered by AON Botswana (Pty) Ltd and the asset managers are Stanbic Investment Management Services (Pty) Ltd.

Information Technology (IT)

The role of the Information Technology Department is to provide management with timely and accurate data to enable them to make informed decisions.

In order to achieve this, the department developed a disaster recovery plan which ensures very minimal system disruptions in cases of disasters such as fire or floods. At the core of the plan is a real-time replication of data from the main data centre at Head Office to one of the branches.

During the period under review, the department has continued to make the Agency's website more user-friendly and interactive. Some exciting features that have been added include a facility that enables customers to print their statements online as well as allow prospective customers to submit applications online. These two features are meant to reduce the amount of time that customers have to spend accessing CEDA services and enhance overall customer satisfaction.

On the key initiatives undertaken by the department during the period was the development of the intranet, which is a communication tool that provides a single point of access, for staff, to the Agency's information.

Legal Services

The Agency considers the important role that the department plays in ensuring that the Agency meets all Legal requirements for its efficient operation. The department has provided the Agency with support regarding agreements entered with its customers, other stakeholders and the Management of the Agency's human capital.

One of the key areas under which achievement is worth noting is the area of collecting debts from defaulting customers. The department has been able to achieve a 49% increase on collections when compared to the previous year despite the global credit crunch which has affected the performance and payment abilities of promoters. This was achieved through the realization of the need to encourage defaulting customers to liquidate their debts as soon as possible and also the need to closely monitor the payment arrangements agreed with the customers.

The department has in this year continued to play the important role of providing secretarial services to the CEDA Board and its subcommittees to ensure that the Board meets its mandate of directing the operations of the Agency.

The department will in future in a bid to improve the effectiveness of the Board, cause the review of the CEDA memorandum and articles of association, put in place the CEDA Board Charter and the Shareholder Compact.

Marketing and Communications

During this period, the Marketing and Communications Department continued to enhance the Agency's image, stakeholder relations, carry out outreach programs and promote the Agency's activities together with its products and services.

Due to the revised CEDA guidelines by Government, a lot of effort was made around raising public awareness towards this development. These efforts were focused on attending exhibitions, addressing kgotla meetings, making presentations at targeted seminars and conducting workshops.

Corporate Social Investment

In the year under review, CEDA undertook only one Corporate Social Investment project and donated ten (10) used computers to the Farmers Association. The computers were meant to assist farmers throughout the country in collecting livestock data such as birth dates, progeny and breed of cattle in Botswana.

The donation was prompted by the need to assist local farmers to gather information about a breed prior to making purchase, thus eliminating the vulnerability of purchasing breed without having its track record, as previously faced by our farmers.

All district Farmer Associations affiliated with Botswana Cattle Producers Association will benefit from this initiative.

Financial Statements Review

This Financial Review analyses the results of CEDA and its subsidiaries, performance and financial conditions for the year ended 31st March 2009 and analyses the risks associated with the business.

Adoption of International Financial Reporting Standards

The consolidated financial statements of CEDA and its subsidiaries (group) have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Review of Results

The results for the financial year 2008/2009 reflect a decline in revenue for CEDA and its subsidiaries. A reduction in revenue comes in two fold; an insignificant growth in the development fund loan book coupled with the freezing of interest on non-performing loans as well as the under-performance of portfolio investments under the CEDA Venture Capital Fund. This below average performance has affected the revenue line substantially, as the Group took a share of the losses made by these portfolio companies.

Interest income declined by 6% mainly due to the performance of advances. Income from advances which is the mainstay of the business grew 13% against a growth in the loan book by 18%. The gap between the two reflects the effect of freezing interest on loans that have failed to service their obligations regularly per policy. In compliance with IAS20 on the treatment of government grants, P160M funding received from the Government of Botswana was credited to income. The effect of that was to convert an operating loss of P127.8M to a profit of P32.2M, clearly demonstrating the difficulty experienced by the Agency itself in a sector that is risky and full of challenges.

The operating costs for the group increased by 6% at a cost of P6 million year on year. The increase is largely driven by an increase of 23% in staff costs as a result of the inflationary increase in salaries as well as the recruitment for vacant positions at management level. Management believes that the increase in costs is necessary in line with the need to attract highly skilled personnel and to remain competitive in the market.

The charge for impairment of advances and investments for the year amount to P71M (PY: P95M) This represents a decrease of P24 Million arising mainly from the reduction in impairment of advances in the development fund. The development fund has recorded a reduction of almost 53% in its provisions for the year under review because of the clean up of the loan book which resulted in the Board approving a write off of P229M.

For the first time since inception, the equity investments through CEDA Venture Capital Fund have recorded a loss of P53 million. This loss has led to a reduction in the bottom line results of the group, with the investments struggling to perform due to delayed implementation, management and skills deficit as well as weak capital structures with commercial banks failing to support some of the investments to the level that was expected. The net result has been a write down of P30M in investments held.

On capital and funding, the shareholder's equity amounts to P834 million (PY P800M), compared to assets worth P906 million (PY P829M). This represents an improvement in the reserves of the Group with the accumulated losses reducing by 32% year on year.

The Agency's results are summarized below: Financial performance: 2008-2009

Group Summary

	2009	2008	Change
	PM	PM	%
Interest Income	64	68	-6%
Other Income	176	30	487%
Operating Costs	-103	-97	-6%
Profit(Loss) before impairment	137	1	13600%
Impairment-Investments	-30	-7	329%
Loss on disposal of investment	-31	-	-
Impairment-Advances	-41	-88	53%
Share of profit/(loss) of associate	-	-5	-
Income tax credit	-	0.4	-
Withholding tax on dividend	-	-2	-
Discontinued operations	-3	-	-
Net(Loss)/Profit	<u>32</u>	<u>-101</u>	<u>132%</u>

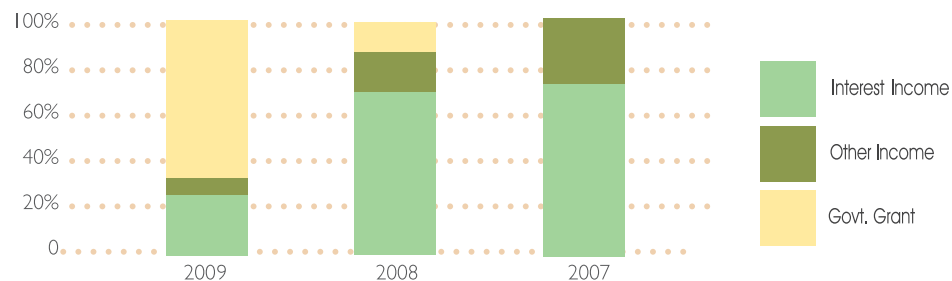
Company Summary

	2009	2008	Change
	PM	PM	%
Interest Income	43	46	-7%
Other Income	175	44	298%
Operating Costs	-92	-89	3%
Profit(Loss) before impairment	126	1	12500%
Impairment-Advances	-41	-88	53%
Withholding tax on dividend	-	-2	-
Net(Loss)/Profit	<u>85</u>	<u>-89</u>	<u>196%</u>

The Group recorded an operating profit of P137 million, after accounting for the capital injection of P160M as income in compliance with IAS20 on the treatment of the Government grant, an improvement of P136 million on the previous year. The subsidiary fund, CEDA Venture Capital Fund, recorded a loss of P53 million, a reduction from a prior year profit of P4 million on the back of weaker portfolio performance.

The revenue distribution for the Agency is illustrated as follows:

Group Total Revenue BWP (000)



Treasury

The following table summarises the cash flow position of the Agency as at 31st March 2009:

	2009 P000'	2008 P000'
Cashflows from operating activities	-4.9	-83.2
Cashflow from investing activities	5.7	-92
Cashflows from financing activities	12.3	-
Net increase in cash and cash equivalents	13.1	-175.2
Cash and cash equivalents at the beginning of the year	110.7	286
Cash and cash equivalents at the end of the year	123.8	110.8
Represented by:		
Funds on deposit	107.3	46.5
Other bank balances and cash	16.5	64.3
	123.8	110.8

Group cash and cash equivalents increased by P13.2 million, from P110.7 million in 2007/2008 to P123.9 million in 2008/2009. The money is invested in money market instruments in line with the Treasury Policy, with cash on deposit held for periods not exceeding 91 days.

The Treasury Committee manages the financial risks as outlined in the Treasury Policy and these are discussed below:

Liquidity risk

Liquidity risk is the risk of insufficient cash being available to meet liabilities as they fall due. This risk has been mitigated by the commitment of the Agency to match the disbursements with collections. The Agency has also withdrawn from its previous notion of funding to demand to mitigate this risk.

Foreign Exchange risk

Foreign exchange risk is the risk that the Agency will suffer a decrease in the Pula value of its assets or an increase in the value of its liabilities due to fluctuations in foreign exchange rates. Currently the Agency is not exposed to any forex risk as all dealings are denominated in Botswana Pula. However as the business expands and the mandate increases, this risk is foreseen to occur in the future and the Treasury Committee continues to review its risk management strategies to prepare the Agency for this eventuality.

Interest rate risk

Interest rate risk is the risk that an adverse movement in interest rates will lead to a decrease in interest income from CEDA's treasury's investments in money market and money market instruments, or an increase in funding costs from borrowings. Income from cash investments, though desirable, is not key for the Agency as the intention is to lend money to deserving promoters.

Operational and Credit risk

Operation risk is the risk that CEDA Treasury will suffer loss through; error, fraud on account of the activities of its employees or external party, failure of manual or computerised systems, lack of/failure of internal controls. Through the Treasury Policy and the Internal Audit's review of controls, this risk is properly managed. Credit risk is the risk that CEDA Treasury will suffer a loss due to default by a counter party to one of its treasury transactions. The Committee annually approves credit limits for counter parties based on the strength of their balance sheets and this is considered a highly effective risk mitigation factor in managing credit risk.



Lisani Ndaba of Foamex Industries is a CEDA funded client. His company manufactures closed cell polyethylene foam in Gaborone. These non-traditional products are used for roof insulation, sound insulation moisture barrier and expansion joint filler in the building and construction industries; as mattress support and padding in the manufacturing of beds; for protecting agricultural produce, glassware, televisions, stereos, and other fragile and sensitive goods in the protective packaging applications; and as pool noodles, gym mats in the leisure industries. The company exports over 90% of total sales. In 2005, Foamex was awarded the BOBS ISO 9001:2000 Certificate by the Botswana Bureau of Standards.

