

**Expresscredit (Proprietary) Limited  
Financial Statements  
For the 9 Months ended 31 December 2019**

Audit • Advisory • Tax

**Expresscredit Proprietary Limited**  
**Financial Statements**  
**For 9 Months Ended 31 December 2019**

**CORPORATE INFORMATION**

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Incorporated in the Republic of Botswana

Registration number: BW00000115487  
Date of incorporation: 22 December 2015

Nature of Business and principal activities Micro Finance

Directors

|                             |                             |
|-----------------------------|-----------------------------|
| Dineo Saleshando            | (Appointed 01 October 2017) |
| Una Hewitt                  | (Appointed 15 May 2019)     |
| Girts Suberts               | (Appointed 15 May 2019)     |
| Nicolaas Petrus Esterhuysen | (Appointed 15 May 2019)     |

Registered Office

Plot 64516  
1st Floor  
Gabs FM Building  
Showgrounds Close, Fairgrounds

Bankers

First National Bank Botswana Limited  
African Banking Corporation of Botswana Limited  
Stanbic Bank of Botswana Limited

Auditors

BDO  
Certified Auditors  
Gaborone

Secretary

Rhoss (Proprietary) Limited

Holding Company

YESCASH GROUP LIMITED  
Registration number: 137426  
C1/GBL  
Of: Suite 203b, Moka Business  
Centre, Moka 80813, Mauritius

**Expresscredit Proprietary Limited**  
**Financial Statements**  
**For 9 Months Ended 31 December 2019**

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**DIRECTORS RESPONSIBILITIES AND APPROVAL**

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The Directors are required in terms of the Companies Act (Chapter 42:01) to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company as at the end of the 9-months period and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

The Directors are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements set out on pages 8 to 47, which have been prepared on the going concern basis, were approved by the board on 26 June 2020 and were signed on their behalf by:



Director



Director

(Registration number BW00000115487)  
Financial Statements for the period of 9-months ended 31 December 2019

**DIRECTORS' REPORT**

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The Directors have the pleasure in submitting their report on the financial statements of Expresscredit (Proprietary) Limited for the 9 months ended 31 December 2019.

**1. Review of financial results and activities**

The financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act (CAP 42:01). The accounting policies have been applied consistently compared to the prior year.

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

**2. Stated capital**

There was an increase in stated capital during the period of 9-months ended 31 December 2019. On 31<sup>st</sup> October, 2019 the shareholders approved that the shareholder debt amounting to P 58 572 173 was converted to equity resulting in total stated capital of P 58 572 293.

**3. Events after the reporting period**

On 11 March 2020, the World Health Organisation (WHO) announced that the outbreak of the COVID-19 viral infection had reached the level of a global pandemic. On the 2 April 2020, the government of Botswana instituted a 28 day lockdown as a response measure to curb the spread of the virus. This was followed by parliament endorsing a 6 months state of emergency due to the rising levels of transmission of this virus. The pandemic has had a negative impact on the global economies and daily operations of Expresscredit Proprietary Limited as a company. The government of Botswana has however instituted measures to support and subsidise businesses during this period. At the time of approval of these reports, it is impossible to gauge the potential impact of the pandemic on the operations of Expresscredit Proprietary Limited over the course of the following two years. The operations of the Company have not been significantly encumbered, and client service is proceeding in compliance with required health and safety precautions. Based on available information, the management of the Company has analysed the potential negative effects on the operations, and has not identified any circumstances which might threaten the continuity of operations or result in a substantial impact on the 2019 financial statements. As at 31.12.2019 and on the day of signing of this report, the overall credit exposure of the Company to industries most directly impacted by the spread COVID-19 (i.e. hotels, hospitality and related sectors) totalled BWP 2.9 million. The Company expects to agree on revising loan terms and conditions with clients where necessary, including deferrals of principal payments, aiming to mitigate the negative effects on its financial performance while enabling clients to maintain their businesses.

The shareholders of the Company has the intention to increase the Company's stated capital by BWP 10 million to strengthen its equity position. The shareholders and the directors' approval have been made in April 2020.

**4. Secretary**

The company secretary is Rhoss (Proprietary) Limited.

**5. Principal activity**

The Company's principal business activity is consumer micro-lending activities. The company was incorporated in Botswana and operates in Botswana. It obtained its microlenders licence and is regulated by Non Bank Financial Institutions Regulatory Authority (NBFIRA).

**DIRECTORS' REPORT**

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**6. Directors**

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

|                             |                             |
|-----------------------------|-----------------------------|
| Dineo Saleshando            | (Appointed 01 October 2017) |
| Una Hewitt                  | (Appointed 15 May 2019)     |
| Girts Suberts               | (Appointed 15 May 2019)     |
| Nicolaas Petrus Esterhuysen | (Appointed 15 May 2019)     |

**7. Going Concern**

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

The list of the abbreviations used throughout the financial statements are presented on page 47, note 28.



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BDO House - 28 Kgale Mews  
Gaborone International Finance Park  
PO Box 1839, Gaborone  
Botswana

## Report of the Independent Auditors

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To the Shareholders of Expresscredit (Proprietary) Limited

### Opinion

We have audited the accompanying financial statements of Expresscredit (Proprietary) Limited set out on pages 8 to 47, which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the 9 months period then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects the financial position of Expresscredit (Proprietary) Limited as at 31 December 2019, and its financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards.

### Basis for Opinion

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

### Other Information

The directors are responsible for the other information. The other information comprises the directors' responsibilities and approval statement on page 3 and the directors' report as required by the Companies Act (Chapter 42:01) set out on pages 4 and 5. Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors for the Financial Statements

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

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

BDO  
Registration number: RBN 10527  
Certified Auditors

Partners: Chris Bray FCA(ICAEW) FCA(Bots) - (Motswana) . Associate: Christopher M. Matamande CA (Z) FCA (Bots) - (Zimbabwe)  
Donovan van der Vyver CA(SA) FCPA(Bots) - (South Africa)

BDO, a Botswana partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the International BDO network of independent members firms.



## Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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



**BDO**  
Certified Auditors

26 June 2020

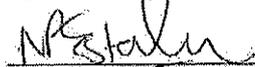
**Christopher Matamande (BICA Practising Certificate number 20080088)**  
Gaborone

**Expresscredit Proprietary Limited**  
**Financial Statements**  
**For 9 Months Ended 31 December 2019**

**STATEMENT OF FINANCIAL POSITION**

| <i>in BWP</i>                       | Notes | 31 December<br>2019 | 31 March<br>2019<br>Restated |
|-------------------------------------|-------|---------------------|------------------------------|
| <b>ASSETS</b>                       |       |                     |                              |
| <b>Non Current Assets</b>           |       |                     |                              |
| Loans and advances to customers     | 7     | 201 049 975         | 45 294 791                   |
| Premises and equipment              | 5     | 6 395 226           | 3 318 320                    |
| Intangible assets                   | 6     | 67 991              | 113 776                      |
| Deferred tax asset                  | 19    | 4 474 890           | -                            |
|                                     |       | <u>211 988 062</u>  | <u>48 726 887</u>            |
| <b>Current Assets</b>               |       |                     |                              |
| Loans and advances to customers     | 7     | 18 336 072          | 31 268 213                   |
| Other financial assets              | 8     | 6 215 102           | 4 338 692                    |
| Other non-financial assets          | 9     | 7 448 998           | 1 301 573                    |
| Advances to related parties         | 10    | 1 187 654           | -                            |
| Cash and cash equivalents           | 11    | 8 087 630           | 1 509 877                    |
|                                     |       | <u>39 275 456</u>   | <u>38 418 355</u>            |
| <b>TOTAL ASSETS</b>                 |       | <b>251 263 538</b>  | <b>87 145 242</b>            |
| <b>LIABILITIES</b>                  |       |                     |                              |
| <b>Non Current Liabilities</b>      |       |                     |                              |
| Borrowed funds                      | 12    | 104 539 301         | 106 641 908                  |
| Lease liability                     | 13    | 2 119 934           | -                            |
| Deferred protection fee             |       | 443 954             | -                            |
|                                     |       | <u>107 103 189</u>  | <u>106 641 908</u>           |
| <b>Current Liabilities</b>          |       |                     |                              |
| Borrowed funds                      | 12    | 52 753 423          | 1 840 264                    |
| Other financial liabilities         | 14    | 10 752 291          | 4 689 809                    |
| Provisions                          | 15    | 887 497             | 677 459                      |
| Trade and other payables            | 16    | 14 882 630          | 2 669 824                    |
| Lease liability                     | 13    | 1 277 145           | -                            |
| Deferred protection fee             |       | 16 316 100          | -                            |
|                                     |       | <u>96 869 086</u>   | <u>9 877 357</u>             |
| <b>TOTAL LIABILITIES</b>            |       | <b>203 972 275</b>  | <b>116 519 265</b>           |
| <b>EQUITY</b>                       |       |                     |                              |
| Stated capital                      | 17    | 58 572 293          | 120                          |
| Accumulated deficit                 |       | (11 281 030)        | (29 374 143)                 |
| <b>TOTAL EQUITY</b>                 |       | <b>47 291 263</b>   | <b>(29 374 023)</b>          |
| <b>TOTAL LIABILITIES AND EQUITY</b> |       | <b>251 263 538</b>  | <b>87 145 242</b>            |

The financial statements as set out in pages 8 to 47 were approved by the Directors on 26 June 2020 and were signed on their behalf by:

  
 Director

  
 Director

**Expresscredit Proprietary Limited**  
**Financial Statements**  
**For 9 Months Ended 31 December 2019**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

| <i>In BWP</i>  | Notes | 1 April 2019 -<br>31 December<br>2019 | 1 April 2018 -<br>31 March<br>2019<br>Restated |
|--|-------|---------------------------------------|--|
| Interest income  | 18    | 54 284 163                            | 32 796 804                                     |
| Other similar income   | 18    | 13 884 509                            | 8 098 233                                      |
| Interest expense   | 18    | (16 126 039)                          | (15 246 712)                                   |
| <b>Net margin on interest and similar income</b>                             |       | <b>52 042 633</b>                     | <b>25 648 325</b>                              |
| Credit loss allowance  |       | (6 382 780)                           | (13 646 978)                                   |
| <b>Net margin on interest and similar income after credit loss allowance</b> |       | <b>45 659 853</b>                     | <b>12 001 347</b>                              |
| Administrative and other operating expenses                                  | 19    | (29 427 579)                          | (22 604 363)                                   |
| Foreign exchange translation gains less losses                               |       | 1 863 192                             | (2 040 793)                                    |
| Lease interest expense   |       | (252 701)                             | -  |
| Other income   |       | 195 267                               | 50 657   |
| <b>Profit/(loss) before tax</b>  |       | <b>18 038 032</b>                     | <b>(12 593 153)</b>                            |
| Income tax benefit   | 20    | 250 733                               | -  |
| <b>PROFIT/(LOSS) FOR THE PERIOD</b>  |       | <b>18 288 765</b>                     | <b>(12 593 153)</b>                            |

**Expresscredit Proprietary Limited**  
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**STATEMENT OF CHANGES IN EQUITY**

| <i>In BWP</i>                              | Stated Capital    | Accumulated deficit | Total               |
|--|-------------------|---------------------|---------------------|
| <b>Balance at 31 March 2018 (restated)</b> | <b>120</b>        | <b>(16 780 990)</b> | <b>(16 780 870)</b> |
| Loss for the year                          | -                 | (12 593 153)        | (12 593 153)        |
| Effect of adoption of IFRS 16              | -                 | (195 652)           | (195 652)           |
| <b>Balance at 31 March 2019 (restated)</b> | <b>120</b>        | <b>(29 569 795)</b> | <b>(29 569 675)</b> |
| Profit / (loss) for the year               | -                 | 18 288 765          | 18 288 765          |
| Debt conversion into equity                | 58 572 173        | -                   | 58 572 173          |
| <b>Balance at 31 December 2019</b>         | <b>58 572 293</b> | <b>(11 281 030)</b> | <b>47 291 263</b>   |

**Expresscredit Proprietary Limited**  
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**STATEMENT OF CASH FLOWS**

| <i>In BWP</i>  | 1 April 2019 -<br>31 December<br>2019 | 1 April 2018 -<br>31 March<br>2019<br>Restated |
|--|---------------------------------------|--|
| <b>Cash flows from operating activities</b>  |                                       |  |
| Profit / (Loss) Before Taxation  | 17 842 380                            | (12 593 153)                                   |
| <b>Adjustments for:</b>  |                                       |  |
| Depreciation and amortisation  | 1 799 178                             | 1 281 526                                      |
| Change in provisions   | 210 038                               | 300 011  |
| Interest income from loans   | (54 284 163)                          | (32 796 804)                                   |
| Interest expense on borrowings   | 16 126 039                            | 15 246 712                                     |
| Impairment losses on loans   | 6 151 684                             | (9 248 876)                                    |
| <b>Cash flows from/(used in) operating activities before changes in operating assets and liabilities</b> | <b>(12 154 844)</b>                   | <b>(37 810 584)</b>                            |
| <i>Net (increase)/decrease in:</i>   |                                       |  |
| - loans and advances to customers  | (77 930 510)                          | (1 058 953)                                    |
| - other financial assets   | (9 211 489)                           | -  |
| <i>Net increase/(decrease) in:</i>   |                                       |  |
| - other financial liabilities  | 14 054 439                            | 6 806 505                                      |
| <b>Net cash from/(used in) operating activities</b>  | <b>(73 087 560)</b>                   | <b>5 747 552</b>                               |
| <b>Cash flows from investing activities</b>  |                                       |  |
| Acquisition of premises and equipment  | (1 432 653)                           | (895 042)                                      |
| Acquisition of intangible assets   | (3 875)                               | -  |
| <b>Net cash from/(used in) investing activities</b>  | <b>(1 436 528)</b>                    | <b>(895 042)</b>                               |
| <b>Cash flows from financing activities</b>  |                                       |  |
| Proceeds from borrowed funds   | 155 222 255                           | 46 279 087                                     |
| Repayment of borrowed funds  | (63 965 570)                          | (14 184 252)                                   |
| <b>Net cash from/(used in) financing activities</b>  | <b>91 256 685</b>                     | <b>32 094 835</b>                              |
| <b>Net increase/(decrease) in cash and cash equivalents</b>  | <b>4 577 753</b>                      | <b>(863 239)</b>                               |
| Cash and cash equivalents at the beginning of the period   | 1 509 877                             | 2 373 116                                      |
| <b>Cash and cash equivalents at the end of the period</b>  | <b>6 087 630</b>                      | <b>1 509 877</b>                               |

## NOTES TO THE FINANCIAL STATEMENTS

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### 1 Introduction

**Basis of preparation.** These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention. The principal accounting policies applied in the preparation of these financial statements are set out below. Apart from the accounting policy changes resulting from the adoption of IFRS 16 effective from 31 March 2019, these policies have been consistently applied to all the periods presented, unless otherwise stated. Refer to Note 4.

**Presentation currency.** These financial statements are presented in BWP.

**Abbreviations.** A glossary of various abbreviations used in this document is included in Note 25.

**Going concern.** Management prepared these financial statements on a going concern basis.

### 2 Significant Accounting Policies

**2.1 Financial instruments – key measurement terms.** *Fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 21.

*Transaction costs* are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

*Amortised cost ("AC")* is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

*The effective interest method* is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument.

The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount, which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired ("POCI")

**NOTES TO THE FINANCIAL STATEMENTS**

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at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

**Financial instruments – initial recognition.** Financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC, resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention (“regular way” purchases and sales) are recorded at trade date, which is the date on which the Company commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

The Company uses discounted cash flow valuation techniques to determine the fair value of loans to related parties that are not traded in an active market. Differences may arise between the fair value at initial recognition, which is considered to be the transaction price, and the amount determined at initial recognition using a valuation technique with level 3 inputs. If any differences remain after calibration of model inputs, such differences are initially recognised within other assets or other liabilities and are subsequently amortised on a straight line basis over the term of the loans to related parties. The differences are immediately recognised in profit or loss if the valuation uses only level 1 or level 2 inputs.

**Financial assets – classification and subsequent measurement – measurement categories.** The Company classifies financial assets in the following measurement category: AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Company’s business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

**Financial assets – classification and subsequent measurement – business model.** The business model reflects how the Company manages the assets in order to generate cash flows – whether the Company’s objective is: (i) solely to collect the contractual cash flows from the assets (“hold to collect contractual cash flows”) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets (“hold to collect contractual cash flows and sell”) or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of “other” business model and measured at FVTPL.

Business model is determined for a Company of assets (on a portfolio level) based on all relevant evidence about the activities that the Company undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Company in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets’ performance is assessed and how managers are compensated. Refer to Note 3 for critical judgements applied by the Company in determining the business models for its financial assets.

**Financial assets – classification and subsequent measurement – cash flow characteristics.** Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Company assesses whether the cash flows represent solely payments of principal and interest (“SPPI”). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at AC. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed. Refer to Note 3 for critical judgements applied by the Company in performing the SPPI test for its financial assets.

**Financial assets – reclassification.** Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The entity did not change its business model during the current and comparative period and did not make any reclassifications.

**Financial assets impairment – credit loss allowance for ECL.** The Company assesses, on a forward-looking basis, the ECL for debt instruments measured at AC. The Company measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

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Debt instruments measured at AC are presented in the statement of financial position net of the allowance for ECL. For loan commitments and financial guarantees, a separate provision for ECL is recognised as a liability in the statement of financial position.

The Company applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Company identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to Note 20 for a description of how the Company determines when a SICR has occurred. If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Company's definition of credit impaired assets and definition of default is explained in Note 20 For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL. Note 20 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Company incorporates forward-looking information in the ECL models.

As an exception, for certain financial instruments, such as credit cards, that may include both a loan and an undrawn commitment component, the Company measures expected credit losses over the period that the Company is exposed to credit risk, that is, until the expected credit losses would be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. This is because contractual ability to demand repayment and cancel the undrawn commitment does not limit the exposure to credit losses to such contractual notice period.

**Financial assets – write-off.** Financial assets are written-off, in whole or in part, when the Company exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. Indicators that there is no reasonable expectation of recovery include absence of payments for more than 12 months, the death of borrower, fraud cases. The Company may write-off financial assets that are still subject to enforcement activity when the Company seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

**Financial assets – derecognition.** The Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Company has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership, but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale.

**Financial assets – modification.** The Company sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Company assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset, significant change in interest rate that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Company derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Company also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Company compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Company recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognises a modification gain or loss in profit or loss.

**Financial liabilities – measurement categories.** Financial liabilities are classified as subsequently measured at AC. The Company does not have financial liabilities measured at FVTPL.

**Financial liabilities – derecognition.** Financial liabilities are derecognised when they are extinguished (i.e. when the

**NOTES TO THE FINANCIAL STATEMENTS**

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obligation specified in the contract is discharged, cancelled or expires).

An exchange between the Company and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

**Trade and other payables.** Trade payables are accrued when the counterparty has performed its obligations under the contract and are carried at AC.

**Cash and cash equivalents.** Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include all interbank placements with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents, both in the statement of financial position and for the purposes of the statement of cash flows. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

The payments or receipts presented in the statement of cash flows represent transfers of cash and cash equivalents by the Company, including amounts charged or credited to current accounts of the Company's counterparties held with the Company, such as loan interest income or principal collected by charging the customer's current account or interest payments or disbursement of loans credited to the customer's current account, which represents cash or cash equivalent from the customer's perspective.

**Loans and advances to customers.** Loans and advances to customers are recorded when the Company advances money to originate a loan due from a customer. Based on the business model and the cash flow characteristics, the Company classifies loans and advances to customers AC category loans that are held for collection of contractual cash flows and those cash flows represent SPPI and loans that are not voluntarily designated at FVTPL.

Impairment allowances are determined based on the forward-looking ECL models.

**2.2 Premises and equipment.** Premises and equipment are stated at cost less accumulated depreciation and accumulated impairment loss, where required.

Costs of minor repairs and day-to-day maintenance are expensed when incurred. Costs of replacing major parts or components of premises and equipment items are capitalised, and the replaced part is retired.

At the end of each reporting period management assesses whether there is any indication of impairment of premises and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the year (within other operating income or expenses).

**Depreciation.** Depreciation of other items of premises and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

| <u>Item</u> | <u>Depreciation Method</u> | <u>Useful lives in years</u> |
|-------------|----------------------------|------------------------------|
|-------------|----------------------------|------------------------------|

**NOTES TO THE FINANCIAL STATEMENTS**

|                        |               |     |
|------------------------|---------------|-----|
| Furniture and Fixtures | Straight line | 5   |
| Office equipment       | Straight line | 3   |
| IT Equipment           | Straight line | 3   |
| Leasehold improvement  | Straight line | 5   |
| Right of use assets    | Straight line | 5   |
| Work in progress       | N/A           | N/A |

The residual value of an asset is the estimated amount that the Company would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Work in progress items are not depreciated until the month when they are put in use.

**2.3 Intangible assets.** The Company's intangible assets other than goodwill have definite useful life and primarily include capitalised computer software. Capitalised computer software is amortised on a straight line basis over the expected useful life of 3 to 5 year.

**2.4 Accounting for leases by the Company as a lessee from 31 March 2019.** The Company leases office premises and equipment. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is recognised at cost and depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

As an exception to the above, the Company accounts for short-term leases and leases of low value assets by recognising the lease payments as an operating expense on a straight line basis.

In determining the lease term, management of the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

For the Company as a lessee the major class of right-of-use assets are rent agreements for the branch network and the head office used for the operating needs of the Company. Most lease contracts may be early terminated by both the Company and the lessor. Many contracts may be extended beyond their current term at discretion of the Company. Thus if there is an extension clause or early termination clause a lease term equal to the planning horizon of three years is often applied unless the lease term is shorter already. The incremental borrowing rate at the date of initial application was set at 12.50% and was based on the Company's nominal borrowing rate for loans previously obtained from the shareholders.

**Accounting for operating leases by the Company as a lessee prior to 31 March 2019.** Where the Company is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Company, the total lease payments are charged to profit or loss for the year (rental expense) on a straight-line basis over the period of the lease.

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**Accounting for operating leases by the Company as a lessor.** When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the lease term.

**Accounting for finance leases by the Company as a lessee prior to 31 March 2019.** Where the Company is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Company, the assets leased are capitalised in premises and equipment at the commencement of the lease at the lower of the fair value of the leased asset, and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of future finance charges, are included in other borrowed funds. The interest cost is charged to profit or loss for the year over the lease period using the effective interest method. The assets acquired under finance leases are depreciated over their useful life, or the shorter lease term if the Company is not reasonably certain that it will obtain ownership by the end of the lease term.

**2.5 Borrowed funds.** Borrowed funds include shareholder loans, loans obtained from unrelated non-financial institutions and funding obtained from peer-to-peer financing platform.

Borrowings are carried at AC.

**Subordinated debt.** Subordinated debt can only be paid in the event of a liquidation after the claims of other higher priority creditors have been met. Subordinated debt is carried at AC.

**2.6 Income taxes.** Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge credit comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes other than on income are recorded within administrative and other operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

**Uncertain tax positions.** The Company's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

**2.7 Provisions for liabilities and charges.** Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Levies and charges, such as taxes other than income tax or regulatory fees based on information related to a period before the obligation to pay arises, are recognised as liabilities when the obligating event that gives rise to pay a levy occurs, as identified by the legislation that triggers the obligation to pay the levy. If a levy is paid before the obligating event, it is recognised as a prepayment.