Financials

Citizen Entrepreneurial
Development Agency (CEDA)

Financial Statements
31 March 2009

Contents

General information	36
Directors' statement of responsibility	38
Independent auditor's report	39
Income statements	40
Balance sheets	41
Cash flow statements	42
Statements of changes in capital and funding	43
Group accounting policies	45
Financial risk management	57
Critical accounting estimates and judgements	67
Notes to the group annual financial statements	71

General Information

Citizen Entrepreneurial Development Agency (CEDA)
Incorporated in Botswana - Company Number CO/2001/2412

Directors

Board of Directors

Name	Date Appointed	Date resigned	Designation
M.K.J. Masisi	1-Feb-09		Chairman
D. Magang	1-Nov-05	28th Nov 08	Chairman
P. Moitlhobogi	1-Nov-05		
A. Kgomotso	1-Nov-05		
N. Moeti	1-Nov-05		
C.O. Ross	1-Nov-05		
T. Matome	1-Sep-05		
B.P. John	30-Sep-04	30-Sep-08	
S. Sekwakwa	1-Dec-07	31-Jan-09	
G. Moremedi	1-Dec-07	31-May-08	
P. Makepe	10-Jun-08		
S. Makosha	1-Feb-09		
N. Tjiyapo	1-Sep-08		
E.N. Wotho	1-Feb-09		

Secretaries

Mothoothata Lesole
In-house Attorney

Nature of Business and Objectives of the Company

The Citizen Entrepreneurial Development Agency ("CEDA") was established by the Government of the Republic of Botswana to provide financial and technical support for business development with the view to the promotion of viable and sustainable citizen-owned business enterprises. CEDA was incorporated as a company limited by guarantee on 12 April 2001 and commenced operations in June 2001.

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

- Financial assistance to entrepreneurs in the form of loans, which are offered at subsidised interest rates and guarantees issued on behalf of entrepreneurs;
- Financial grants to entrepreneurs in the form of capital grants, labour grants, sales augmentation grants, tax holiday grants and training grants, in terms of the Financial Assistance Policy;
- Training and mentoring, providing management and marketing skills to the managers of its customers in order to enhance their opportunities for success;
- Provide access to finance Small, Micro and Medium Enterprises (SMME) and to assist businesses operating in the SMME sector of the economy to fulfil the security requirements of commercial banks and other development financial institutions; and
- Provision of risk capital to citizen owned projects and joint ventures between citizens and non citizens through CEDA Venture Capital Fund.
- Provision of loan finance to young farmers.

Registered Office

Plot 204
Independence Avenue
Gaborone

Mothoothata Lesole
Inhouse Attorney

Auditors
PricewaterhouseCoopers

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

Director's statement of responsibility

For the year ended 31 March 2009

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

In preparing the financial statements for the year ended 31 March 2009 presented herewith on pages 40 to 88, International Financial Reporting Standards have been followed, appropriate accounting policies have been used, and applied consistently and reasonable and prudent judgements and estimates have been made.

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


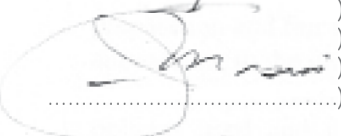
The Board recognises and acknowledge its responsibility for the group's system of internal control. The directors are also responsible for taking such steps that are reasonably open to them to safeguard the assets of the company and its subsidiaries and to prevent and detect fraud and other irregularities.

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

Our external auditors conduct an examination of the financial statement in conformity with International Standard on Auditing. Their report is set out on page 39. The external auditors have unrestricted access to the board of directors.

Approval of the Financial Statements

Against this background, the financial statements set out on pages 40 to 88 which are stated in Pula, the currency of Botswana, have been approved and authorised for issue on 3 August 2009 by the Board of Directors and is signed on its behalf by:


.....)
)
) Directors
)

.....)

Independent Auditors' Report

TO THE MEMBERS AND BOARD OF DIRECTORS OF CEDA

Report on the financial Statements

We have audited the accompanying financial statements of Citizen Entrepreneurial Development Agency (the Company) and its subsidiaries, set out on pages 40 to 88, which comprise of the group and company balance sheets as at 31 March 2009, the income statements and cash flow statements, statements of changes in capital and funding for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the Companies Act of Botswana (2003).

This responsibility includes: designing implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements and are free from material mis-statement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in their circumstances.

Auditor's Responsibility

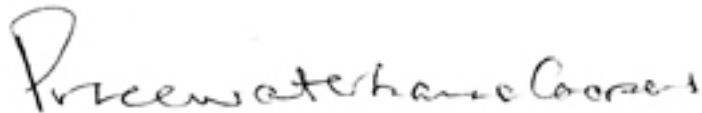
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of the Citizen Entrepreneurial Development Agency and its subsidiaries as of 31 March 2009, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of Botswana (Companies Act, 2003).



CERTIFIED PUBLIC ACCOUNTANTS
18 August 2009
Gaborone

Income statements

	Notes	Group		Company	
		2009	2008	2009	2008
		P	P	P	Restated P
Operating income					
Interest income	1	63,586,286	68,374,849	43,398,215	46,422,930
Other operating income	2	12,166,022	10,089,769	10,805,090	24,661,301
Bond fee income		2,332,228	2,076,571	2,332,228	2,076,571
Government grants	3	160,000,000	15,622,952	160,000,000	15,622,952
Service fees	4	757,784	756,362	-	-
Gross premiums - Credit Guarantee Fund		1,230,809	1,054,151	1,230,809	1,054,151
		<u>240,073,129</u>	<u>97,974,653</u>	<u>217,766,342</u>	<u>89,837,905</u>
Operating expenses					
FAP grants	5	(83,496)	(227,267)	(83,496)	(227,267)
Administration expenses		(14,424,826)	(16,781,868)	(12,140,131)	(16,655,819)
Staff expenses ⁶		(59,445,431)	(48,249,421)	(59,184,431)	(47,968,921)
Management fees - CEDA Venture Capital Fund		(5,958,333)	(6,600,000)	-	-
Provision for guarantee claims		3,810,427	(1,079,014)	3,810,427	-
Claims under Credit Guarantee Fund		-	(498,012)	-	(498,012)
Other expenses	7	(24,796,727)	(23,390,572)	(24,325,319)	(23,100,045)
Charge for impairment of investments	11.4	(30,064,543)	(6,706,336)	-	-
Loss on disposal of investments in associate		(30,951,931)	-	-	-
Expenses associated with investment disposed		(2,308,634)	-	-	-
Charge for impairment on loans and advances	10.2	(40,750,791)	(88,412,588)	(40,750,791)	(88,412,588)
Operating profit /(loss)		<u>35,098,844</u>	<u>(93,970,424)</u>	<u>85,092,601</u>	<u>(87,024,746)</u>
Share of profit/(loss) of associates	11.2	197,086	(5,445,248)	-	-
		<u>35,295,930</u>	<u>(99,415,672)</u>	<u>85,092,601</u>	<u>(87,024,746)</u>
Income tax credit	8	-	410,123	-	-
Withholding tax on dividend		-	(2,400,000)	-	(2,400,000)
Net profit/(loss) for the year from continuing operations		<u>35,295,930</u>	<u>(101,405,549)</u>	<u>85,092,601</u>	<u>(89,424,746)</u>
Discontinued operations	12	(3,097,432)	-	-	-
Net profit/(loss) for the year		<u>32,198,498</u>	<u>(101,405,549)</u>	<u>85,092,601</u>	<u>(89,424,746)</u>
Profit/ (loss) attributable to:					
Equity holders of the parent		33,183,103	(101,279,909)	85,092,601	(89,424,746)
Minority shareholders		(984,605)	(125,640)	-	-
		<u>32,198,498</u>	<u>(101,405,549)</u>	<u>85,092,601</u>	<u>(89,424,746)</u>

Balance Sheets

	Notes	Group		Company	
		2009	2008	2009	2008
		P	P	P	Restated P
Assets					
Cash and cash equivalents	9	123,885,668	110,740,303	86,661,380	51,440,746
Loans and Advances	10	546,423,593	461,917,014	546,423,593	461,917,014
Investment in subsidiary	11.1	-	-	200,000,000	200,000,000
Investment in associates	11.2	83,929,210	137,609,811	-	-
Non current assets held for sale	12	63,662,596	-	-	-
Money market investments	13	-	48,379,188	-	48,379,188
Other assets	14	67,706,127	43,331,013	58,249,312	44,467,948
Receivable from associated companies	15	2,248,451	4,269,441	-	-
Property, plant and equipment	16	17,841,870	22,379,417	11,093,483	15,289,234
Total assets		905,697,515	828,626,187	902,427,769	821,494,130
Capital, funding and liabilities					
Capital and funding					
Capital reserve	3	1,260,432,519	1,260,432,519	1,252,024,077	1,252,024,077
Revaluation reserve	20	7,236,560	7,236,560	5,121,568	5,121,568
General risk reserve	17	-	169,172,405	-	169,172,405
Accumulated losses		(433,955,360)	(638,850,768)	(381,157,273)	(635,422,279)
Capital and funding attributable to shareholder		833,713,719	797,990,716	875,988,372	790,895,771
Minority interest		1,330,045	1,757,118	-	-
Accumulated results associated with subsidiary held for sale	12	(2,539,900)	-	-	-
Minority shareholders' interest associated with subsidiary held for sale	12	1,255,986	-	-	-
Total capital and funding		833,759,850	799,747,834	875,988,372	790,895,771
Liabilities					
Current liabilities					
Liabilities associated with non-current assets held for sale	12	42,756,638	-	-	-
Trade and other payables	18	28,326,759	28,024,084	26,439,397	30,598,359
Deferred tax liabilities		854,268	854,268	-	-
		71,937,665	28,878,352	26,439,397	30,598,359
Total capital, funding and liabilities		905,697,515	828,626,187	902,427,769	821,494,130

Cash Flow Statements

	Notes	Group		Company	
		2009 P	2008 P	2009 P	2008 P
					Restated
Cash flows from operating activities:					
Net cash (used in) /generated from operating activities	24	(4,924,803)	(83,244,623)	(12,180,029)	(96,951,234)
Cash flows from investment activities:					
Investment in associates	11	(45,656,219)	(72,962,230)	-	-
Additions to property, plant and equipment	16	(1,670,819)	(3,015,539)	(1,668,983)	(3,015,539)
Proceeds from sale of investment		-	1,757,250	-	-
Movement in interest on investments		4,002,311	(12,446,304)	-	-
Utilisation of money market instruments		48,379,188	(6,046,729)	48,379,188	(6,046,729)
Repayment of capital by subsidiary		-	147,126	-	-
Proceeds on disposal of plant and equipment		690,457	566,238	690,457	566,238
		<u>5,744,918</u>	<u>(92,000,188)</u>	<u>47,400,662</u>	<u>(8,496,030)</u>
Cash flows from financing activities					
Dividend received from subsidiary and associates		12,325,250	-	-	13,600,000
Net cash used in investing activities		<u>12,325,250</u>	<u>-</u>	<u>-</u>	<u>13,600,000</u>
Net increase in cash and cash equivalents		13,145,366	(175,244,811)	35,220,634	(91,847,264)
Cash and cash equivalents at beginning of the year		110,740,303	285,985,114	51,440,746	143,288,010
Cash and cash equivalents at the end of year	9	<u>123,885,669</u>	<u>110,740,303</u>	<u>86,661,380</u>	<u>51,440,746</u>
Represented by:					
Funds on deposit		107,358,472	46,531,194	75,904,134	12,910,726
Other bank balances and cash		16,527,197	64,209,109	10,757,247	38,530,020
	9	<u>123,885,668</u>	<u>110,740,303</u>	<u>86,661,380</u>	<u>51,440,746</u>