**2.8 Stated capital.** Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

**2.9 Interest income and expense recognition.** Interest income and expense are recorded for all debt instruments

**NOTES TO THE FINANCIAL STATEMENTS**

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an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness.

For financial assets that are originated or purchased credit-impaired, the effective interest rate is the rate that discounts the expected cash flows (including the initial expected credit losses) to the fair value on initial recognition (normally represented by the purchase price). As a result, the effective interest is credit-adjusted.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their AC, net of the ECL provision, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit-adjusted effective interest rate is applied to the AC.

**2.10 Foreign currency translation.** The functional currency of the Company is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and the Company's presentation currency, is the national currency of Botswana, Botswana Pula ('BWP').

Monetary assets and liabilities denominated in foreign currencies are translated into each entity's functional currency at the official exchange rate of the national banks of the respective countries at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates of the national banks of the respective countries, are recognised in profit or loss for the year (as foreign exchange translation gains less losses). Translation at year-end rates does not apply to non-monetary items that are measured at historical cost.

The results and financial position of the Company are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the respective reporting period;
- (ii) income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);
- (iii) components of equity are translated at the historic rate; and
- (iv) all resulting exchange differences are recognised in other comprehensive income.

At 31 December 2019, the principal rate of exchange used for translating foreign currency balances was as follows:

|            |            |            |
|------------|------------|------------|
|            | 31.12.2019 | 31.03.2019 |
| BWP / EURO | 11.9048    | 12.1212    |

**2.11 Staff costs and related contributions.** Wages, salaries, contributions to the Company jurisdictions state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Company. The Company has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

**2.12 Presentation of statement of financial position in order of liquidity.** The Company does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of their liquidity. Refer to Note 21 for analysis of financial instruments by their maturity. The following table provides information on amounts expected to be recovered or settled before and after twelve months after the reporting period for items that are not analysed in Note 21.

NOTES TO THE FINANCIAL STATEMENTS

| In BWP                     | 31 December 2019                            |  |           | 31 March 2019                               |  |           |
|----------------------------|---|--|-----------|---|--|-----------|
|                            | Amounts expected to be recovered or settled |  |           | Amounts expected to be recovered or settled |  |           |
|                            | Within 12 months after the reporting period | After 12 months after the reporting period | Total     | Within 12 months after the reporting period | After 12 months after the reporting period | Total     |
| <b>ASSETS</b>              |   |  |           |   |  |           |
| Intangible assets          | -   | 67 991                                     | 67 991    | -   | 113 776                                    | 113 776   |
| Other non-financial assets | 7 448 998                                   | -  | 7 448 998 | 1 301 573                                   | -  | 1 301 573 |
| Deferred tax asset         | -   | 4 474 890                                  | 4 474 890 | -   | -  | -         |
| <b>LIABILITIES</b>         |   |  |           |   |  |           |
| Provisions                 | 887 497                                     | -  | 887 497   | 677 459                                     | -  | 677 459   |

**3 Critical Accounting Estimates, and Judgements in Applying Accounting Policies**

The Company makes estimates and assumptions that affect the amounts recognised in the financial statements, and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

**3.1 ECL measurement.** Measurement of ECLs is a significant estimate that involves determination of methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 20. The following components have a major impact on credit loss allowance: definition of default, SICR, probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD"), as well as models of macro-economic scenarios. The Company regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

**Significant increase in credit risk ("SICR").** In order to determine whether there has been a significant increase in credit risk, the Company compares the risk of a default occurring over the life of a financial instrument at the end of the reporting date with the risk of default at the date of initial recognition. The assessment considers relative increase in credit risk rather than achieving a specific level of credit risk at the end of the reporting period. The Company considers all reasonable and supportable forward looking information available without undue cost and effort, which includes a range of factors, including behavioural aspects of particular customer portfolios.

Should ECL on all loans and advances to customers be measured at lifetime ECL (that is, including those that are currently in Stage 1 measured at 12-months ECL), the expected credit loss allowance would be BWP 56,787,587 as of 31 December 2019 (31 March 2019: BWP 41,330,749).

**Write-off policy.** Financial assets are written-off, in whole or in part, when the Company exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. Determining the cash flows for which there is no reasonable expectation of recovery requires judgement. Management considered the following indicators that there is no reasonable expectation of recovery: loans being past due over 720 days, death of the borrower, proved fraud cases. Management also considers, based on past practices, that contractual default interest is not collectible for loans overdue over 720 days. Therefore, the default interest was written-off from the gross carrying amounts of the respective loans.

**3.2 Lease classification.** The company is party to leasing arrangements and contracts, as a lessee. The treatment of leasing transactions in the financial statements is mainly determined by whether the arrangement or contract is considered a lease and if it's a lease whether or not the lease is a short term or long term, low value or high value lease. In making these assessments, management considers the substance of the lease, the lease term, the lease value as well as the legal form of the lease.

**3.3 Impairment of non financial assets.** The company reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist,

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management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

**3.4 Useful lives of property, plant and equipment.** Management assess the appropriateness of the useful lives of property, plant and equipment at the end of each reporting period. The useful lives of motor vehicles, furniture and computer equipment are determined based on company replacement policies for the various assets. Individual assets within these classes, which have a significant carrying amount are assessed separately to consider whether replacement will be necessary outside of normal replacement parameters. The useful life of manufacturing equipment is assessed annually based on factors including wear and tear, technological obsolescence and usage requirements.

When the estimated useful life of an asset differs from previous estimates, the change is applied prospectively in the determination of the depreciation charge.

**4 Adoption of New or Revised Standards and Interpretations**

**Adoption of IFRS 16, Leases.** The Company has initially applied IFRS 16 using the modified retrospective approach, under which the comparative information is not restated as permitted under the transitional provisions of IFRS 16. The reclassifications and the adjustments arising from the new leasing requirements are therefore recognised as an adjustment to the opening balance of retained earnings as of 31 March 2019.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17, *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 31 March 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 31 March 2019 was 12 %.

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics,
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 31 March 2019,
- accounting for operating leases with a remaining lease term of less than 12 months as at 31 March 2019 as short-term leases,
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Company relied on its assessment made applying IAS 17, *Leases*, and IFRIC 4, *Determining whether an Arrangement contains a Lease*.

The following table presents reconciliation of the operating lease commitments reported as of 31 March 2019 and lease liability recognised at 31 March 2019:

| <b>Rights-of-Use Assets</b>           | <b>Buildings or premises</b> |
|---------------------------------------|------------------------------|
| <b>As at 1 April 2019</b>             | <b>2 450 857</b>             |
| Additions                             | 1 148 083                    |
| Amortisation                          | (766 223)                    |
| Effect of modification of lease terms | 561 054                      |
| <b>As at 31 January 2019</b>          | <b>3 393 771</b>             |

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| Lease Liabilities                     | Buildings or premises |
|---------------------------------------|-----------------------|
| <b>As at 1 April 2019</b>             | <b>2 646 509</b>      |
| Additions                             | 1 148 083             |
| Interest expenses                     | 252 701               |
| Effect of modification of lease terms | 631 447               |
| Lease payments                        | (1 281 662)           |
| <b>As at 31 January 2019</b>          | <b>3 397 078</b>      |

The following amended standards became effective from 01 April 2019, but did not have any material impact on the Company:

- IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 01 January 2019).
- Prepayment Features with Negative Compensation – Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 01 January 2019).
- Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures" (issued on 12 October 2017 and effective for annual periods beginning on or after 01 January 2019).
- Annual Improvements to IFRSs 2015-2017 cycle – amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 01 January 2019).
- Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement" (issued on 7 February 2018 and effective for annual periods beginning on or after 01 January 2019).

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2020 or later, and which the Company has not early adopted.

**IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021).** IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of Companies of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the Company of contracts (the contractual service margin). Insurers will be recognising the profit from a Company of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a Company of contracts is or becomes loss-making, an entity will be recognising the loss immediately. The standard is not relevant to the Company as it does not have insurance contracts.

**Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).** The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

**Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).** The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a Company of similar

**NOTES TO THE FINANCIAL STATEMENTS**

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assets). The amendments are prospective and the Company will apply them and assess their impact from 1 January 2020.

**Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).** The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The Company is currently assessing the impact of the amendments on its financial statements.

**Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).** These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The Company is currently assessing the impact of the amendments on its financial statements.

**Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).** The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance – in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Company's financial statements.

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**5 Premises and Equipment**

| <i>In BWP</i>                              | Office equipment | Leasehold improvements | IT Equipment     | Furniture and Fixtures | Work in progress | Right of Use Asset – Buildings or Premises | Total            |
|--|------------------|------------------------|------------------|------------------------|------------------|--|------------------|
| Cost at 1 April 2018                       | -                | 1 824 659              | 1 637 118        | 609 301                | -                | -  | 4 071 078        |
| Reclassification                           | -                | 407 386                | -                | (407 386)              | -                | -  | -                |
| Accumulated depreciation                   | -                | (184 757)              | (160 828)        | (86 041)               | -                | -  | (431 626)        |
| Reclassification                           | -                | (63 703)               | -                | 63 703                 | -                | -  | -                |
| <b>Carrying amount at 1 January 2018</b>   | -                | <b>1 983 585</b>       | <b>1 476 290</b> | <b>179 577</b>         | -                | -  | <b>3 639 452</b> |
| Additions                                  | 75 679           | 562 966                | 233 812          | 22 585                 | -                | -  | 895 042          |
| Depreciation charge                        | (9 606)          | (546 631)              | (604 281)        | (55 655)               | -                | -  | (1 216 173)      |
| <b>Carrying amount at 31 March 2019</b>    | <b>66 073</b>    | <b>1 999 920</b>       | <b>1 105 821</b> | <b>146 507</b>         | -                | -  | <b>3 318 321</b> |
| Cost at 31 March 2019                      | 75 679           | 2 795 011              | 1 870 930        | 224 500                | -                | -  | 4 966 120        |
| Accumulated depreciation                   | (9 606)          | (795 091)              | (765 109)        | (77 993)               | -                | -  | (1 647 799)      |
| <b>Carrying amount at 31 March 2019</b>    | <b>66 073</b>    | <b>1 999 920</b>       | <b>1 105 821</b> | <b>146 507</b>         | -                | -  | <b>3 318 321</b> |
| Adoption of IFRS 16: Leases                | -                | -                      | -                | -                      | -                | 2 450 857                                  | 2 450 857        |
| <b>Carrying amount at 31 March 2019</b>    | <b>66 073</b>    | <b>1 999 920</b>       | <b>1 105 821</b> | <b>146 507</b>         | -                | <b>2 450 857</b>                           | <b>5 769 178</b> |
| Additions                                  | -                | 380 191                | 120 830          | 97 625                 | 67 783           | 1 709 137                                  | 2 375 566        |
| Depreciation charge                        | (14 190)         | (442 326)              | (476 528)        | (50 251)               | -                | -  | (983 295)        |
| Amortisation                               | -                | -                      | -                | -                      | -                | (766 223)                                  | (766 223)        |
| <b>Carrying amount at 31 December 2019</b> | <b>51 883</b>    | <b>1 937 785</b>       | <b>750 123</b>   | <b>193 881</b>         | <b>67 783</b>    | <b>3 393 771</b>                           | <b>6 395 226</b> |
| Cost at 31 December 2019                   | 75 679           | 3 175 202              | 1 991 760        | 322 125                | 67 783           | 4 159 994                                  | 9 792 543        |
| Accumulated depreciation                   | (23 796)         | (1 237 417)            | (1 241 637)      | (128 244)              | -                | (766 223)                                  | (3 397 317)      |
| <b>Carrying amount at 31 December 2019</b> | <b>51 883</b>    | <b>1 937 785</b>       | <b>750 123</b>   | <b>193 881</b>         | <b>67 783</b>    | <b>3 393 771</b>                           | <b>6 395 226</b> |