Statements of Changes in Capital and Funding

Group	Capital Reserve	Revaluation Reserve	General Risk Reserve	Accumulated Losses	Minority Interest	Losses associated with subsidiary held for sale	Minority Interest associated with subsidiary held for sale	Total
	P	P	P	P	P	P	P	P
Balance as at 1 April 2007	1,244,809,567	-	138,555,719	(491,331,221)	(608,787)	-	-	891,425,278
Net loss for the year	-	-	-	(101,279,909)	(125,640)	-	-	(101,405,549)
Transfer to general risk reserve	-	-	30,616,686	(30,616,686)	-	-	-	-
Transfer to capital reserve	15,622,952	-	-	(15,622,952)	-	-	-	-
Revaluation	-	7,236,560	-	-	2,201,318	-	-	9,437,878
Arising on disposals in the year	-	-	-	-	290,227	-	-	290,227
Balance as at 31 March 2008	1,260,432,519	7,236,560	169,172,405	(638,850,768)	1,757,118	-	-	799,747,834
Net profit for the year	-	-	-	33,183,103	(984,605)	-	-	32,198,498
Transfer of loss associated with subsidiary held for sale	-	-	-	2,539,900	-	(2,539,900)	-	-
Acquisition of subsidiary during the year	-	-	-	-	1,813,518	-	-	1,813,518
Transfer of minority interest associated with subsidiary held for sale	-	-	-	-	(1,255,986)	-	1,255,986	-
Transfer from general risk reserve	-	-	(169,172,405)	169,172,405	-	-	-	-
Balance as at 31 March 2009	1,260,432,519	7,236,560	-	(433,955,360)	1,330,045	(2,539,900)	1,255,986	833,759,850

Statements of Changes in Capital and Funding

Company	Capital Reserve	Revaluation Reserve	General Risk Reserve	Accumulated Losses	Total
	P	P	P	P	P
Balance as at 1 April 2007	1,216,401,125	-	138,555,719	(508,147,780)	846,809,064
Prior year adjustment (Note 27)	20,000,000	-	-	8,389,885	28,389,885
Balance restated as at 1 April 2007	1,236,401,125	-	138,555,719	(499,757,895)	875,198,949
Net loss for the year	-	-	-	(89,424,746)	(89,424,746)
Transfer to general risk reserve	-	-	30,616,686	(30,616,686)	-
Transfer to capital reserve	15,622,952	-	-	(15,622,952)	-
Revaluation	-	5,121,568	-	-	5,121,568
Balance as at 31 March 2008	1,252,024,077	5,121,568	169,172,405	(635,422,279)	790,895,771
Profit for the year	-	-	-	85,092,601	85,092,601
Transfer from general risk reserve	-	-	(169,172,405)	169,172,405	-
Balance as at 31 March 2009	1,252,024,077	5,121,568	-	(381,157,273)	875,988,372

Group Accounting Policies

1 Presentation of Financial Statements

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

2 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these Group and Company ("Consolidated") financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed on pages 30 -31.

(a) Standards, amendment and interpretations effective in 2009

Following accounting standards, amendments and interpretations to standards are mandatory for accounting periods beginning on or after 1 January 2008.

Amendment to IAS 39, 'Financial instruments: Recognition and measurement', and IFRS 7, 'Financial instruments: Disclosures', on the 'Reclassification of financial assets' (effective 1 July 2008)

Management assessed the relevance of the following new standards, amendments and interpretations (which are effective in 2008) with respect to the group's operations and concluded that they are not relevant to the group.

-IFRIC 8, Scope of IFRS 2- requires consideration of transaction involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2.

-IFRIC 11, 'IFRS 2- 'Group and treasury share transactions', provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies.

-IFRIC 10, Interim Financial Reporting and Impairment', prohibits the impairment losses recognised in an interim period on goodwill and investment in equity instruments and in financial assets carried at cost to be reversed as a subsequent balance sheet date. This standard does not have any impact on the company's financial statements.

Amendment to IFRIC 9 and IAS 39 regarding embedded derivatives (effective 1 July 2008).

-IFRIC 12, This Interpretation gives guidance on the accounting by operators for public-to-private service concession arrangements (1 January 2008).

-IFRIC 13, The Interpretation addresses accounting by the entity that grants award credits to its customers.

-IFRIC 14, This Interpretation applies to all post-employment defined benefits and other long-term employee defined benefits.

b) New standards, amendments and interpretations which are not effective yet

The following new standards, amendments and interpretations to existing standards are mandatory for the group's accounting periods beginning on or after 1 January 2009. These have not been early adopted by the group.

-IFRIC 15, agreement for construction of real estate. Deals with accounting for revenue and associated expenses by entities that under take the construction of real estate directly or through sub-contractors.

-IFRIC 16, This Interpretation applies to an entity that hedges the foreign currency risk arising from its net investments in foreign operations and wishes to qualify for hedge accounting in accordance with IAS 39. For convenience this Interpretation refers to such an entity as a parent entity and to the financial statements in which the net assets of foreign operations are included as consolidated financial statements. All references to a parent entity apply equally to an entity that has a net investment in a foreign operation that is a joint venture, an associate or a branch.

-IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards and IAS 27 (Amendment): Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

-IFRS 2 (Amendment), Share-based Payments – Vesting Conditions and Cancellations, (effective from 1 January 2009).

- IFRS 3 (revised) Business Combinations; (effective from 1 July 2009).

- IFRS 8, requires to disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. IFRS 8 replaces the IAS 14 - Segment reporting.

- IAS 1 (revised), presentation of Financial Statements (effective from 1 January 2009).

- IAS 23 (revised), Borrowing costs (effective from 1 January 2009)

- IAS 27 (revised), Consolidated and Separate Financial Statements (effective from 1 January 2009)

- IAS 39 (Amendment), Financial Instruments: Recognition and Measurement - Eligible Hedged Items

-Amendment to IAS 32 Financial Instrument : Presentation and IAS 1 Presentation of financial statements - Puttable Financial instruments and Obligations Arising on Liquidation" (effective from 1 January 2009).

Improvements to IFRSs – Improvements to IFRS is a collection of amendments to International Financial Reporting Standards (IFRSs). These amendments are the result of conclusions the Board reached on proposals made in its annual improvements project. Unless otherwise specified the amendments are effective for annual accounting periods beginning on or after 1 January 2009, although entities are permitted to adopt them earlier.

Management is currently assessing the impact of the application of aforementioned new standards, amendments and interpretations on the group's financial statements in the period of initial application. At this time, the adoption of these standards and interpretations is only expected to have an impact on the classification and disclosure of items in the group's financial statements.

Comparative Information

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

2.2 Consolidation

2.2.1 Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases. Subsidiaries are consolidated using the purchase method of accounting, except for business combinations involving entities or businesses under common control with agreement dates on/after 1 January 2006, which are accounted for using the pooling-of-interests method. They are de-consolidated from the date that control ceases.

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

The results of the entities acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries and special purpose funds to bring their accounting policies in line with those used by CEDA. All intra-group transactions, balances, income and expenses and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

Common control transactions

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

Transactions and minority interest

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

2.2.2 Investment in associates

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

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

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

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

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

2.2.3 Goodwill

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

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

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

2.2.4 Accounting for investment in associates in the separate financial statements

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

2.3 Foreign Currency Translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

2.5 Financial Assets

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

(a) Financial assets at fair value through profit or loss

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

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The group loan and receivable comprise of loan and advance in the balance sheet (note 10).

(c) Held-to-maturity financial assets

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

(d) Available-for-sale financial assets

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

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

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

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise.

Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired. At this time, the cumulative gain or loss previously recognised in equity is recognised in profit or loss. However, interest calculated using the effective interest method and foreign currency gains and losses on monetary assets classified as available for sale are recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the entity's right to receive payment is established. The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset, the group establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

2.6 Offsetting Financial Instruments

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

2.7 Revenue Recognition

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

2.7.1 Interest income

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

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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

2.7.2 Fees and commission income

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

2.7.3 Salvage and subrogation reimbursements

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

2.7.4 Recovery of Micro Credit Scheme debts

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

2.7.5 Dividend income

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

2.7.6 Service fees

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

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

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

2.7.7 Insurance Premiums

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

2.7.8 Financial Assistance Policy (FAP) grants

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

2.7.9 Government grants

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

2.8 Insurance claim expenses

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

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

This includes direct or indirect claim settlement costs and arise from events that have occurred up to the balance sheet 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 upto a maximum of twelve months on the capital balance.

2.9 Impairment of Financial Assets

(a) Assets carried at amortised cost

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

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

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

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

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

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

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

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

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

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

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

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

(b) Assets classified as available for sale

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

(c) Renegotiated loans

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

2.10 Property Plant and Equipment

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

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

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

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

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

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

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

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

2.11 Impairment of Non - Financial Assets

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

2.12 Leases

A group company is the lessee

The leases entered into by the group are primarily operating leases. The total payments made under operating leases are charged to other operating expenses in the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Finance leases

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

A group company is the lessor

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

2.13 Cash and Cash Equivalents

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

2.14 Provisions

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

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

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

Onerous contracts

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

2.15 Financial guarantee contracts

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

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

Outstanding claims payable

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

Provision for guaranteed loans in arrears

The Agency Agreement defines that a borrower is deemed to be in default on a loan, if they fail to meet their scheduled payment obligations for four consecutive months before a participating bank can submit a claim under the scheme. Provision for claims comprise the portion of the loss expected to be incurred by the group for the guaranteed loans that are four months or more in arrears but not yet claimed by the bank.

2.16 Financial Liabilities and Capital Funding Instruments

Classification as debt or capital

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

Capital instruments

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

Compound instruments

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

Financial liabilities

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

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

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

2.17 Retirement Benefits

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

CEDA operates a defined contribution fund for pension obligation.

2.18 Taxation

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

(a) Current tax

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

(b) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Taxation

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off. Current tax assets are set-off against current tax liabilities when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

2.19 Related parties

Parties are considered to be related if one has the ability to control the other party or exercise significant influence over the other, in making financial or operating decisions. A number of transactions are entered into with related parties in the normal course of business. These transactions are carried out under normal commercial terms and conditions at market rates, as summarised in the note 26 to the financial statements.

Financial Risk Management

3 Financial Risk Management

The group's activities expose it to a variety of financial risks: market risk (cash flow interest rate risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. The group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to date information systems. The group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

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

3.1 Credit risk

The group takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the group by failing to discharge 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-balance sheet financial instruments, such as loan commitments. The credit risk management and control are centralised in credit risk management team of group and reported to the Board of Directors and head of each business unit regularly.

3.1.1 Credit risk measurement

Loans and advances

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

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

Loans and advances	Group and Company	
	2009 P	2008 P
Performing loans	483,796,473	302,579,005
Loans above 5months in arrears	80,997,348	216,862,777
Loans which are foreclosed	93,588,040	215,163,982
	<u>658,381,860</u>	<u>734,605,764</u>

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

Cash and cash equivalents

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

3.1.2 Risk limit control and mitigation policies

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

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

Some other specific control and mitigation measures are outlined below.

3.1.3 Collateral

The group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is a common practice. The group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Charges over business assets such as premises, plant and equipment, inventory and accounts receivable.

3.1.4 Impairment and provisioning policies

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

The impairment provision shown in the balance sheet at year-end is derived from each of the three internal categories. However, the majority of the impairment provision comes from the bottom two grading. The table below shows the percentage of the group's on- and off-balance sheet items relating to advances and the associated impairment provision for each of the categories:

	Group and Company			
	2009		2008	
	Loans and advances	Impairment provision	Loans and advances	Impairment provision
	P	P	P	P
1. Performing loans	483,796,473	16,788,465	302,579,005	10,303,839
2. Loans above 5months in arrears	80,997,348	6,301,541	216,862,777	47,220,929
3. Loans which are foreclosed	<u>93,588,040</u>	<u>88,868,261</u>	<u>215,163,982</u>	<u>215,163,982</u>
	<u>658,381,860</u>	<u>111,958,267</u>	<u>734,605,764</u>	<u>272,688,750</u>

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

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (eg; equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;

- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral; and
- Downgrading below investment grading level.

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

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

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

	Maximum exposure Group		Maximum exposure Company	
	2009 P	2008 P	2009 P	2008 P
Credit risk exposure relating to on-balance sheet assets are as follows				
Cash and cash equivalents	123,885,668	110,740,303	86,661,380	51,440,746
Loans and advances to customers	546,423,593	461,917,014	546,423,593	461,917,014
Investment fair value through profit or loss	-	48,379,188	-	48,379,188
Other assets	67,706,127	43,331,013	67,706,127	43,331,013

3.1.6 Loans and advances

loans and advances are summarised follows;

	Group and Company	
	2009 P	2008 P
Neither past due nor impaired	154,561,890	144,834,842
Past due but not impaired	410,231,930	374,606,940
Individually impaired	93,588,040	215,163,982
Gross	658,381,860	734,605,764
Less : Allowance for impairment	(111,958,267)	(272,688,750)
Net	546,423,593	461,917,014

The total impairment provision for loans and advances is P111 958 266 (2008: P272 688 750) of which 62% (2008: 79%) represents the individually impaired loans. Fair value of collaterals of individually impaired loans amounts to P 22 265 490 (2008: P28 065 256).

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.

The above table represents a worse case scenario of credit risk exposure to the group at 31 March 2009 and 2008, without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet.

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

- 86% of the loans and advances portfolio is categorised in the top two grades of the internal rating system (2008: 71%).
- 97 % of loans portfolio is backed by collateral, (2008: 98%).
- The group has introduced a more stringent selection process upon granting loans and advances.

**3.1.7 Age analysis of loans and advances
Group and company**

	Neither past due nor impaired	1 - 150 days	Over 150 days	Total
Loans at 31 March 2009	154,561,890	410,231,930	93,588,040	658,381,860
Loans at 31 March 2008	144,834,842	374,606,940	215,163,982	734,605,764
Loans and advances past due but not impaired				
			1 - 150 days	Total
			P	P
Loans at 31 March 2009			410,231,930	410,231,930
Loans at 31 March 2008			374,606,940	374,606,940

3.1.8 Repossessed collateral

During 2009, the group obtained assets by taking possession of collateral held as security which totalled P20 155 275 (2008:51 176 131). Repossessed assets mainly consists of land and buildings, plant and machinery and equipments.

Repossessed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness.

3.2 Market risk

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

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

3.2.1 Interest rate risk

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

3.3.2 Interest rate sensitivity

At 31 March 2009, should interest rates have risen by 1% with all other variables remaining constant, the increase in net assets for the year would amount to approximately P5 550 360 arising substantially from the increase in financial assets carried at amortised cost. 2008: P5 797 679). If interest rates had lowered by 1%, the decrease in net assets would amount to approximately P 5 550 360 (2008: P5 797 679).

3.3 Liquidity risk

Liquidity risk is the risk of the group's inability to meet its payment obligations associated with its financial liabilities when they fall due. Liquidity risk may arise in situations where there are mismatches between maturities of assets and liabilities. The group's exposure to the risk is managed by the maturity profiles of the assets and liabilities.

3.3.1 Liquidity risk management process

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

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

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

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

Funding approach

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

3.3.2 Residual contractual maturities of financial assets and liabilities

Group

	Less than 1 month P	1-3 months P	3 - 12 months P	Over 1 years P	Total P
At 31 March 2009					
Trade and other payables	8,853,247	2,469,654	13,738,017	3,265,841	28,326,759
Liabilities	8,853,247	2,469,654	13,738,017	3,265,841	28,326,759
Assets	56,529,813	119,290,520	115,488,071	448,955,056	740,563,460
Total assets	56,529,813	119,290,520	115,488,071	448,955,056	740,563,460
At 31 March 2008					
Trade and other payables	574,913	65,126	2,719,894	24,664,151	28,024,087
Total Liabilities	574,913	65,126	2,719,894	24,664,151	28,024,087
Assets	75,560,457	168,714,388	190,720,012	412,642,807	847,637,664
Total assets	75,560,457	168,714,388	190,720,012	412,642,807	847,637,664

Company

	Less than 1 month P	1-3 months P	3 - 12 months P	1 - 5 years P	Total P
At 31 March 2009					
Liabilities					
Liabilities	6,965,884	2,469,654	13,738,017	3,265,841	26,439,397
Total Liabilities	6,965,884	2,469,654	13,738,017	3,265,841	26,439,397
Assets	23,686,546	103,204,613	115,488,071	448,955,056	691,334,286
Total Assets	23,686,546	103,204,613	115,488,071	448,955,056	691,334,286
At 31 March 2008					
Liabilities	574,913	65,126	2,309,771	13,026,046	15,975,856
Total liabilities	574,913	65,126	2,309,771	13,026,046	15,975,856
Assets	64,798,482	87,966,052	115,558,560	337,881,802	602,204,896
Total assets	64,798,482	87,966,052	115,558,560	337,881,802	602,204,896

3.4 Financial assets and liabilities

3.4.1 Fair value of the financial assets and liabilities

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

Financial assets	Group 2009		Group 2008	
	Carrying amount	Determined using internal valuation techniques based on market quoted inputs	Carrying amount	Determined using internal valuation techniques based on market quoted inputs
	P	P	P	P
Cash and cash equivalents	123,885,668	123,885,668	110,740,303	110,740,303
Money market investments	-	-	48,379,188	48,379,188
Advances	658,381,860	546,423,593	461,917,014	358,846,115
Other assets	67,706,127	67,706,127	43,331,014	40,762,947
Receivable from associated companies	2,248,451	2,248,451	4,269,441	4,269,441
	852,222,107	740,263,840	668,636,960	562,997,994

Financial assets	Company 2009		Company 2008	
	Carrying amount	Determined using internal valuation techniques based on market quoted inputs	Carrying amount	Determined using internal valuation techniques based on market quoted inputs
	P	P	P	P
Cash and cash equivalents	86,661,380	86,661,380	50,845,556	50,845,556
Advances	658,381,860	546,423,593	461,863,865	358,846,115
Other assets	58,249,312	58,249,312	44,354,377	34,152,870
	803,292,553	691,334,286	557,063,798	443,844,542

Financial liabilities	Group 2009		Group 2008	
	Carrying amount	Determined using internal valuation techniques based on market quoted inputs	Carrying amount	Determined using internal valuation techniques based on market quoted inputs
	P	P	P	P
Trade and other payables	28,326,759	24,919,919	28,024,084	10,759,699
	<u>28,326,759</u>	<u>24,919,919</u>	<u>28,024,084</u>	<u>10,759,699</u>

Financial liabilities	Company 2009		Company 2008	
	Carrying amount	Determined using internal valuation techniques based on market quoted inputs	Carrying amount	Determined using internal valuation techniques based on market quoted inputs
	P	P	P	P
Trade and other payables	26,439,397	23,044,353	30,598,359	12,883,270
	<u>26,439,397</u>	<u>23,044,353</u>	<u>30,598,359</u>	<u>12,883,270</u>

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**
The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

3.4.2 Categories of financial assets and liabilities

	Group		Company	
	2009 P	2008 P	2009 P	2008 P
Financial assets				
Cash and cash equivalents	123,885,668	110,740,303	86,661,380	50,845,556
Other assets	69,954,578	43,331,013	58,249,312	44,354,377
Money market investments	-	48,379,188	-	-
Loans and advances to customers	546,423,593	461,917,014	546,423,593	461,863,865
	<u>740,263,840</u>	<u>664,367,518</u>	<u>691,334,286</u>	<u>557,063,798</u>
Financial liabilities				
Trade and other payables	28,326,759	28,024,084	26,439,397	30,598,359

Critical accounting estimates and judgements

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

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

(a) Impairment losses on loans and advances

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

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

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

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

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

Sensitivity analysis on impairment losses on managements estimates is shown as follows:

31 March 2009
P'000

	Existing impairment allowance	Impact on changes in Emergence Period		Impact on changes in Rollrates		Impact on changes in Recovery experience	
		(+) 3 months	(-) 3 months	(+) 5%	(-) 5%	(+) 5%	(-) 5%
	P	P	P	P	P	P	P
Identified	74,321	-	-	6,012	(6,012)	4,014	(4,014)
Unidentified	37,637	674	(674)	20,708	(20,708)	2,214	(2,214)
Total	111,958	674	(674)	26,720	(26,720)	6,228	(6,228)

31 March 2008
P'000

	Existing impairment allowance	Impact on changes in Emergence Period		Impact on changes in Rollrates		Impact on changes in Recovery experience	
		(+) 3 months	(-) 3 months	(+)5%	(-) 5%	(+) 5%	(-) 5%
	P	P	P	P	P	P	P
Identified	218,514	-	-	5,379	(5,379)	4,823	(4,823)
Unidentified	54,174	2,080	(2,080)	27,149	(27,149)	6,320	(6,320)
Total	272,688	2,080	(2,080)	32,528	(32,528)	11,143	(11,143)

(b) Impairment losses on investments

The group reviews individual investments to assess impairment at every balance sheet 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 income statement.