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**6 Intangible assets**

|                                 | Computer Software      |                                 |
|---------------------------------|------------------------|---------------------------------|
|                                 | 31<br>December<br>2019 | 31<br>March<br>2019<br>Restated |
| <i>In BWP</i>                   |                        |                                 |
| Opening Balance                 | 196 060                | 196 060                         |
| Additions                       | 3 875                  | -                               |
| Closing Balance                 | <u>199 935</u>         | <u>196 060</u>                  |
| <b>Accumulated amortisation</b> |                        |                                 |
| Opening balance                 | (82 284)               | (16 930)                        |
| Charge for the year             | (49 660)               | (65 354)                        |
| Closing Balance                 | <u>(131 944)</u>       | <u>(82 284)</u>                 |
| Net Book Value                  | <u>67 991</u>          | <u>113 776</u>                  |

**7 Loans and Advances to Customers**

|   | 31                 | 31                        |
|---|--------------------|---------------------------|
|   | December 2019      | March<br>2019<br>Restated |
| <i>In BWP</i>   |                    |                           |
| Gross carrying amount of loans and advances to customers at AC        | 247 305 679        | 98 099 856                |
| Less credit loss allowance  | (27 688 536)       | (21 536 852)              |
| <b>Total carrying amount of loans and advances to customers at AC</b> | <b>219 386 047</b> | <b>76 563 004</b>         |
| Loans and advances to customers - Non Current                         | 201,049,975        | 45,294,791                |
| Loans and advances to customers - Current                             | 18 336 072         | 31,268,213                |
| <b>Total carrying amount of loans and advances to customers at AC</b> | <b>219 386 047</b> | <b>76,563,004</b>         |

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7 Loans and Advances to Customers (Continued)

The following tables disclose the changes in the credit loss allowance and gross carrying amount for loans and advances to customers carried at amortised cost between the beginning and the end of the reporting and comparative periods:

|   | Credit loss allowance         |                                       |   | Gross carrying amount |                               |                                       |   |                    |
|---|-------------------------------|---------------------------------------|---|-----------------------|-------------------------------|---------------------------------------|---|--------------------|
|   | Stage 1<br>(12-months<br>ECL) | Stage 2<br>(lifetime ECL for<br>SICR) | Stage 3<br>(lifetime ECL for<br>credit im-paired) | Total                 | Stage 1<br>(12-months<br>ECL) | Stage 2<br>(lifetime ECL<br>for SICR) | Stage 3<br>(lifetime ECL<br>for credit im-<br>paired) | Total              |
| <b>At 31 March 2019 (restated)</b>  | 1 939 171                     | 2 526 605                             | 17 071 076  | 21 536 852            | 74 329 014                    | 4 633 735                             | 19 137 107  | 98 099 856         |
| <i>Movements with impact on<br/>credit loss allowance charge<br/>for the period:</i>          |                               |                                       |   |                       |                               |                                       |   |                    |
| Transfers:  |                               |                                       |   |                       |                               |                                       |   |                    |
| - to lifetime (from Stage 1 to<br>Stage 2)  | (207 450)                     | 207 450                               | -   | -                     | (2 853 790)                   | 2 853 790                             | -   | -                  |
| - to credit-impaired (from<br>Stage 1 and Stage 2 to<br>Stage 3)                              | (299 343)                     | (1 445 764)                           | 1 745 107   | -                     | (3 373 760)                   | (1 959 539)                           | 5 333 299   | -                  |
| - to 12-months ECL (from<br>Stage 2 and Stage 3 to<br>Stage 1)                                | 1 008 647                     | (275 145)                             | (733 502)   | -                     | 1 301 209                     | (530 086)                             | (771 123)   | -                  |
| New originated or purchased   | 8 416 113                     | 2 163 352                             | 1 828 669   | 12 408 134            | 173 249 579                   | 6 397 841                             | 2 812 686   | 182 460 106        |
| Changes in accrued interest   | -                             | -                                     | -   | -                     | 1 424 226                     | 699 069                               | (518 291)   | 1 605 004          |
| Loan repayments   | (2 158 229)                   | (43 849)                              | (3 823 276)                                       | (6 025 354)           | (27 681 338)                  | (1 696 284)                           | (5 481 665)   | (34 859 287)       |
| <b>Total movements with<br/>impact on credit loss<br/>allowance charge for the<br/>period</b> | <b>6 759 738</b>              | <b>606 044</b>                        | <b>(983 002)</b>                                  | <b>6 382 780</b>      | <b>142 066 126</b>            | <b>5 764 791</b>                      | <b>1 374 906</b>                                      | <b>149 205 823</b> |

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|   | Credit loss allowance         |                                       |   | Gross carrying amount |                               |                                       |   |             |
|---|-------------------------------|---------------------------------------|---|-----------------------|-------------------------------|---------------------------------------|---|-------------|
|   | Stage 1<br>(12-months<br>ECL) | Stage 2<br>(lifetime ECL for<br>SICR) | Stage 3<br>(lifetime ECL for<br>credit im-paired) | Total                 | Stage 1<br>(12-months<br>ECL) | Stage 2<br>(lifetime ECL<br>for SICR) | Stage 3<br>(lifetime ECL<br>for credit im-<br>paired) | Total       |
| <i>In BWP</i>   |                               |                                       |   |                       |                               |                                       |   |             |
| <i>Movements without impact on<br/>credit loss allowance charge<br/>for the period:</i> |                               |                                       |   |                       |                               |                                       |   |             |
| Write-offs  | -                             | -                                     | (231 096)   | (231 096)             | -                             | -                                     | (231 096)   | (231 096)   |
| At 31 December 2019   | 8 698 909                     | 3 132 649                             | 15 856 978  | 27 688 536            | 216 395 140                   | 10 398 526                            | 20 280 917  | 247 074 583 |

**NOTES TO THE FINANCIAL STATEMENTS**

**7 Loans and Advances to Customers (Continued)**

The credit loss allowance for loans and advances to customers recognised in the period is impacted by a variety of factors, details of ECL measurement are provided in Note 20. Below main movements in the table are described:

- Transfers between Stage 1, 2 and 3 due to balances experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised in the period;
- Impact on the measurement of ECL due to changes to model assumptions, including changes in PDs, EADs and LGDs in the period, arising from update of inputs to ECL models;
- Unwinding of discount due to the passage of time because ECL is measured on a present value basis;
- Write-offs of allowances related to assets that were written off during the period.

The following tables contain analyses of the credit risk exposure of loans and advances to customers measured at AC and for which an ECL allowance is recognised. The carrying amount of loans and advances to customers below also represents the Company's maximum exposure to credit risk on these loans.

The credit quality of loans to customers carried at amortised cost is as follows at 31 March 2019 and 31 December 2019:

| <i>31.03.2019 (restated)<br/>In BWP</i> | <b>Stage 1<br/>(12-months<br/>ECL)</b> | <b>Stage 2<br/>(lifetime ECL<br/>for SICR)</b> | <b>Stage 3<br/>(lifetime ECL<br/>for credit im-<br/>paired)</b> | <b>Total</b>      |
|---|--|--|---|-------------------|
| - Current                               | 65 638 224                             | -  | -   | 65 638 224        |
| - 1-30 days past due                    | 8 690 790                              | -  | -   | 8 690 790         |
| - 31-60 days past due                   | -                                      | 2 721 122                                      | -   | 2 721 122         |
| - 61-90 days past due                   | -                                      | 1 912 613                                      | -   | 1 912 613         |
| - Default                               | -                                      | -  | 19 137 107  | 19 137 107        |
| <b>Gross carrying amount</b>            | <b>74 329 014</b>                      | <b>4 633 735</b>                               | <b>19 137 106</b>   | <b>98 099 856</b> |
| Credit loss allowance                   | 1 939 171                              | 2 526 605                                      | 17 071 076  | 21 536 852        |
| <b>Carrying amount</b>                  | <b>72 389 843</b>                      | <b>2 107 130</b>                               | <b>2 066 030</b>  | <b>76 563 004</b> |

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| <i>31.12.2019</i><br><i>In BWP</i> | Stage 1<br>(12-months ECL) | Stage 2<br>(lifetime ECL<br>for SICR) | Stage 3<br>(lifetime ECL<br>for credit im-<br>paired) | Total              |
|------------------------------------|----------------------------|---------------------------------------|---|--------------------|
| - Current                          | 208 726 535                | -                                     | -   | 208 726 535        |
| - 1-30 days past due               | 7 668 605                  | -                                     | -   | 7 668 605          |
| - 31-60 days past due              | -                          | 6 550 776                             | -   | 6 550 776          |
| - 61-90 days past due              | -                          | 3 847 750                             | -   | 3 847 750          |
| - Default                          | -                          | -                                     | 20 512 013  | 20 512 013         |
| <b>Gross carrying amount</b>       | <b>216 395 140</b>         | <b>10 398 526</b>                     | <b>20 512 013</b>                                     | <b>247 305 679</b> |
| Credit loss allowance              | 8 698 909                  | 3 132 649                             | 15 856 978  | 27 688 536         |
| <b>Carrying amount</b>             | <b>207 696 231</b>         | <b>7 265 877</b>                      | <b>4 655 035</b>                                      | <b>219 617 143</b> |

At 31 December 2019 the Company had 11 508 borrowers (31 March 2019: 6 444 borrowers) with aggregated loan amounts excluding repayments above BWP 327 944 thousand (31 March 2019: BWP 217 649 thousand).

The outstanding contractual amounts of loans and advances to customers written off that are still subject to enforcement activity was as follows at 31 December 2019 and 31 March 2019:

| <i>In BWP</i>                               | 31 December<br>2019 | 31 March 2019<br>Restated |
|---|---------------------|---------------------------|
| Loans and advances to customers written off | 231 096             | -                         |
| <b>Total</b>                                | <b>231 096</b>      | <b>-</b>                  |

The Company's policy is to complete legal enforcement steps that were initiated even though the loans were written off as there is no reasonable expectation of recovery.

**8 Other financial assets**

| <i>In BWP</i>                             | 31 December<br>2019 | 31 March<br>2019<br>Restated |
|---|---------------------|------------------------------|
| <i>Other financial assets at AC</i>       |                     |                              |
| Collections receivable                    | 224 485             | 4 338 692                    |
| Loan to the ultimate parent entity        | 4 220 406           | -                            |
| Receivables from Mintos                   | 1 054 173           | -                            |
| Other                                     | 716 038             | -                            |
| <b>Total other financial assets at AC</b> | <b>6 215 102</b>    | <b>4 338 692</b>             |

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**9 Other Non-Financial Assets**

| <i>In BWP</i>                           | 31 December<br>2019 | 31 March<br>2019<br>Restated |
|---|---------------------|------------------------------|
| Deferred direct sales agents commission | 6 377 795           | -                            |
| Prepayments for services                | 830 166             | 1 124 018                    |
| Security deposits                       | 240 255             | 177 555                      |
| Other assets                            | 782                 | -                            |
| <b>Total other assets</b>               | <b>7 448 998</b>    | <b>1 301 573</b>             |

**10 Advances paid to related parties**

Advances paid to related parties represent payments mainly for marketing invoices which initially will be paid by the ultimate parent entity due to centralised purchases and subsequently will be recharged to its subsidiaries. The respective services will be received within the next 3 months. Advances paid do not attract any interest income.

| <i>In BWP</i>   | 31 December<br>2019 | 31 March<br>2019<br>Restated |
|---|---------------------|------------------------------|
| <i>Advances paid to related parties</i>                       |                     |                              |
| Advances paid for marketing services to EC Finance Group Ltd. | 1 187 654           | -                            |
| <b>Total advances paid to related parties</b>                 | <b>1 187 654</b>    | <b>-</b>                     |

**11 Cash and Cash Equivalents**

| <i>In BWP</i>                          | 31 December<br>2019 | 31 March<br>2019<br>Restated |
|--|---------------------|------------------------------|
| Cash on hand                           | 17 395              | 25 403                       |
| Bank Balances                          | 6 070 235           | 1 484 474                    |
| <b>Total cash and cash equivalents</b> | <b>6 087 630</b>    | <b>1 509 877</b>             |

For the purpose of ECL measurement cash and cash equivalents balances are included in Stage 1. The ECL for these balances represents an insignificant amount, therefore the Company did not recognise any credit loss allowance for cash and cash equivalents. Refer to Note 20 for the ECL measurement approach.