(c) Residual values of property, plant and equipment

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

Notes

Citizen Entrepreneurial
Development Agency (CEDA)

31 March 2009

	Group		Company	
	2009 P	2008 P	2009 P	2008 P
1 INTEREST INCOME				Restated
Interest on advances	32,943,045	29,271,178	32,943,045	29,142,033
Staff loan interest	2,963,997	1,830,924	2,963,997	1,830,924
Interest from short term investments	13,248,558	25,572,607	7,491,172	15,444,738
Interest from associate companies	14,430,685	11,694,905	-	-
Interest from commercial banks	-	5,235	-	5,235
	<u>63,586,286</u>	<u>68,374,849</u>	<u>43,398,215</u>	<u>46,422,930</u>
2 OTHER OPERATING INCOME				
Recovery of Micro Credit Scheme debts	3,479,024	5,924,813	3,479,024	5,924,813
Profit on disposal of investment in subsidiary	-	664,321	-	-
Profit/(loss) on disposal of plant and equipment	102,713	(48,964)	102,713	(48,964)
Dividend income	-	-	-	16,000,000
Refund of FAP grants	83,600	11,740	83,600	11,740
Other income	8,500,685	3,390,803	7,139,753	2,773,712
Recouped on investment in subsidiaries disposed	-	147,056	-	-
	<u>12,166,022</u>	<u>10,089,769</u>	<u>10,805,090</u>	<u>24,661,301</u>
3 GOVERNMENT GRANTS				
Funds received from Government	<u>160,000,000</u>	<u>15,622,952</u>	<u>160,000,000</u>	<u>15,622,952</u>
4 SERVICE FEES				
The service fees relates to air transport operations of a subsidiary of the group	<u>757,784</u>	<u>756,362</u>	<u>-</u>	<u>-</u>
5 FAP GRANTS				
Capital grants				
- Small scale	6,951	25,761	6,951	25,761
Labour grants				
- Medium scale	75,945	183,970	75,945	183,970
- Small scale	-	3,388	-	3,388
Sales augmentation grants				
- Medium scale	600	14,147	600	14,147
	<u>83,496</u>	<u>227,267</u>	<u>83,496</u>	<u>227,267</u>
6 STAFF EXPENSES				
Salaries and wages	40,715,075	33,286,027	40,454,075	33,005,527
Leave pay	3,181,222	3,173,927	3,181,222	3,173,927
Gratuity	4,559,787	5,357,626	4,559,787	5,357,626
Pension scheme contributions	3,651,238	2,191,268	3,651,238	2,191,268
Medical aid contributions	1,255,930	1,233,070	1,255,930	1,233,070
Staff training cost	3,314,283	1,469,221	3,314,283	1,469,221
Staff travelling and other expenses	2,767,896	1,538,282	2,767,896	1,538,282
	<u>59,445,431</u>	<u>48,249,421</u>	<u>59,184,431</u>	<u>47,968,921</u>

7 OTHER EXPENSES	Group		Company	
	2009 P	2008 P	2009 P	2008 P
				Restated
Insurance	1,024,922	1,342,400	1,024,922	1,342,400
Postage and telephone	1,967,060	1,661,180	1,967,060	1,661,180
Travel and accommodation	2,111,982	2,801,430	2,111,982	2,801,430
Mentoring expenses	2,772,083	2,434,806	2,772,083	2,434,806
Bank charges	345,058	321,214	345,058	321,214
Printing and stationery	1,098,003	928,856	1,105,914	928,856
Auditors' remuneration - Current year	1,402,067	1,397,079	1,266,380	1,203,329
- Prior year	-	8,007	-	-
Debt collection expenses - Micro Credit Scheme	823,754	1,294,306	823,754	1,294,306
Consultants' fees	3,172,749	3,576,643	3,172,749	3,576,643
Depreciation (note 16)	5,620,622	3,567,351	5,276,990	3,478,581
Operating leases - buildings	4,306,578	3,936,289	4,306,578	3,936,289
Directors' emoluments - fees	151,849	121,011	151,849	121,011
	<u>24,796,727</u>	<u>23,390,572</u>	<u>24,325,319</u>	<u>23,100,045</u>
8 INCOME TAX CREDIT				
Income tax credit	-	410,123	-	-
Income tax liabilities				
Balance at the beginning of the year	(854,295)	174,379		
Movement during the year	-	(1,028,674)		
Balance at the end of the year	<u>(854,295)</u>	<u>(854,295)</u>	<u>-</u>	<u>-</u>

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

9 CASH AND CASH EQUIVALENTS				
Funds on deposit	107,358,472	46,531,194	75,904,134	12,910,726
Other bank balances and cash	16,527,197	64,209,109	10,757,247	38,530,020
	<u>123,885,668</u>	<u>110,740,303</u>	<u>86,661,380</u>	<u>51,440,746</u>

Funds on deposit represent amounts placed with commercial banks bearing interest at rates between 9% and 10% per annum (2008:10% and 11%). All deposits are callable within three months.

	Group		Company	
	2009 P	2008 P	2009 P	2008 P
10 LOANS AND ADVANCES				
Loans and advances	658,381,860	734,605,764	658,381,860	734,605,764
Impairment provision	(111,958,267)	(272,688,750)	(111,958,267)	(272,688,750)
	<u>546,423,593</u>	<u>461,917,014</u>	<u>546,423,593</u>	<u>461,917,014</u>
10.1 Sector analysis of loans and advances				
Loan to small scale customers	16,986,301	33,242,568	16,986,301	33,189,419
Loans to customers other than same scale	641,395,559	701,363,196	641,395,559	701,363,196
	<u>658,381,860</u>	<u>734,605,764</u>	<u>658,381,860</u>	<u>734,552,615</u>
Maturity analysis				
Current	279,962,456	151,914,857	279,962,456	151,914,857
Non - current	378,419,404	582,690,907	378,419,404	582,690,907
	<u>658,381,860</u>	<u>734,605,764</u>	<u>658,381,860</u>	<u>734,605,764</u>
10.2 Impairment provision of loan and advances:				
Specific provision:				
Balance at beginning of the year	(272,688,750)	(265,488,289)	(272,688,750)	(265,488,289)
Prior year adjustment	-	80,684,855	-	80,684,855
Balance re stated	(272,688,750)	(184,803,434)	(272,688,750)	(184,803,434)
Charge for the year	(40,750,791)	(88,412,588)	(40,750,791)	(88,412,588)
Bad debts written off	201,481,274	527,272	201,481,274	527,272
Balance at end of the year	<u>(111,958,267)</u>	<u>(272,688,750)</u>	<u>(111,958,267)</u>	<u>(272,688,750)</u>

Loans have been advanced for periods up to 84 months. Interest on advances is charged at 5% per annum on loans up to P150,00 and 7.5% on loans between P150,000 and P2,000,000. Approximately 97% of the loan book is at the rate of 7.5% (2008: 98%).

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

At the end of the year	<u>119,272,078</u>	<u>104,857,595</u>	<u>97,674,405</u>	<u>56,449,595</u>
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The above advances will be funded from internally generated funds and grants from the Government of the Republic of Botswana.

	Group		Company	
	2009 P	2008 P	2009 P	2008 P
11 INVESTMENTS IN GROUP COMPANIES				
11.1 Investment in subsidiaries				
100% capital investment in CEDA Venture Capital Fund	-	-	200,000,000	200,000,000
11.2 Investments in associates				
At beginning of the year	157,716,908	84,754,678	-	-
Investments during the year	45,656,219	72,962,230	-	-
Reclassified as held for sale	(38,252,689)	-	-	-
Investments disposed during the year	(39,167,931)	-	-	-
Total investment in associates	125,952,507	157,716,908	-	-
Interest receivable	8,443,993	2,446,304	-	-
At end of the year	134,396,500	170,163,212	-	-
Share of post acquisition net profit/ losses of associates				
At beginning of the year	(14,237,021)	(8,791,773)	-	-
Share of associates' profit/ loss for the year	197,086	(5,445,248)	-	-
Release of share of loss on investments disposed	3,216,000	-	-	-
Impairment of investment	(43,380,923)	(18,316,380)	-	-
Impairment on assets reclassified as held for sale	16,062,818	-	-	-
Dividends received from associates	(12,325,250)	-	-	-
Carrying value of investment in associates	83,929,210	137,609,811	-	-
11.3 Break down of investment in associates				
Investment in equity	76,612,015	82,928,426	-	-
Investment in preference shares	42,047,291	47,045,331	-	-
Investment in debentures	7,293,201	27,743,148	-	-
Total investment in associates	125,952,507	157,716,905	-	-
11.4 Impairment of investment net of recoupment				
At beginning of the year	(18,316,380)	(11,610,044)	-	-
Charge for Impairment of investments	(30,064,543)	(6,706,336)	-	-
Release of provision on disposal of associate	5,000,000	-	-	-
At end of year	(43,380,923)	(18,316,380)	-	-
Impairment is recognised in respect of the following investments				
Tannery Industries Botswana	12,914,373	456,472	-	-
Cabling for Africa	176,832	203,010	-	-
BiZcapital	793,398	753,653	-	-
ZS Botswana	117,122	-	-	-
Mabele Breweries/Widthways (Pty) Ltd - Debentures	-	5,293,201	-	-
Delta Dairies	16,062,818	-	-	-
	30,064,543	6,706,336	-	-

CEDA subsidiary - CEDA Venture Capital Fund is in the business of start ups/green fields. Accordingly, certain of its investee companies incur losses during the early stages of their operations. For equity investments it is the group policy to value the carrying value of these investments at their fair value less costs to sell determined by reference to an active market. The investments are written down to the extent of the group's share of the company's net assets being an amount that approximate the fair value less cost to sell where there is no active market and the fair value in use approximates zero on the basis of a history of losses.