Interest rate analysis of cash and cash equivalents is disclosed in note 18. Information on related party balances is disclosed on note 22.

**NOTES TO THE FINANCIAL STATEMENTS**

**12 Borrowed Funds**

Contractual interest rate of borrowed funds from related parties is 12.5%. Loan from the Related parties is unsecured and has had maturity as of 31 December 2020.

Borrowings from Mintos peer-to-peer lending platform are secured with the Company's loans and advances from customers which have been listed in Mintos platform. The borrowings from Mintos have the interest rate in the range between 9.1% and 16% per annum (31.03.2019: 10% and 15%) and the weighted average remaining maturity of 31 months (31.03.2019: 48 months)

| <i>In BWP</i>  | <b>31 December<br/>2019</b> | <b>31 March<br/>2019<br/>Restated</b> |
|--|-----------------------------|---------------------------------------|
| <b>Borrowed funds - Non Current</b>                  |                             |                                       |
| Borrowings from Finitera                             | -                           | 61 597 082                            |
| Borrowings from Mintos peer-to-peer lending platform | 104 539 301                 | 45 044 826                            |
|  | <b>104 539 301</b>          | <b>106 641 908</b>                    |
| <b>Borrowed funds - Current</b>                      |                             |                                       |
| Borrowings from Mintos peer-to-peer lending platform | 52 753 423                  | 1 840 264                             |
|  | <b>52 753 423</b>           | <b>1 840 264</b>                      |
| <b>Total borrowed funds at AC</b>                    | <b>157 292 724</b>          | <b>108 482 172</b>                    |

**13 Lease liabilities**

| As at 31 December 2019          | Up to 3 months | Between 3 and 12<br>months | Between 1<br>and 2<br>years     | Between<br>2 and 5<br>years  |
|---------------------------------|----------------|----------------------------|---------------------------------|------------------------------|
| <b>Lease liabilities</b>        | 301 838        | 975 307                    | 1 270 940                       | 848 994                      |
| <i>In BWP</i>                   |                |                            | <b>31<br/>December<br/>2019</b> | <b>31<br/>March<br/>2019</b> |
| Lease Liabilities - Non Current |                |                            | 2 119 934                       | -                            |
| Lease Liabilities -Current      |                |                            | 1 277 145                       | -                            |
| <b>Total Lease Liabilities</b>  |                |                            | <b>3 397 079</b>                | <b>-</b>                     |

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**14 Other Financial Liabilities**

Other financial liabilities comprise the following:

| In BWP   | 31 December<br>2019 | 31 March<br>2019<br>Restated |
|--|---------------------|------------------------------|
| <i>Other financial liabilities at AC</i>       |                     |                              |
| Trade payables                                 | 769 791             | 81 918                       |
| Related Party payables                         | 9 982 500           | 4 607 891                    |
| <b>Total other financial liabilities at AC</b> | <b>10 752 291</b>   | <b>4 689 809</b>             |

**15 Provisions**

| In BWP                         | 31 December<br>2019 | 31 March<br>2019<br>Restated |
|--------------------------------|---------------------|------------------------------|
| Provisions for vacation costs  | 410 431             | 353 910                      |
| Provisions for severance costs | 477 066             | 323 549                      |
|                                | <b>887 497</b>      | <b>677 459</b>               |

**16 Trade and other payables**

| In BWP   | 31 December<br>2019 | 31 March<br>2019<br>Restated |
|--|---------------------|------------------------------|
| <i>Other non financial liabilities at AC</i>   |                     |                              |
| Withholding tax payable                        | 1 948 807           | 2 669 824                    |
| Corporate income tax payable                   | 4 516 448           | -                            |
| Valued added tax payable                       | 3 209 909           | -                            |
| Other taxes payable                            | 225 945             | -                            |
|  | <b>9 901 109</b>    | <b>2 669 824</b>             |
| <i>Other financial liabilities at AC</i>       |                     |                              |
| Payables due to customers                      | 3 756 901           | -                            |
| Other payables                                 | 19 924              | -                            |
| Accrued liabilities                            | 1 204 696           | -                            |
|  | <b>4 981 521</b>    | <b>-</b>                     |
| <b>Total other financial liabilities at AC</b> | <b>14 882 630</b>   | <b>2 669 824</b>             |

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**17 Stated Capital**

| <i>In BWP except for number of shares</i> | Ordinary shares   |
|---|-------------------|
| At 31 March 2019                          | 120               |
| New shares issued                         | 58 572 173        |
| <b>At 31 December 2019</b>                | <b>58 572 293</b> |

The total authorised number of ordinary shares is 58 572 293 shares (31 March 2019: 120 shares), with a par value of BWP 58 572 293 (31 March 2019: BWP 120). All issued ordinary shares are fully paid. As a result of YesCash Group Limited loan conversion into equity on 5 November 2019 the Registrar of Companies registered the share capital increase of the Company.

**18 Interest Income and Expense**

| <i>In BWP</i>   | 1 April 2019 -<br>31 December<br>2019 | 1 April 2018 -<br>31 March<br>2019<br>Restated |
|---|---------------------------------------|--|
| <b>Interest income calculated using the effective interest method</b>       |                                       |  |
| Interest income   | 54 284 163                            | 32 796 804                                     |
| <b>Total interest income calculated using the effective interest method</b> | <b>54 284 163</b>                     | <b>32 796 804</b>                              |
| <b>Other similar income</b>   |                                       |  |
| Early repayment interest  | 5 708 871                             | -  |
| Collection fees   | 3 783 359                             | -  |
| Statement fees  | 1 260 701                             | -  |
| Protection fees   | 1 817 624                             | -  |
| Late payment interest   | 831 490                               | 3 628 389                                      |
| Extension interest  | 482 464                               | 4 469 844                                      |
| <b>Total other similar income</b>   | <b>13 884 509</b>                     | <b>8 098 233</b>                               |
| <b>Total interest income</b>  | <b>68 168 672</b>                     | <b>40 895 037</b>                              |
| <b>Interest and other similar expense</b>                                   |                                       |  |
| Borrowed funds from related parties   | 2 870 493                             | -  |
| Borrowed funds from peer-to-peer lending platform                           | 11 891 291                            | 15 246 712                                     |
| Withholding tax   | 1 364 255                             | -  |
| <b>Total interest expense</b>   | <b>16 126 039</b>                     | <b>15 246 712</b>                              |
| <b>Net margin on interest and similar income</b>                            | <b>52 042 633</b>                     | <b>25 648 325</b>                              |

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**19 Administrative and Other Operating Expenses**

| <i>In BWP</i>  | <b>31<br/>December<br/>2019</b> | <b>31<br/>March<br/>2019<br/>Restated</b> |
|--|---------------------------------|---|
| Staff costs  | 7 273 386                       | 8 235 618                                 |
| Management fees  | 6 843 676                       | 1 485 949                                 |
| Collection costs   | 2 832 296                       | 2 140 322                                 |
| Advertising and marketing services                       | 2 281 959                       | 485 606                                   |
| IT costs   | 2 447 695                       | 597 922                                   |
| Direct sales agents commissions                          | 2 120 536                       | 2 568 851                                 |
| Depreciation and amortisation                            | 1 801 157                       | 1 281 526                                 |
| Regulatory expenses                                      | 849 473                         | 499 303                                   |
| Professional services                                    | 931 885                         | 1 072 075                                 |
| VAT on foreign supplies                                  | 375 300                         | -   |
| Communication costs                                      | 360 848                         | 310 865                                   |
| Rent and utilities                                       | 261 041                         | 2 420 059                                 |
| Office expenses  | 316 796                         | 156 484                                   |
| Travel   | 245 248                         | 385 533                                   |
| Bank fees  | 141 896                         | 132 453                                   |
| Printing and Stationery                                  | 168 939                         | 213 937                                   |
| Other administrative expenses                            | 102 702                         | 173 542                                   |
| Data costs   | 72 746                          | 46 068                                    |
| Recruitment fees   | -                               | 106 080                                   |
| Donations  | -                               | 7 000                                     |
| Source code expenses                                     | -                               | 285 170                                   |
| <b>Total administrative and other operating expenses</b> | <b>29 427 579</b>               | <b>22 604 363</b>                         |

**20 Income Taxes**

**(a) Components of income tax expense / (benefit)**

| <i>In BWP</i>                                     | <b>1 April 2019 -<br/>31 December<br/>2019</b> | <b>1 April 2018 -<br/>31 March<br/>2019<br/>Restated</b> |
|---|--|--|
| Income tax expense                                |  |  |
| Current tax                                       | 4 224 157                                      | -  |
| Deferred tax                                      | (4 474 890)                                    | -  |
| <b>Income tax expense/(credit) for the period</b> | <b>(250 733)</b>                               | <b>-</b>   |

**NOTES TO THE FINANCIAL STATEMENTS**

**20 Income Taxes (Continued)**

**(b) Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate**

The income tax rate applicable to the majority of the Company's 2019 income is 22% (31 March 2019: 22%). A reconciliation between the expected and the actual taxation charge is provided below.

| <i>In BWP</i>   | 1 April 2019 -<br>31 December<br>2019 | 1 April 2018 -<br>31 March<br>2019<br>Restated |
|---|---------------------------------------|--|
| <b>Profit/(loss) before tax</b>   | <b>18 038 032</b>                     | <b>(12 593 153)</b>                            |
| Theoretical tax charge/credit at statutory rate (December 2019: 22%; March 2019: 22%) | <b>3 968 367</b>                      | <b>(2 770 494)</b>                             |
| Tax effect of items which are not deductible or assessable for taxation purposes:     |                                       |  |
| Non-taxable impact from IFRS 16   | 97 150                                | -  |
| Other non-taxable items   | 62 612                                | -  |
| Non-deductible expenses   | (57 990)                              | -  |
| Utilisation of previously unrecognised tax loss carry forwards                        | (4 320 871)                           | 2 770 494                                      |
| <b>Income tax expense/(credit) for the period</b>                                     | <b>228 208</b>                        | <b>-</b>                                       |

**(c) Deferred taxes analysed by type of temporary difference**

Differences between IFRS and statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below.

| <i>In BWP</i>   | 1 April 2019<br>Restated | Credited/<br>(charged) to<br>profit or loss | 31 December<br>2019 |
|---|--------------------------|---|---------------------|
| <b>Tax effect of deductible/(taxable) temporary differences and tax loss carry forwards</b> |                          |   |                     |
| Premises and equipment  | 44 468                   | 13 189                                      | 57 656              |
| Deferred Protection Fees  | -                        | 4 129 677                                   | 4 129 677           |
| IFRS 16 Adjustment  | -                        | 72 179                                      | 72 179              |
| Tax loss carry forwards   | 4 320 871                | (4 320 871)                                 | -                   |
| Severance and accruals  | 401 677                  | 2 331 546                                   | 2 733 224           |
| Customer overpayment  | 797                      | 1 306                                       | 2 103               |
| Prepaid expenses  | (310 038)                | (1 536 997)                                 | (1 847 036)         |
| Impact from unrealised foreign exchange differences   | 145 698                  | (818 613)                                   | (672 915)           |
| <b>Net deferred tax asset/(liability)</b>   | <b>4 603 474</b>         | <b>(128 584)</b>                            | <b>4 474 890</b>    |
| Recognised deferred tax asset   | 4 767 814                |   | 6 994 840           |
| Recognised deferred tax liability   | (310 038)                |   | (2 519 950)         |
| Deferred tax asset not recognised   | (4 457 775)              |   | -                   |
| <b>Net deferred tax asset/(liability)</b>   | <b>-</b>                 |   | <b>4 474 890</b>    |

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| <i>In BWP</i>   | 1 April 2018     | Credited/<br>(charged) to<br>profit or loss | 31 March 2019<br>Restated |
|---|------------------|---|---------------------------|
| <b>Tax effect of deductible/(taxable) temporary differences and tax loss carry forwards</b> |                  |   |                           |
| Premises and equipment  | -                | 44 468                                      | 44 468                    |
| Tax loss carry forwards   | 1 657 065        | 2 663 807                                   | 4 320 871                 |
| Non-deductible Management expenses  | -                | 401 677                                     | 401 677                   |
| Customer overpayment  | -                | 797   | 797                       |
| Prepaid expenses  | -                | (310 038)                                   | (310 038)                 |
| Impact from unrealised foreign exchange differences   | -                | 145 698                                     | 145 698                   |
| <b>Net deferred tax asset/(liability)</b>   | <b>1 657 065</b> | <b>2 946 409</b>                            | <b>4 603 474</b>          |
| Recognised deferred tax asset   | 1 657 065        |   | 4 767 814                 |
| Recognised deferred tax liability   | -                |   | (310 038)                 |
| Deferred tax asset not recognised   | (1 657 065)      |   | (4 457 775)               |
| <b>Net deferred tax asset/(liability)</b>   | <b>-</b>         | <b>-</b>                                    | <b>-</b>                  |

21 Financial Risk Management

The risk management function within the Company is carried out with respect to financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risks), credit risk and liquidity risk. The primary function of financial risk management is to establish risk limits and to ensure that any exposure to risk stays within these limits. The operational and legal risk management functions are intended to ensure the proper functioning of internal policies and procedures in order to minimise operational and legal risks.