	Group		Company	
	2009 P	2008 P	2009 P	2008 P
11.5 Summarised financial information of associates				
Income statement				
Revenue	524,387,987	283,490,417	-	-
Profit after tax	4,569,682	(2,500,286)	-	-
Balance sheet				
Non current assets	207,379,430	195,154,324	-	-
Current assets	224,356,883	195,340,641	-	-
Total assets	431,736,313	390,494,965	-	-
Equity	92,832,818	85,521,902	-	-
Total liabilities	338,903,496	304,973,063	-	-
Total equity and liabilities	431,736,314	390,494,965	-	-

11.6 Investments in associate companies and subsidiaries

Details of the group's subsidiaries and associates at 31 March 2009 are as follows:

Name of subsidiary / associate	Proportion of ownership interest	Proportion of voting power held	Principal activity
Phika Entrepreneurs (Pty) Ltd	49%	54%	Air charters
PG Industries (Botswana) (Pty) Ltd	48%	48%	Supply and manufacture of timber and wood products
Tannery Industries (Botswana) (Pty) Ltd	48%	48%	Tanning of hides into finished leather
Delta Dairies (Pty) Ltd	82%	82%	Manufacturing of UHT Long life milk and UHT products
Cabling For Africa (Pty) Ltd	26%	26%	Provider of networking systems integration solutions
Transport Holdings (Pty) Ltd	40%	40%	Transport and Logistics Company
Widthways (Pty) Ltd	43%	43%	Brewing and distribution of opaque beer
Benson Craig (Pty) Ltd	49%	49%	Manufacturing and distribution of cigarettes
ZS Botswana (Pty) Ltd	49%	49%	Supply and maintenance of radio communication equipment
Aon Botswana (Pty) Ltd	25%	25%	Insurance Brokerage
Latex Medical Products (Pty) Ltd	49%	49%	Condom manufacturing and distribution
Bizcapital Botswana (Pty) Ltd	49%	49%	Supply of short term working capital requirements
MRI Botswana (Pty) Ltd	43%	43%	Provision of emergency medical services
Easy Concrete Products (Pty) Ltd	49%	49%	Quarry Mining
Hyperbola (Pty) Ltd	26%	26%	Retail trading

All entities shown above are incorporated in Botswana.

11.7 Break down of investment in associates
Break down of investment in associates

	As at the beginning of the year	Additions incl interest capitalised	Disposals / Write off/ Reclassification	As at the end of the year
	P	P	P	P
Investment in equity				
PG Industries Botswana (note-a)	17,510,029	-	-	17,510,029
Tannery Industries Botswana (note-c)	10,076,208	-	-	10,076,208
Delta Dairies (note-d)	5,234,421	10,568,321	(15,802,742)	-
Cabling For Africa (note-f)	254,800	-	-	254,800
Transport Holdings (note-g)	4,500,000	-	-	4,500,000
Widthways (Pty) Ltd (note-h)	1,446,491	-	-	1,446,491
Benson Craig (Pty) Ltd (note-i)	3,216,000	-	(3,216,000)	-
ZS Botswana (note-j)	1,249,300	-	-	1,249,300
AON Botswana (note-k)	26,553,750	-	-	26,553,750
Latex (note-l)	1,185,717	-	-	1,185,717
BizCapital (note-m)	1,000,000	-	-	1,000,000
MRI Botswana (note-n)	5,701,710	3,896,429	-	9,598,139
Fabulous Flowers (note-e)	5,000,000	-	(5,000,000)	-
Easy Concrete (note-o)	-	3,236,296	-	3,236,296
Hyperbola (note-p)	-	1,285	-	1,285
	82,928,426	17,702,331	(24,018,742)	76,612,015
Investment in preference shares				
PG Industries Botswana (note-a)	4,000,000	-	-	4,000,000
Tannery Industries Botswana (note-c)	7,794,240	-	-	7,794,240
Cabling For Africa (note-f)	568,400	-	-	568,400
Benson Craig (Pty) Ltd (note-i)	19,104,003	11,847,928	(30,951,931)	-
Latex Medical Products (note-l)	5,807,691	-	-	5,807,691
BiZcapital (note-m)	5,000,000	-	-	5,000,000
ZS Botswana (note-j)	4,771,000	-	-	4,771,000
Easy Concrete (note-o)	-	12,108,591	-	12,108,591
Hyperbola (note-p)	-	1,997,369	-	1,997,369
	47,045,334	25,953,888	(30,951,931)	42,047,291
Debentures				
Delta Dairies (note-d)	22,449,947	-	(22,449,947)	-
Widthways (Pty) Ltd (note-h)	5,293,201	-	-	5,293,201
Latex Medical Products (note-l)	-	2,000,000	-	2,000,000
	27,743,148	2,000,000	(22,449,947)	7,293,201
Total investment in associates (note 11.3)	157,716,908	45,656,219	(77,420,620)	125,952,507

a) PG Industries Botswana (Pty) Ltd

The group holds 9,133,900 shares representing 48% share holding. The group exercises significant influence, which makes it an associate, and hence, the results of this company have been equity accounted in these group financial statements.

The group holds 400,000 redeemable preference shares of P10 each acquired in 2005. Preference shares earn dividends at 135 thebe per share annually. Preference shares are to be redeemed in one instalment at the sixth anniversary at a premium that will give an Internal rate of return (IRR) of 23% to the holder over the period that the share had been held.

b) Phika Entrepreneurs (Pty) Ltd

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

Interest on debentures is charged at prime plus 1% and is payable on a semi-annual basis. Debentures became redeemable from 1 October 2007 in 8 semi-annual instalments. These debentures may be convertible to ordinary shares at the rate of one to one at the option of the holder. The debentures are secured by deed of hypothecation over all movable assets of the company.

c) Tannery Industries (Botswana) (Pty) Ltd

The interest in Tannery Industries (Botswana) (Pty) Limited was acquired in June 2005. The group holds a 48% equity interest in this company.

The group also holds 3,530 preference A class of P1 each and 3,530 preference B class shares of P1 each in Tannery Industries (Botswana) Limited. The preference shares are redeemable, cumulative, convertible and non-voting. Preference A class shares carry a dividend rate of prime plus 1%. Preference B class shares carry a fixed coupon rate of 15% per annum.

d) Delta Dairies (Pty) Ltd

The interest in Delta Dairies (Pty) Limited was acquired in December 2005. The group effective 1 January 2009 increased its share holding to 82% (2008: 49%) equity interest in this company. The company went through a balance sheet restructuring on 1 January 2009 where P9,431,679 debenture notes and accrued interest of P10,568,321 were converted into ordinary shares by way of the company issuing additional shares to give effect to the conversion of debentures to ordinary shares.

On 1 March 2009, following the restructuring, the Board of Directors announced a plan to dispose of a part of its equity. The disposal is consistent with the group's long term policy and in line with the group's objective of not holding a controlling stake in the investments undertaken. The group is actively seeking a buyer and expects to complete the sale by 30 September 2009.

This has been accounted for as assets and liabilities held for sale in the group financial statements. (note 12)

e) Fabulous Flowers (Pty) Ltd

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

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

f) Cabling for Africa (Pty) Ltd

The interest in the company was acquired in September 2006. The group holds a 26% equity interest in this company. The investment in the company has been equity accounted in these group financial statements.

The group also holds 58 redeemable and cumulative preference shares of P1 each at a premium of P568 342 (P 9 700 per share) acquired in August 2006. Preference shares earn dividends at a coupon rate of 17.5% per annum. Preference shares are to be redeemed in two instalments after the sixth anniversary date, or earlier on mutual agreement with the ordinary shareholders, at a premium that will achieve an internal rate of return (IRR) of 23% to the holder, over the period that each share has been held.

g) Transport Holdings (Pty) Ltd

The interest in the company was acquired in December 2006. The group holds a 40% equity interest in this company, thus making it an associate company.

The investment in the company has been equity accounted in these group financial statements as the management of the company exercise significant influence.

h) Widthways (Pty) Ltd

The operations of this business were closed down during July 2008 due to production problems. The company has since been placed into provisional liquidation by the High Court of Botswana.

i) Benson Craig (Pty) Ltd

During the year under review, the group disposed of its interest in Benson Craig (Pty) Ltd. The company had stopped operating in September 2008 due to working capital constraints, and the group could not commit any further capital to the company.

Due to the accumulated liabilities, the disposal resulted in a significant capital loss to the group. This was compounded by the fact that the Botswana Unified Revenue Service (BURS) subsequently disallowed excise and VAT exemptions on exports that had been made by Benson Craig out of the Common Customs Area (CCA). The argument by BURS was that the documentation presented, although initially accepted by them, did not satisfy the Commissioner that indeed the stock had left the Common Customs Area. Thus the disposal proceeds of P14,412,000 will be utilised by the purchaser to settle the BURS liability of P14,549,827.

j) ZS Botswana (Pty) Ltd

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

The group holds 3 670 redeemable and cumulative preference shares of P 1 300 per share. The dividend is payable at a coupon rate of 12% annually. Preference dividends not received can be capitalised at the option of the holder on the basis of 1 preferences share for every P1 300 preference dividend outstanding.

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

k) Aon Botswana (Pty) Ltd

The interest in Aon Botswana (Pty) Limited was acquired in April 2007. The group holds a 25% equity interest in this company, thus making it an associate company. The investment in the company has been equity accounted in these group financial statements.

l) Latex Medical Products (Pty) Ltd

The group holds 49% of the equity in Latex Medical Products (Proprietary) Limited through ordinary shares acquired in May 2007. The investment in the company has been equity accounted in these group financial statements.

The group holds 5,807,691 redeemable, cumulative convertible and non-voting preference shares issued on 3 April 2007. The shares carry a dividend rate equivalent to the prime lending rate as determined by Barclays Bank of Botswana from time to time applied on an annual basis.

The preference share shall be redeemed in three instalments from the third anniversary of their effective date, or earlier on mutual agreement of the parties, at a premium that will give an internal rate of return to the holder of 23% over the period that the preference shares have been held.

m) BizCapital (Pty) Ltd

The group holds 49% of the equity in BizCapital (Proprietary) Limited through ordinary shares acquired in January 2008. The investment in the company has been equity accounted in these group financial statements. The group holds 5,000,000 preference shares of P1 each. Preference shares earn dividends at 12 thebe per share annually. The preference dividend is due and payable half yearly in March and September.

Preference shares are to be redeemed in five instalment from the third anniversary of the effective date (22 November 2007) or earlier on mutual agreement of the parties, at a premium that will give an internal rate of return (IRR) to the holder of 23% over the period that the preference shares have been held.

n) MRI Botswana (Pty) Ltd

The interest in MRI Botswana (Pty) Limited was acquired in March 2008. The group holds a 43% equity interest in this company, thus making it an associate company.

The investment in the company has been reported at cost in these group financial statements.

o) Easy Concrete Products (Pty) Ltd

The group holds 49% of the equity in Easy Concrete Products (Proprietary) Limited through ordinary shares acquired in July 2008. The investment in the company has been equity accounted in these group financial statements.

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

The preference share shall be redeemed in five instalments from the third anniversary of their effective date, or earlier on mutual agreement of the parties, at a premium that will give an internal rate of return to the holder of 23% over the period that the preference shares have been held.

p) Hyperbola (Pty) Ltd

The interest in Hyperbola (Pty) Limited was acquired in March 2009. The group holds a 26% equity interest in this company, thus making it an associate company.