**Credit risk.** The Company exposes itself to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation.

Exposure to credit risk arises as a result of the Company's lending and other transactions with counterparties, giving rise to financial assets.

The Company's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the statement of financial position. For financial guarantees issued, commitments to extend credit, undrawn credit lines and export/import letters of credit, the maximum exposure to credit risk is the amount of the commitment.

**Credit risk management.** Credit risk is the single largest risk for the Company's business; management therefore carefully manages its exposure to credit risk.

The estimation of credit risk for risk management purposes is complex and involves the use of models, as the risk varies depending on market conditions, expected cash flows and the passage of time. The assessment of credit risk for a portfolio of assets entails further estimations of the likelihood of defaults occurring, the associated loss ratios and default correlations between counterparties.

**Expected credit loss (ECL) measurement.** ECL is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and is determined by evaluating a range of possible outcomes. ECL measurement is based on four components used by the Company: Probability of Default ("PD"), Exposure at Default ("EAD"), Loss Given Default ("LGD") and Discount Rate.

EAD is an estimate of exposure at a future default date, taking into account expected changes in the exposure after the reporting period, including repayments of principal and interest, and expected drawdowns on committed facilities. The EAD on credit related commitments is estimated using Credit Conversion Factor ("CCF"). CCF is a coefficient that shows the probability of conversion of the committed amounts to an on-balance sheet exposure within a defined period. PD an estimate of the likelihood of default to occur over a given time period. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender

## **NOTES TO THE FINANCIAL STATEMENTS**

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would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD. The expected losses are discounted to present value at the end of the reporting period. The discount rate represents the effective interest rate ("EIR") for the financial instrument or an approximation thereof.

Expected credit losses are modelled over instrument's *lifetime period*. The *lifetime period* is equal to the remaining contractual period to maturity of debt instruments, adjusted for expected prepayments, if any.

Management models *Lifetime ECL*, that is, losses that result from all possible default events over the remaining lifetime period of the financial instrument. The *12-month ECL*, represents a portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting period, or remaining *lifetime period* of the financial instrument if it is less than a year.

The ECLs that are estimated by management for the purposes of these financial statements are point-in-time estimates, rather than through-the-cycle estimates that are commonly used for regulatory purposes. The estimates consider *forward looking information*, that is, ECLs reflect probability weighted development of key macroeconomic variables that have an impact on credit risk.

For purposes of measuring PD, the Company defines default as a situation when the exposure meets one or more of the following criteria:

- the borrower is more than 90 days past due on its contractual payments;
- the borrower meets the unlikeliness-to-pay criteria listed below:
  - the borrower is deceased;
  - the borrower is insolvent.

For purposes of disclosure, the Company fully aligned the definition of default with the definition of credit-impaired assets. The default definition stated above is applied to all types of financial assets of the Company.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis that considers the likelihood of a financial instrument returning to default status after curing by using different possible definitions of cures.

The assessment whether or not there has been a significant increase in credit risk ("SICR") since initial recognition is performed on an individual basis and on a portfolio basis. SICR is assessed either on a portfolio basis. The criteria used to identify an SICR are monitored and reviewed periodically for appropriateness by the Company's Risk Management Department. The presumption, being that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due, has not been rebutted.

For loans to Individuals:

- 30 days past due;
- Relative threshold defined on the basis of a portfolio for products without existing scoring models: the Company regularly monitors segments with increased credit risk (regions of higher credit risk, failed products, products on which issuing was stopped) and considers such portfolios to have a SICR.

The level of ECL that is recognised in these financial statements depends on whether the credit risk of the borrower has increased significantly since initial recognition. This is a three-stage model for ECL measurement. A financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition has a credit loss allowance based on 12-month ECLs (Stage 1). If a SICR since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired and the loss allowance is based on lifetime ECLs. If a financial instrument is credit-impaired, the financial instrument is moved to Stage 3 and loss allowance is based on lifetime ECLs. The consequence of an asset being in Stage 3 is that the entity ceases to recognise interest income based on gross carrying value and applies the asset's effective interest rate to the carrying amount, net of ECL, when calculating interest income.

If there is evidence that the SICR criteria are no longer met, the instrument is transferred back to Stage 1. If an exposure has been transferred to Stage 2 based on a qualitative indicator, the Company monitors whether that indicator continues to exist or has changed.

The Company determines the staging of the exposures and measures the loss allowance on a collective basis. The Company analyses its exposures by segments determined on the basis of shared credit risk characteristics, such that

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exposures within a Company have homogeneous or similar risks. The key shared credit characteristics considered are: type of customer (such as wholesale or retail), product type, date of initial recognition, term to maturity. The different segments also reflect differences in credit risk parameters such as PD and LGD. The appropriateness of Companyings is monitored and reviewed on a periodic basis by the Risk Management Department.

In general, ECL is the sum of the multiplications of the following credit risk parameters: EAD, PD and LGD, that are defined as explained above, and discounted to present value using the instrument's effective interest rate. The ECL is determined by predicting credit risk parameters (EAD, PD and LGD) for each future month during the lifetime period for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has been repaid or defaulted in an earlier month). This effectively calculates an ECL for each future period, that is then discounted back to the reporting date and summed up. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

**The key principles of calculating the credit risk parameters.** The EADs are determined based on the expected payment profile, that varies by product type. EAD is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis for amortising products and bullet repayment loans. This will also be adjusted for any expected overpayments made by a borrower. Early repayment or refinancing assumptions are also incorporated into the calculation. These assumptions vary by product type, current limit utilisation and other borrower-specific behavioural characteristics.

Two types of PDs are used for calculating ECLs: 12-month and lifetime PD. An assessment of a 12-month PD is based on the latest available historic default data and adjusted for supportable forward-looking information when appropriate. Lifetime PDs represent the estimated probability of a default occurring over the remaining life of the financial instrument and it is a sum of the 12 months PDs over the life of the instrument. The Company uses statistical approaches depending on the segment and product type to calculate lifetime PDs, such as the extrapolation of 12-month PDs based on migration matrixes.

LGD represents the Company's expectation of the extent of loss on a defaulted exposure. LGD varies by the type of counterparty, type and seniority of the claim, and the availability of collateral or other credit support. The 12-month and lifetime LGDs are determined based on the factors that impact the expected recoveries after a default event. The approach to LGD measurement is based on the calculation of LGD on a portfolio basis based on recovery statistics.

**Forward-looking information incorporated in the ECL models.** The assessment of SICR and the calculation of ECLs both incorporate supportable forward-looking information. The Company identified certain key economic variables that correlate with developments in credit risk and ECLs. Forecasts of economic variables (the "base economic scenario") are provided on annual basis and provide the best estimate of the expected macro-economic development over the next five years. After five years, a mean reversion approach is used, which means that economic variables tend to revert to either a long run average rate (e.g. for unemployment) or a long run average growth rate (e.g. GDP). The impact of the relevant economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact that the changes in these variables historically had on the default rates and on the components of LGD and EAD.

As with any economic forecast, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, and therefore the actual outcomes may be significantly different to those projected. The Company considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Company's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

The Company regularly reviews its methodology and assumptions to reduce any difference between the estimates and the actual loss of credit. Such backtesting is performed at least once a year.

The results of backtesting the ECL measurement methodology are communicated to Company Management and further steps for tuning models and assumptions are defined after discussions between authorised persons.

**Market risk.** The Company takes on exposure to market risks. Market risks arise from open positions in (a) currency, (b) interest rates and (c) equity products, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

**Currency risk.** In respect of currency risk, management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

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The table below summarises the Company's exposure to EUR which is the only foreign currency exposure at the end of the reporting period:

| <i>In BWP</i>                    | 31 December 2019          |                                |                      | 31 March 2019             |                                |                      |
|----------------------------------|---------------------------|--------------------------------|----------------------|---------------------------|--------------------------------|----------------------|
|                                  | Monetary financial assets | Monetary financial liabilities | Net position         | Monetary financial assets | Monetary financial liabilities | Net position         |
| Other financial assets           | 5 274 579                 | -                              | 5 274 579            | -                         | -                              | -                    |
| Advances paid to related parties | 1 187 655                 | -                              | 1 187 655            | -                         | -                              | -                    |
| Borrowed funds - Non-Current     | -                         | 104 539 301                    | (104 539 301)        | -                         | 106 641 908                    | (106 641 908)        |
| Borrowed funds - Current         | -                         | 52 753 423                     | (52 753 423)         | -                         | 1 840 264                      | (1 840 264)          |
| <b>Total</b>                     | <b>6 462 234</b>          | <b>157 292 724</b>             | <b>(150 830 490)</b> | <b>-</b>                  | <b>108 482 172</b>             | <b>(108 482 172)</b> |

| <i>In EUR</i>                    | 31 December 2019          |                                |                     | 31 March 2019             |                                |                    |
|----------------------------------|---------------------------|--------------------------------|---------------------|---------------------------|--------------------------------|--------------------|
|                                  | Monetary financial assets | Monetary financial liabilities | Net position        | Monetary financial assets | Monetary financial liabilities | Net position       |
| Other financial assets           | 443 063                   | -                              | 443 063             | -                         | -                              | -                  |
| Advances paid to related parties | 99 763                    | -                              | 99 763              | -                         | -                              | -                  |
| Borrowed funds - Non Current     | -                         | 8 781 273                      | (8 781 273)         | -                         | 8 957 892                      | (8 957 892)        |
| Borrowed funds - Current         | -                         | 4 431 273                      | (4 431 273)         | -                         | 154 582                        | (154 582)          |
| <b>Total</b>                     | <b>542 826</b>            | <b>13 212 547</b>              | <b>(12 669 721)</b> | <b>-</b>                  | <b>9 112 473</b>               | <b>(9 112 473)</b> |

The following table presents sensitivities of profit or loss before tax and equity to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the respective Company entities, with all other variables held constant:

| <i>In BWP</i>  | At 31 December 2019      |                  | At 31 March 2019         |                  |
|--|--------------------------|------------------|--------------------------|------------------|
|  | Impact on profit or loss | Impact on equity | Impact on profit or loss | Impact on equity |
| BWP strengthening by 5%<br>(31.03.2019: strengthening by 5%) | 7 541 525                | 7 541 525        | 5 424 109                | 5 424 109        |
| BWP weakening by 20%<br>(31.03.2019: weakening by 20%)       | (30 166 098)             | (30 166 098)     | (21 696 434)             | (21 696 434)     |

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the respective entity of the Company.

**Interest rate risk.** The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may reduce or create losses in the event that unexpected movements arise. Management monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken.

The table below summarises the Company's exposure to interest rate risks. The table presents the aggregated amounts of the Company's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates:

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| <i>In BWP</i>   | Demand and less than 1 month | From 1 to 6 months | From 6 to 12 months | More than 1 year | Non-monetary | Total        |
|---|------------------------------|--------------------|---------------------|------------------|--------------|--------------|
| <b>31 December 2019</b>                                 |                              |                    |                     |                  |              |              |
| Total financial assets                                  | 20 600 247                   | 2 881 317          | 7 157 240           | 201 049 975      | -            | 231 688 779  |
| Total financial liabilities                             | 12 131 017                   | 1 792 141          | 51 251 130          | 120 855 401      | -            | 186 029 689  |
| <b>Net interest sensitivity gap at 31 December 2019</b> |                              |                    |                     |                  |              |              |
|   | 8 469 230                    | 1 089 176          | (44 093 890)        | 80 194 574       | -            | 45 659 090   |
| <b>31 March 2019 (restated)</b>                         |                              |                    |                     |                  |              |              |
| Total financial assets                                  | 8 483 116                    | 28 633 666         | -                   | 45 294 791       | -            | 82 411 573   |
| Total financial liabilities                             | 4 699 990                    | 588 944            | 1 241 139           | 106 641 908      | -            | 113 171 981  |
| <b>Net interest sensitivity gap at 31 March 2019</b>    |                              |                    |                     |                  |              |              |
|   | 3 783 125                    | 28 044 722         | (1 241 139)         | (61 347 117)     | -            | (30 760 408) |

At 31 December 2019 and 31 March 2019 all of the Company's assets and liabilities had fixed interest rates.

**Liquidity risk.** Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw-downs, guarantees and from margin and other calls on cash-settled derivative instruments. The Company does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Liquidity risk is managed by the Treasury department of the Company.

The liquidity management of the Company requires consideration of the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans; and monitoring liquidity ratios against regulatory requirements.

The Treasury Department receives information about the liquidity profile of the financial assets and liabilities.

The table below shows liabilities at 31 December 2019 by their remaining contractual maturity. The amounts of liabilities disclosed in the maturity table are the contractual undiscounted cash flows, including gross finance lease obligations (before deducting future finance charges), gross loan commitments and financial guarantees. Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in the statement of financial position is based on discounted cash flows.

The table below shows the maturity analysis of non-derivative financial assets at their carrying amounts and based on their contractual maturities.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

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The maturity analysis of financial instruments at 31 December 2019 is as follows:

| <i>In BWP</i>  | Demand and less than 1 month | From 1 to 6 months | From 6 to 12 months | From 12 months to 5 years | Over 5 years      | Total              |
|--|------------------------------|--------------------|---------------------|---------------------------|-------------------|--------------------|
| <b>Assets</b>  |                              |                    |                     |                           |                   |                    |
| Cash and cash equivalents  | 6 087 630                    | -                  | -                   | -                         | -                 | 6 087 630          |
| Loans and advances to customers                                  | 8 297 515                    | 2 881 317          | 7 157 240           | 131 635 435               | 69 414 540        | 219 386 047        |
| Other financial assets   | 6 215 102                    | -                  | -                   | -                         | -                 | 6 215 102          |
| <b>Total</b>   | <b>20 600 247</b>            | <b>2 881 317</b>   | <b>7 157 240</b>    | <b>131 635 435</b>        | <b>69 414 540</b> | <b>231 688 779</b> |
| <b>Liabilities</b>   |                              |                    |                     |                           |                   |                    |
| Borrowed funds   | 148 707                      | 1 660 629          | 50 944 087          | 94 077 797                | 10 461 504        | 157 292 724        |
| Trade and other payables   | 1 224 620                    | -                  | -                   | -                         | -                 | 1 224 620          |
| Other financial liabilities                                      | 10 752 291                   | -                  | -                   | -                         | -                 | 10 752 291         |
| Deferred protection fee  | 5 399                        | 131 512            | 307 043             | 9 284 096                 | 7 032 004         | 16 760 054         |
| <b>Total potential future payments for financial obligations</b> | <b>12 131 017</b>            | <b>1 792 141</b>   | <b>51 251 130</b>   | <b>103 361 893</b>        | <b>17 493 508</b> | <b>169 269 635</b> |
| <b>Liquidity gap arising from financial instruments</b>          | <b>8 469 230</b>             | <b>1 089 176</b>   | <b>(44 093 890)</b> | <b>28 273 542</b>         | <b>51 921 032</b> | <b>45 659 090</b>  |

The maturity analysis of financial instruments at 31 March 2019 is as follows:

| <i>In BWP</i>  | Demand and less than 1 month | From 1 to 6 months | From 6 to 12 months | From 12 months to 5 years | Over 5 years      | Total               |
|--|------------------------------|--------------------|---------------------|---------------------------|-------------------|---------------------|
| <b>Assets</b>  |                              |                    |                     |                           |                   |                     |
| Cash and cash equivalents  | 1 509 877                    | -                  | -                   | -                         | -                 | 1 509 877           |
| Loans and advances to customers                                  | 2 634 547                    | 28 633 666         | -                   | 12 836 059                | 32 458 732        | 76 563 004          |
| Other financial assets   | 4 338 692                    | -                  | -                   | -                         | -                 | 4 338 692           |
| <b>Total</b>   | <b>8 483 116</b>             | <b>28 633 666</b>  | <b>-</b>            | <b>12 836 059</b>         | <b>32 458 732</b> | <b>82 411 573</b>   |
| <b>Liabilities</b>   |                              |                    |                     |                           |                   |                     |
| Borrowed funds   | 10 181                       | 588 944            | 1 241 139           | 104 686 427               | 1 955 481         | 108 482 172         |
| Other financial liabilities                                      | 4 689 809                    | -                  | -                   | -                         | -                 | 4 689 809           |
| <b>Total potential future payments for financial obligations</b> | <b>4 699 990</b>             | <b>588 944</b>     | <b>1 241 139</b>    | <b>104 686 427</b>        | <b>1 955 481</b>  | <b>113 171 981</b>  |
| <b>Liquidity gap arising from financial instruments</b>          | <b>3 783 125</b>             | <b>28 044 722</b>  | <b>(1 241 139)</b>  | <b>(91 850 368)</b>       | <b>30 503 251</b> | <b>(30 760 408)</b> |

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Company. It is unusual for entities of the industry ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Company and its exposure to changes in interest and exchange rates.

Management believes that in spite of a substantial portion of customer accounts being on demand, diversification of these deposits by number and type of creditors, and the past experience of the Company would indicate that these customer accounts provide a long-term and stable source of funding for the Company.

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**22 Management of Capital**

The Company's objectives when managing capital are (i) to comply with the capital requirements set by the legislation of the jurisdictions where the Company operates, (ii) to safeguard the Company's ability to continue as a going concern.

**23 Contingencies and commitments**

**Operating lease commitments at 31 December 2019.** Where the Company is the lessee, the future minimum lease payments under non-cancellable operating leases at 31 December 2019 are as follows:

| <i>In BWP</i>                                | <b>31 December<br/>2019</b> |
|--|-----------------------------|
| Not later than 1 year                        | 1 577 672                   |
| Later than 1 year and not later than 5 years | 1 549 475                   |
| Later than 5 years                           | -                           |
| <b>Total operating lease commitments</b>     | <b>3 127 147</b>            |

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**24 Fair Value Disclosures**

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

**(a) Recurring fair value measurements**

The Company does not hold financial instruments which are subject to recurring fair value measurements.

**(b) Valuation processes for recurring and non-recurring level 3 fair value measurements**

Level 3 valuations are reviewed on a monthly basis by the Company's Finance department who report to the Board of Directors on a monthly basis. The Finance department considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognised as standard within the financial services industry.

The level three debt instruments are valued at the net present value of estimated future cash flows. The Company also considers liquidity, credit and market risk factors, and adjusts the valuation model as deemed necessary.

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*(c) Assets and liabilities not measured at fair value but for which fair value is disclosed*

Fair values analysed by level in the fair value hierarchy and carrying value of assets and liabilities as at 31 december 2019 not measured at fair value are as follows:

| <i>In BWP</i>                         | Level 1 fair value | Level 2 fair value | Level 3 fair value | Total fair value   | Carrying value     |
|---------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>Assets</b>                         |                    |                    |                    |                    |                    |
| Loans and advances to customers at AC | -                  | -                  | 234 650 294        | 234 650 294        | 219 386 047        |
| Other financial assets                | -                  | -                  | 6 215 102          | 6 215 102          | 6 215 102          |
| <b>Total</b>                          | -                  | -                  | <b>240 865 396</b> | <b>240 865 396</b> | <b>225 601 149</b> |

| <i>In BWP</i>                              | 31 December 2019   |                    |                    |                    |                    |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
|  | Level 1 fair value | Level 2 fair value | Level 3 fair value | Total fair value   | Carrying value     |
| <b>FINANCIAL liabilities</b>               |                    |                    |                    |                    |                    |
| <i>Borrowed funds</i>                      |                    |                    |                    |                    |                    |
| - Loans from peer-to-peer lending platform | -                  | -                  | 156 006 973        | 156 006 973        | 157 386 521        |
| <i>Other financial liabilities</i>         |                    |                    |                    |                    |                    |
| - Trade payables                           | -                  | -                  | 19 924             | 19 924             | 19 924             |
| - Other financial liabilities              | -                  | -                  | 10 752 291         | 10 752 291         | 10 752 291         |
| <b>Total</b>                               | -                  | -                  | <b>166 779 188</b> | <b>166 779 188</b> | <b>168 158 736</b> |

Fair values analysed by level in the fair value hierarchy and carrying value of liabilities not measured at fair value are as follows:

| <i>In BWP</i>                         | 31 March 2019 (restated) |                    |                    |                   |                   |
|---------------------------------------|--------------------------|--------------------|--------------------|-------------------|-------------------|
|                                       | Level 1 fair value       | Level 2 fair value | Level 3 fair value | Total fair value  | Carrying value    |
| <b>Assets</b>                         |                          |                    |                    |                   |                   |
| Loans and advances to customers at AC | -                        | -                  | 84 282 357         | 84 282 357        | 76 563 004        |
| Other financial assets                | -                        | -                  | 4 338 691          | 4 338 691         | 4 338 691         |
| <b>Total</b>                          | -                        | -                  | <b>88 621 049</b>  | <b>88 621 049</b> | <b>80 901 695</b> |

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| <i>In BWP</i>                              | 31 March 2019 (restated) |                       |                       | Total fair value   | Carrying value     |
|--|--------------------------|-----------------------|-----------------------|--------------------|--------------------|
|  | Level 1<br>fair value    | Level 2<br>fair value | Level 3<br>fair value |                    |                    |
| <b>FINANCIAL liabilities</b>               |                          |                       |                       |                    |                    |
| <b><i>Borrowed funds</i></b>               |                          |                       |                       |                    |                    |
| - Loans from related parties               | -                        | -                     | 54 032 528            | 54 032 528         | 61 597 082         |
| - Loans from peer-to-peer lending platform | -                        | -                     | 45 237 787            | 45 237 787         | 46 885 090         |
| <b><i>Other financial liabilities</i></b>  |                          |                       |                       |                    |                    |
| - Trade payables                           | -                        | -                     | 2 669 824             | 2 669 824          | 2 669 824          |
| - Other financial liabilities              | -                        | -                     | 4 689 809             | 4 689 809          | 4 689 809          |
| <b>Total</b>                               | -                        | -                     | <b>106 629 949</b>    | <b>106 629 949</b> | <b>115 841 806</b> |

The fair values in level 2 and level 3 of fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

For assets, the Company used assumptions about counterparty's incremental borrowing rate and prepayment rates.