The investment in the company has been reported at cost in these group financial statements.

12 NON CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

On 1 January 2009, the Group capitalised part of its loans in Delta Dairies (Pty) Ltd into equity as part of a balance sheet restructuring exercise. Following this, the group's shareholding in this company increased from 32% to 82%.

On 1 March 2009, the board of directors announced a plan to dispose of a part of its equity to reduce the group's shareholding from 82% to 37%. The disposal is consistent with the group's long term policy and in line with the group's objective of not holding a controlling stake in investments undertaken. The group is actively seeking a buyer for its 55% holding in Delta Dairies and expects to complete the sale by 31 December 2009.

The assets and liabilities related to Delta Dairies (Pty) Ltd have been presented as held-for-sale following the approval of the group's directors to sell 55% of the shareholding in Delta Dairies (Pty) Ltd. The assets and liabilities are carried at estimated selling price less costs to sell.

	Group	
	2009 P	2008 P
Cash flows from disposal group		
Operating cash flows	(22,815,804)	-
Investing cash flows	(6,159,127)	-
Financing cash flows	18,098,351	-
Total cash flows	(10,876,580)	-
Assets of disposal group classified as held for sale		
Property, plant and equipment	42,871,211	-
Deferred tax	6,209,543	-
Inventories	4,435,068	-
Trade and other receivables	9,474,568	-
Cash and cash equivalents	321,021	-
Intangibles	351,185	-
Total assets	63,662,596	-
Liabilities of disposal group classified as held for sale		
Finance lease liabilities	13,846,643	-
Deferred tax	2,026,304	-
Financial liabilities at fair value through profit and loss	7,727,883	-
Trade and other payables	6,722,462	-
Bank overdraft	12,425,189	-
Total liabilities	42,748,481	-
Minority interest associated with disposal group classified as held for sale	1,255,981	-
Analysis of the result of discontinued operations is as follows		
Revenue	12,739,903	-
Expenses	(16,383,757)	-
Loss before tax of discontinued operations	(3,643,854)	-
Taxation	546,422	-
Loss for the year from discontinued operations	(3,097,432)	-
Attributable to CEDA	(2,539,894)	-
Attributable to minority shareholders	(557,538)	-

	Group		Company	
	2009 P	2008 P	2009 P	2008 P Restated
13 MONEY MARKET INVESTMENTS				
Managed funds: Investec money market fund	-	48,379,188	-	48,379,188
14 OTHER ASSETS				
Staff loans	53,309,364	38,941,333	53,309,364	38,941,333
Other receivables	14,396,763	4,389,680	4,939,948	5,526,615
	<u>67,706,127</u>	<u>43,331,013</u>	<u>58,249,312</u>	<u>44,467,948</u>

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

15 RECEIVABLE FROM ASSOCIATED COMPANIES

Interest receivable - associated companies	3,617,205	5,463,125	-	-
Provision for impairment	(1,368,754)	(1,193,684)	-	-
	<u>2,248,451</u>	<u>4,269,441</u>	<u>-</u>	<u>-</u>

Interest from investments in related companies comprise interest accrued on the preference shares and debentures held by the company in various ventures (note 11). Interest is receivable semi annually within the 60 days of the period end.

16 PROPERTY, PLANT AND EQUIPMENT

Group	Motor vehicles	Office furniture and fittings	Computer equipment and software	Aircrafts	Total
	P	P	P	P	P
At cost / revaluation	8,920,936	8,024,688	15,468,911	7,306,724	39,721,259
Accumulated depreciation	5,988,667	3,007,864	12,315,926	566,932	21,879,389
Net book value at 31 March 2009	2,932,269	5,016,824	3,152,985	6,739,792	17,841,870
Opening net book value	5,400,259	5,489,433	4,414,819	7,074,906	22,379,417
Additions	-	64,533	1,606,286	-	1,670,819
Disposals	(1,811,178)	(88,219)	(1,108,191)	-	(3,007,588)
Depreciation charged	(1,961,380)	(537,142)	(2,786,986)	(335,114)	(5,620,622)
Depreciation on disposal	1,304,568	88,219	1,027,057	-	2,419,844
Net book value at 31 March 2009	2,932,269	5,016,824	3,152,985	6,739,792	17,841,870
At cost / revaluation	10,732,114	8,048,374	14,970,816	7,306,724	41,058,028
Accumulated depreciation	5,331,855	2,558,941	10,555,997	231,818	18,678,611
Net book value at 31 March 2008	5,400,259	5,489,433	4,414,819	7,074,906	22,379,417
Opening net book value	6,465,219	5,654,029	3,285,556	1,397,408	16,802,212
Additions	1,304,263	831,052	880,224	-	3,015,539
Revaluation increase	2,689,470	-	2,432,098	5,755,080	10,876,648
Disposals	(7,881,462)	(1,249,207)	(4,650,963)	-	(13,781,632)
Depreciation charged	(929,873)	(586,578)	(1,973,318)	(77,582)	(3,567,351)
Depreciation on disposal	3,752,642	840,137	4,441,222	-	9,034,001
Net book value at 31 March 2008	5,400,259	5,489,433	4,414,819	7,074,906	22,379,417
Company					
At cost / revaluation	8,997,430	5,809,740	17,568,327	-	32,375,498
Accumulated depreciation	6,187,907	2,539,905	12,554,202	-	21,282,015
Net book value at 31 March 2009	2,809,523	3,269,835	5,014,125	-	11,093,483
Opening net book value	5,330,260	4,227,399	5,731,575	-	15,289,234
Additions	-	64,533	1,604,450	-	1,668,983
Disposals	(1,811,178)	(88,219)	(1,108,191)	-	(3,007,588)
Transfers	-	-	-	-	-
Depreciation charged	(1,961,380)	(536,236)	(2,779,374)	-	(5,276,990)
Depreciation on disposal	1,304,568	88,219	1,027,057	-	2,419,844
Net book value at 31 March 2009	2,862,270	3,755,696	4,475,517	-	11,093,483
At cost / revaluation	10,808,607	5,833,426	17,072,068	-	33,714,101
Accumulated depreciation	5,478,347	1,606,027	11,340,493	-	18,424,867
Net book value at 31 March 2008	5,330,260	4,227,399	5,731,575	-	15,289,234
Opening net book value	2,361,119	3,909,022	4,975,769	-	11,245,910
Additions	1,304,263	831,052	880,224	-	3,015,539
Revaluation increase	2,689,470	-	2,432,098	-	5,121,568
Disposals	(843,253)	(1,243,240)	(4,588,572)	-	(6,675,065)
Transfers	(73,248)	471,264	(398,016)	-	-
Depreciation	(929,873)	(578,508)	(1,970,200)	-	(3,478,581)
Depreciation on disposal	821,782	837,809	4,400,272	-	6,059,863
Net book value at 31 March 2008	5,330,260	4,227,399	5,731,575	-	15,289,234

16.1 Revaluation

The group revalued motor vehicles and computer equipment and air crafts effective on 31 March 2008 by independent valuers. Valuations were made on the basis of recent market transactions on arm's length terms. The carrying value of motor vehicle and computer equipment would have been respectively 1 406 526 and 1 102 497 had the assets been carried at cost less depreciation.

The group also revalued the aircraft by independent valuers namely, Porflight Engineering Services to determine the fair value of the aircrafts. The valuation which confirms to International Valuation Standards for the industry was carried out on 10 March 2008. The revaluation surplus net of applicable deferred income taxes was credited to 'revaluation reserve' (note 20). The carrying value of the aircraft would have been P952 754 had the assets been carried at cost less depreciation.

	Group		Company	
	2009 P	2008 P	2009 P	2008 P
17 GENERAL RISK RESERVE				
Balance at beginning of the year	169,172,405	138,555,719	169,172,405	138,555,719
Reversal of the reserve to retained earnings	(169,172,405)	30,616,686	(169,172,405)	30,616,686
Balance at end of the year	-	169,172,405	-	169,172,405

During the current year the General risk reserve was discontinued as this was a mere appropriation of losses.

18 TRADE AND OTHER PAYABLES

				Restated
Trade payables	3,194,189	2,659,723	1,306,827	1,663,013
Provision for guaranteed loans	10,497,640	14,534,502	10,497,640	14,622,502
Other payables	14,634,931	10,829,860	14,634,931	14,312,845
	<u>28,326,759</u>	<u>28,024,084</u>	<u>26,439,397</u>	<u>30,598,359</u>
18.1 Provision for				
guaranteed loans				
Outstanding claims payable				
Opening balance	3,464,432	5,025,771	3,464,432	-
Transfer from provision for loans guaranteed in arrears	825,448	-	825,448	-
Claims paid	(226,434)	-	(226,434)	-
	<u>4,063,446</u>	<u>5,025,771</u>	<u>4,063,446</u>	<u>-</u>
Reduction in claims payable	-	(1,561,339)	-	-
Closing balance	4,063,446	3,464,432	4,063,446	-
Provision of guaranteed loans in arrears:				
Opening balance	11,070,070	10,572,058	11,070,070	-
Transfer to outstanding claims payable	(825,448)	-	(825,448)	-
	<u>10,244,622</u>	<u>10,572,058</u>	<u>10,244,622</u>	<u>-</u>
Reduction in provisions	(3,810,427)	-	(3,810,427)	-
Additional provision in the year	-	498,012	-	-
Closing balance	6,434,195	11,070,070	6,434,195	-
Total provision for guaranteed loans	<u>10,497,641</u>	<u>14,534,502</u>	<u>10,497,641</u>	<u>-</u>

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

19 FUNDING OF THE COMPANY

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

20 REVALUATION RESERVE

	Group		Company	
	2009 P	2008 P	2009 P	2008 P
Movements during the year				
Surplus arising from the revaluation of assets	10,876,648	10,876,648	5,121,568	5,121,568
Transferred to deferred tax	(1,438,770)	(1,438,770)	-	-
Balance at the end of the year	9,437,878	9,437,878	5,121,568	5,121,568
Attributable to minority	(2,201,318)	(2,201,318)	-	-
Attributable to group	7,236,560	7,236,560	5,121,568	5,121,568

21 LEASE COMMITMENTS

The company has entered into operating leases for the rental of premises.

The amounts due in terms of these agreements were:

	2009 P	2008 P	2009 P	2008 P
Due within one year	3,598,341	2,058,470	3,598,341	2,058,470
Due thereafter	6,167,802	9,399,333	6,167,802	9,399,333
	9,766,143	11,457,804	9,766,143	11,457,804

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

22 CAPITAL COMMITMENTS

	Group		Company	
	2009 P	2008 P	2009 P	2008 P
The following expenditure was authorised and/or committed at 31 March:				
Motor vehicles	1,330,000	-	1,330,000	-
Computer hardware	1,603,000	1,508,000	1,603,000	1,508,000
Computer software	5,640,000	554,000	5,640,000	554,000
Building Acquisition	-	10,500,000	-	10,500,000
Office furniture and fittings	684,970	830,300	684,970	830,300
	9,257,970	13,392,300	9,257,970	13,392,300

These commitments will be financed out of internally generated funds.