Liabilities were discounted at the Company's own incremental borrowing rate. Liabilities due on demand were discounted from the first date that the amount could be required to be paid by the Company.

For the purposes of measurement, IFRS 9 "Financial Instruments" classifies financial assets into the following categories: (a) financial assets at FVTPL; (b) debt instruments at FVOCI, (c) equity instruments at FVOCI and (c) financial assets at AC.

As of 31 December 2019 and 31 December 2018, all of the Company's financial assets and liabilities were carried at AC.

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**25 Related Party Transactions**

Parties are generally considered to be related if the parties are under common control, or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The related parties of the Company and their relationships with the Company are as follows:

| <b>Related party</b>                  | <b>Jurisdiction</b> | <b>Relationship with the Company</b> |
|---------------------------------------|---------------------|--------------------------------------|
| YesCash Group Limited                 | Mauritius           | Parent                               |
| EC Finance Group Ltd                  | Latvia              | Ultimate parent of the group         |
| Zenture Finance Ltd                   | Malta               | Belongs to the same group            |
| YesCash Zambia Limited                | Zambia              | Belongs to the same group            |
| Express Credit Cash Advance (Pty) Ltd | Namibia             | Belongs to the same group            |

At 31 December 2019, the outstanding balances with related parties were as follows:

|  | <b>31 December 2019</b> | <b>31 March 2019 Restated</b> |
|--|-------------------------|-------------------------------|
| <i>Other financial assets in BWP</i>                               |                         |                               |
| <b>Loan to Related party</b>                                       |                         |                               |
| YesCash Group Limited  | 4 220 406               | -                             |
| <i>Advances paid to related parties in BWP</i>                     |                         |                               |
| <b>Advances paid for centrally managed services</b>                |                         |                               |
| EC Finance Group Limited   | 1 187 655               | -                             |
| <b>Royalty fees advances for the use of loan management system</b> |                         |                               |
| YesCash Group Limited  | 19 597                  | -                             |
| <i>Borrowed funds, in BWP</i>                                      |                         |                               |
| <b>Loan from Related party</b>                                     |                         |                               |
| Finitera Investments Limited                                       | -                       | 61 597 082                    |
| <i>Other financial liabilities, in BWP</i>                         |                         |                               |
| <b>Management fee payable</b>                                      |                         |                               |
| YesCash Group Limited  | (8 757 405)             | (2 012 951)                   |
| <b>Regional CEO recharges payable</b>                              |                         |                               |
| Express Credit Cash Advance (Proprietary) Limited                  | (739 640)               | -                             |
| <b>Recharges for centrally managed services</b>                    |                         |                               |
| YesCash Group Limited  | (505 053)               | -                             |

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|  | 1 April 2019 -<br>31 December<br>2019 | 1 April 2018 -<br>31 March<br>2019<br>Restated |
|--|---------------------------------------|--|
| <i>Interest expense, in BWP</i>                            |                                       |  |
| <b>Interest expenses</b>                                   |                                       |  |
| YesCash Group Limited                                      | (2 856 798)                           | (15 246 712)                                   |
| EC Finance Group Limited                                   | (6 200)                               | -  |
| YesCash Zambia Limited                                     | (7 494)                               | -  |
| <i>Administrative and other operating expenses, in BWP</i> |                                       |  |
| <b>Management services received</b>                        |                                       |  |
| YesCash Zambia Limited                                     | (6 843 676)                           | (1 485 949)                                    |
| <b>Royalty fees for the use of loan management system</b>  |                                       |  |
| YesCash Zambia Limited                                     | (1 765 542)                           | -  |
| <b>Regional CEO services received</b>                      |                                       |  |
| Express Credit Cash Advance (Proprietary) Limited          | (578 009)                             | -  |
| <b>Purchase of services</b>                                |                                       |  |
| EC Finance Group Limited                                   | (394 685)                             | -  |
| <b>Directors Emoluments</b>                                |                                       |  |
|  | 1 April 2019 -<br>31 December<br>2019 | 1 April 2018 -<br>31 March<br>2019<br>Restated |
| <i>In BWP</i>  |                                       |  |
| <b>Executive - Dineo Saleshando</b>                        |                                       |  |
| Emoluments   | 1 134 000                             | 1 809 000                                      |
| Other Benefits   | 707 877                               | 355 645  |
|  | <b>1 841 877</b>                      | <b>2 164 645</b>                               |
| <b>Executive - Nicolaas Petrus Esterhuysen</b>             |                                       |  |
| Emoluments   | 516 003                               | -  |
| Other Benefits   | 223 637                               | -  |
|  | <b>739 640</b>                        | <b>-</b>                                       |
|  | <b>2 581 517</b>                      | <b>2 164 645</b>                               |

**26 Events after the End of the Reporting Period**

On 11 March 2020, the World Health Organisation (WHO) announced that the outbreak of the COVID-19 viral infection had reached the level of a global pandemic. On the 2 April 2020, the government of Botswana instituted a 28 day lockdown as a response measure to curb the spread of the virus. This was followed by parliament endorsing a 6 months state of emergency due to the rising levels of transmission of this virus. The pandemic has had a negative impact on the global economies and daily operations of Expresscredit Proprietary Limited as a company. The government of Botswana has however instituted measures to support and subsidise businesses during this period. At the time of approval of these reports, it is impossible to gauge the potential impact of the pandemic on the operations of Expresscredit Proprietary Limited over the course of the following two years. The operations of the Company have not been significantly encumbered, and client service is proceeding in compliance with required health and safety precautions. Based on available information, the management of the Company has analysed the potential negative effects on the operations, and has not identified any circumstances which might threaten the continuity of operations or result in a substantial impact on the 2019 financial statements. As at 31.12.2019 and on the day of signing of this report, the overall credit exposure of the Company to industries most directly impacted by the spread COVID-19 (i.e. hotels, hospitality and related sectors) totalled BWP 2.9 million. The Company expects to agree on revising loan terms and conditions with clients where necessary, including deferrals of principal payments, aiming to mitigate the negative effects on its financial performance while enabling clients to maintain their businesses.

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The shareholder of the Company has intention to register the increase of the Company's share capital by BWP 10 million to strengthen its equity position. The respective shareholder and the management's decisions have been made in April 2020.

**27 Prior Period Error**

After the sign-off of the March 2019 financial statements, the Company engaged tax advisers to carry out the assessment of the Company's tax position and compliance with relevant tax regulations in Botswana and among other things the completeness of withholding tax payable balance. Thereafter, it was identified that the Company had understated withholding tax payable with respect to the interest expense payments of the peer-to-peer lending platform loan. Withholding tax related to the respective interest expense payments had to be covered by the Company in accordance with the underlying loan agreement.

The Company received certain support services from the head office in Latvia, including IT support, risk assessment assistance, quality assurance among others; however, the proper group structure was set up only in mid 2019 after the sign-off of the 31 March 2019 financial statements and up to that point there were no support service fee charges reported to the Company. After setting-up the group structure with the parent entity being domiciled in Latvia and providing the above mentioned services those costs were reported to the Company. Since part of them relate to the prior reporting period, the management restated the comparatives.

The effects of correcting the above errors are detailed below:

| <b>Assets</b>                       | <b>31 March<br/>2019</b> | <b>Restatement</b> | <b>31 March 2019<br/>Restated</b> |
|-------------------------------------|--------------------------|--------------------|-----------------------------------|
| <i>Non-Current Assets</i>           |                          |                    |                                   |
| Premises and Equipment              | 3 318 320                | -                  | 3 318 320                         |
| Intangible assets                   | 113 776                  | -                  | 113 776                           |
|                                     | <b>3 432 096</b>         | <b>-</b>           | <b>3 432 096</b>                  |
| <i>Current Assets</i>               |                          |                    |                                   |
| Trade and Other receivables         | 82 203 268               | -                  | 82 203 269                        |
| Cash and Cash equivalents           | 1 509 877                | -                  | 1 509 877                         |
|                                     | <b>83 713 145</b>        | <b>-</b>           | <b>83 713 146</b>                 |
| <b>Total Assets</b>                 | <b>87 145 241</b>        | <b>-</b>           | <b>87 145 242</b>                 |
| <b>Equity and Liabilities</b>       |                          |                    |                                   |
| <i>Equity</i>                       |                          |                    |                                   |
| Stated Capital                      | 120                      | -                  | 120                               |
| Accumulated loss                    | (26 825 734)             | (2 548 409)        | (29 374 143)                      |
| <b>Total Equity</b>                 | <b>(26 825 614)</b>      | <b>(2 548 409)</b> | <b>(29 374 023)</b>               |
| <i>Liabilities</i>                  |                          |                    |                                   |
| <i>Non-Current Liabilities</i>      |                          |                    |                                   |
| Borrowings                          | 107 419 712              | 1 062 460          | 108 482 172                       |
| <i>Current Liabilities</i>          |                          |                    |                                   |
| Trade and other payables            | 5 873 685                | 1 485 949          | 7 359 634                         |
| Provisions                          | 677 459                  | -                  | 677 459                           |
|                                     | <b>6 551 144</b>         | <b>1 485 949</b>   | <b>8 037 093</b>                  |
| <b>Total Liabilities</b>            | <b>113 970 855</b>       | <b>2 548 409</b>   | <b>116 519 265</b>                |
| <b>Total Equity and Liabilities</b> | <b>87 145 241</b>        | <b>-</b>           | <b>87 145 242</b>                 |

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**Statement of profit or loss and other comprehensive income.**

| <i>In BWP</i>  | 1 April 2018 -<br>31 March 2019 | Restatement        | 1 April 2018 -<br>31 March 2019<br>Restated |
|--|---------------------------------|--------------------|---|
| Interest income calculated using the effective interest method               | 32 796 804                      | -                  | 32 796 804                                  |
| Other similar income   | 8 098 233                       | -                  | 8 098 233                                   |
| Interest expense   | (14 184 252)                    | (1 062 460)        | (15 246 712)                                |
| <b>Net margin on interest and similar income</b>                             | <b>26 710 785</b>               | <b>(1 062 460)</b> | <b>25 648 325</b>                           |
| Credit loss allowance  | (13 646 978)                    | -                  | (13 646 978)                                |
| <b>Net margin on interest and similar income after credit loss allowance</b> | <b>13 063 807</b>               | <b>(1 062 460)</b> | <b>12 001 347</b>                           |
| Administrative and other operating expenses                                  | (21 118 414)                    | (1 485 949)        | (22 604 363)                                |
| Foreign exchange translation gains less losses                               | (2 040 793)                     | -                  | (2 040 793)                                 |
| Lease interest expense   | -                               | -                  | -   |
| Other income   | 50 657                          | -                  | 50 657                                      |
| <b>Loss before tax</b>   | <b>(10 044 744)</b>             | <b>(2 548 409)</b> | <b>(12 593 153)</b>                         |
| Income tax (expense)/credit  | -                               | -                  | -   |
| <b>Loss for the period</b>   | <b>(10 044 744)</b>             | <b>(2 548 409)</b> | <b>(12 593 153)</b>                         |

**28 Abbreviations**

The list of the abbreviations used in these financial statements is provided below:

| Abbreviation          | Full name  |
|-----------------------|--|
| AC                    | Amortised Cost   |
| EAD                   | Exposure at Default                                      |
| ECL                   | Expected Credit Loss                                     |
| EIR                   | Effective interest rate                                  |
| FVOCI                 | Fair Value through Other Comprehensive Income            |
| FVTPL                 | Fair Value Through Profit or Loss                        |
| IFRS                  | International Financial Reporting Standard               |
| LGD                   | Loss Given Default                                       |
| PD                    | Probability of Default                                   |
| POCI financial assets | Purchased or Originated Credit-Impaired financial assets |
| ROU asset             | Right of use asset                                       |
| SICR                  | Significant Increase in Credit Risk                      |
| SPPI                  | Solely Payments of Principal and Interest                |