23 CONTINGENT LIABILITIES

The group also guarantees, in the normal course of business, supplies on credit to certain clients from selected suppliers. As at 31 March 2009, the guarantees amounted to 8 367 000 (2008: 300,000). These guarantees are for a defined period not exceeding twelve months.

CEDA Credit Guarantee Fund guarantees the net losses incurred by participating financial institutions as a result of their lending to small and medium sized industries under the CEDA Credit Guarantee Scheme. The fund has guaranteed up to 75% of the net losses incurred by the participating financial institutions. The total contingent liability as at 31 March 2009, as a result of guarantees issued amount to P46,391,377 (2008: P44,442,083).

24 CASH GENERATED FROM OPERATIONS	Notes	Group		Company	
		2009 P	2008 P	2009 P	2008 P
Profit/ loss before discontinued operations		35,295,930	(99,415,672)	85,092,601	(87,024,746)
Adjustments for:					Restated
Share of (profit)/loss of associates		(197,086)	5,445,248	-	-
Dividend received from CVCF		-	-	-	(13,600,000)
(Profit)/loss on disposal of plant and equipment		(102,713)	48,964	(102,713)	48,964
Repayment of capital		-	(147,056)	-	-
Loss/(Profit) on disposal of investment in subsidiary		30,951,931	(664,321)	-	-
Depreciation	16	5,620,622	3,567,351	5,276,990	3,478,581
Charge for impairment of investments	11	30,064,543	6,706,336	-	-
Charge for impairment of advances		40,750,791	88,412,588	40,750,791	88,412,588
Net cash generated from operating activities before changes in operating assets and liabilities		142,384,017	3,953,439	131,017,668	(8,684,612)
Changes in operating assets and liabilities:					
Decrease in related party balances		2,020,990	751,299	-	-
Net increase in loans and advances	25.1	(125,257,370)	(63,131,713)	(125,257,370)	(63,002,568)
Decrease in other liabilities	25.2	302,675	(5,453,082)	(4,158,962)	(1,652,071)
Withholding tax paid on dividend		-	(2,400,000)	-	(2,400,000)
Increase in other assets		(24,375,114)	(16,964,566)	(13,781,364)	(21,211,983)
Net cash (used in)/ generated from operating activities		(4,924,803)	(83,244,623)	(12,180,029)	(96,951,234)
25 NOTES TO CASH FLOW STATEMENTS					
25.1 Net increase in advances					
Advance disbursements in the year		196,925,906	140,363,137	196,925,906	140,363,137
Receipts		(104,611,581)	(106,502,602)	(104,611,581)	(106,502,602)
Interest income (note 1)		32,943,045	29,271,178	32,943,045	29,142,033
		125,257,370	63,131,713	125,257,370	63,002,568
25.2 (Decrease)/increase in trade and other payables					
Balance at the beginning of the year		(28,024,084)	(33,477,166)	(30,598,359)	(32,250,430)
Balance at the end of the year		28,326,759	28,024,084	26,439,397	30,598,359
		302,675	(5,453,082)	(4,158,962)	(1,652,071)
25.3 Decrease/increase in other assets					
Balance at the beginning of the year		43,331,013	26,366,447	44,467,948	23,255,965
Balance at the end of the year		(67,706,127)	(43,331,013)	(58,249,312)	(44,467,948)
		(24,375,114)	(16,964,566)	(13,781,364)	(21,211,983)

26 RELATED PARTY TRANSACTIONS

Related party balances consists of amounts due from entities under common ownership or control other than the state, directors and shareholders. Transactions with related parties are carried out at arms length and in the normal course of business.

	Group	
	2009 P	2008 P
Transactions during the year:		
Subsidiaries:		
Phika Entrepreneurs (Pty) Ltd		
Directors' remuneration for executive services	240,000	262,500
Interest on preference shares	546,292	443,330
	<u>546,292</u>	<u>443,330</u>
Associated companies:		
PG Industries (Botswana) (Pty) Limited		
Directors' remuneration and fees	47,337	38,000
Directors' remuneration for executive services	669,726	1,464,662
Interest on preference shares	540,000	1,502,662
	<u>540,000</u>	<u>1,502,662</u>
Tannery Industries (Botswana) (Pty) Limited		
Directors' remuneration for executive services	586,400	1,098,523
Interest on preference shares	1,914,483	1,644,580
	<u>1,914,483</u>	<u>1,644,580</u>
Delta Dairies (Pty) Ltd		
Directors remuneration for executive services	738,000	600,000
Directors' fees	-	18,000
Debenture interest	4,602,624	4,465,018
	<u>4,602,624</u>	<u>4,465,018</u>
Cabling for Africa (Pty) Ltd		
Directors' remuneration for executive services	407,587	255,566
Directors' fees	27,480	40,440
Interest on preference shares	133,501	113,220
	<u>133,501</u>	<u>113,220</u>
Widthways (Pty) Ltd		
Debenture interest	-	542,895
	<u>-</u>	<u>542,895</u>
Benson Craig (Pty) Ltd		
Directors' remuneration for executive services	-	1,367,475
Interest on preference shares	3,766,844	2,946,036
	<u>3,766,844</u>	<u>2,946,036</u>
ZS Botswana (Pty) Ltd		
Directors' remuneration for executive services	366,858	718,379
Directors' fees	9,500	9,000
Interest on preference shares	626,901	580,131
	<u>626,901</u>	<u>580,131</u>

26 RELATED PARTY TRANSACTIONS (Continued)

	Group	
	2009 P	2008 P
Aon Botswana		
Director's fees	36,400	50,000
Directors' remuneration for executive services	2,287,058	2,703,955
Latex Medical Products		
Director's fees	40,000	20,000
Directors' remuneration for executive services	389,750	300,000
Interest on preference shares	1,443,593	784,489
BizCapital		
Director's fees	7,250	311,976
Directors' remuneration for executive services	450,000	-
Interest on preference shares	630,266	78,533
MRI Botswana		
Director's fees	108,310	-
Directors' remuneration for executive services	820,549	-
Easy Concrete (Pty) Ltd		
Director's fees	178,000	-
Interest on preference Shares	772,473	-
Year end balances:		
Due by subsidiaries included in advances:		
Phika Entrepreneurs (Pty) Ltd	112,783	160,983
Due by associated companies :		
PG Industries (Botswana) (Pty) Limited	591,742	675,000
Tannery Industries (Botswana) (Pty) Limited	655,444	599,559
Delta Dairies (Pty) Limited	187,749	424,342
Cabling for Africa (Pty) Limited	46,950	40,603
Widthways (Pty) Limited	223,841	223,841
Benson Craig (Pty) Limited	-	1,233,530
ZS Botswana (Pty) Limited	380,804	209,541
Latex Medical Products	539,788	784,492
BizCapital	218,412	78,533
Easy Concrete	772,473	-
	3,617,203	4,269,441
Amount due to Citizen Entrepreneurial Development Agency		
Subsidiaries		
Easy Concrete	1,366,530	-

26 RELATED PARTY TRANSACTIONS (Continued)

Compensation of key management personnel

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

	2009 P	2008 P
Salaries	3,537,619	3,283,394
Housing allowance	956,064	954,750
Car allowance	611,194	632,000
Gratuity, medical aids and other	1,987,800	1,796,403
	<u>7,092,677</u>	<u>6,666,547</u>
Loans to directors	<u>1,490,228</u>	<u>3,052,049</u>

Loans to directors are repayable over maximum periods of between 5 and 10 years. Loans are substantially granted to purchase fixed property and motor vehicles and such loans are secured by Mortgage Bonds and the relevant assets financed by these loans. Terms and conditions for loans are same as the terms and conditions on loans for ordinary customers at the interest rate of 7% per annum. Loans to directors were not impaired as at the year end.

Included in the loans written off during the year of P 977 628 given to directors.

Directors' emoluments	<u>137,590</u>	<u>121,011</u>
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27 PRIOR YEAR ADJUSTMENT

On 1 April 2008, the operations on CEDA Credit Guarantee Fund ("CCGF") was merged with that of CEDA. The Directors note that business combinations involving entities or businesses under common control are outside the scope of IFRS 3 ("Business Combinations") and that there is no guidance elsewhere in IFRS covering such transactions. IFRS contains guidance to be followed where a transaction falls outside the scope of IFRS. This guidance is included in paragraphs 10 - 12 of IAS 8 ("Accounting Policies, Changes in Accounting Estimates and Errors"). This requires, inter alia, that where IFRS does not include guidance for a particular issue, the Directors may also consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards. In this regard, it is noted that the United States Financial Accounting Standards Board ("FASB") has issued an accounting standard covering business combinations ("FAS 141") that is similar in a number of respects to IFRS 3.

In contrast to IFRS 3, FAS 141 does include, as an Appendix, limited accounting guidance for transactions under common control which, as with IFRS 3, are outside that scope of that accounting standard. The guidance contained in FAS 141 indicates that a form of accounting that is similar to pooling-of-interests method and may be used when accounting for transactions under common control. Having considered the requirements of IFRS 8 and the guidance included within FAS 141, the Directors consider appropriate to use a form of accounting which is similar to pooling-of-interests when dealing with business combinations involving entities or businesses under common control.

As a result of adopting this policy, a prior year adjustment was effected in the CEDA stand-alone financial statements. This prior year adjustment resulted in incorporating CCGF's financial position as of 31 March 2008 and its operating results for the year then ended into that of CEDA and also incorporating CCGF's financial position as at 1 April 2007 into that of CEDA in the stand-alone financial statements.

Effect on income statement

Net loss for the year 2008 (as previously stated)	(95,553,458)
Prior year adjustment - results of CCGF	6,128,711
Net loss for the year 2008 (restated)	<u>(89,424,747)</u>

Effect on balance sheet as at 31/3/2008

Total assets as previously stated	772,353,032
Prior year adjustment - assets of CCGF	49,141,098
Total assets restated	<u>821,494,130</u>

Total liabilities as previously stated	15,975,857
Prior year adjustment - liabilities of CCGF	14,622,502
Total liabilities restated	<u>30,598,359</u>

Effect on equity as at 31/3/2007

Total shareholder fund as previously stated	846,809,064
Net assets of CCGF	28,389,885
Total shareholder fund restated	<u>875,198,949</u>

28 EVENTS AFTER BALANCE SHEET DATE

There were no material events that occurred after the balance sheet date that require disclosure or adjustment to the financial statements.



Annual Report 2009

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