EXPRESSCREDIT PROPRIETARY LIMITED
Financial Statements
For the year ended 31 December 2020

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For the year ended 31 December 2020

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CORPORATE INFORMATION

Statutory

Company name	ExpressCredit Proporietary Limited
Country of Incorporation	Republic of Botswana
Date of Incorporation	22 December 2015
Company number	BW00000115487
Nature of business	Microfinance

Directors

	Date of appointment	Date of resignation
Dineo Saleshando	01 October 2017	30 September 2020
Una Hewitt	15 May 2019	-
Girts Suberts	15 May 2019	-
Nicolaas Petrus Esterhuyse	15 May 2019	-
Kiven Vhusimuzi Mvududu	30 September 2020	-

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

The auditor, **BDO Certified Auditors**, has indicated its willingness to continue in office and will be automatically reappointed at the Annual Meeting.

Secretary

Rhoss Proprietary Limited

Legal Advisors

Letsatsi Attorneys (formerly Oarabile Pits Attorneys)

Holding Company

Company Name	YesCash Group Limited
Registration number	137426 C1/GBL
Registered Office	C/o: Maitland (Mauritius) Limited, Suite 420, 4th Floor Barkly Wharf, Le Caudan Waterfront Port Louis, Republic of Mauritius

DIRECTORS' RESPONSIBILITIES AND APPROVAL STATEMENTS

The Directors have the pleasure in submitting their report on the financial statements of ExpressCredit Proprietary Limited for the year ended 31 December 2020.

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).

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 (Chapter 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.

Stated capital

There was an increase in stated capital during the year ended 31 December 2020. During the year ended 31 December 2020 the shareholders approved that the shareholder debt amounting to BWP 10 477 891 was converted to equity resulting in total stated capital of BWP 69 050 182.

Covid-19

The outbreak of Coronavirus Disease ("COVID-19") in early 2020 has had significant and continuing impact on global financial markets. The Government of Botswana has extended the state of emergency by a further 6 months from September 2020 up to March 2021. The spread of the virus has reached its peak levels in Botswana in 2021 with number of confirmed cases and deaths increasing on a daily basis. The pandemic has had a negative impact on the global economies and daily operations of ExpressCredit Proprietary Limited. The government has further announced that the first consignment of vaccines should arrive in the month of March 2021 which shows continuous effort from the government of Botswana to curb the spread.

At the time of approval of these reports, it is impossible to gauge the potential impact of the pandemic on the operations of the Company over the course of the next 12 months. 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 2020 financial statements. Management will remain proactive in the monitoring and assessment of COVID-19's impact on the Company.

Events after the reporting period

The company has commenced offering credit life cover on its products with effect from the 5th of April 2021, operating as an Insurance Agent for Hollard Life Assurance Company of Botswana Propreitary Limited. The benefits of which includes cover against death, permanent disability, dread diseases and loss of income.

Secretary

The company secretary is Rhoss Proprietary Limited

DIRECTORS' RESPONSIBILITIES AND APPROVAL STATEMENTS

Directors

	Date of appointment	Date of resignation
Dineo Saleshando	01 October 2017	30 September 2020
Una Hewitt	15 May 2019	-
Girts Suberts	15 May 2019	-
Nicolaas Petrus Esterhuyse	15 May 2019	-
Kiven Vhusimuzi Mvududu	30 September 2020	-

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 40, Note 29.

DIRECTORS' RESPONSIBILITIES AND APPROVAL STATEMENTS

Directors' responsibilities in respect of the financial statements.

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 31 December 2020 and the results of its operations and cash flows for the year 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 7 to 40 , which have been prepared on the going concern basis, were approved by the board on 30 March 2021 and were signed on their behalf by:

Director Sirti Siberts

Director Uno Hewitt

(Registration number BW00000115487)
Financial Statements for the year ended 31 December 2020

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Gaborone International Finance Park
PO Box 1839, Gaborone
Botswana

Report of the Independent Auditors

To the Shareholders of Expresscredit Proprietary Limited

Opinion

We have audited the financial statements of Expresscredit Proprietary Limited set out on pages 7 to 40, which comprise the statement of financial position as at 31 December 2020, 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 year 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 2020, and its financial performance and cash flows for the year 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 commentary of the directors as required by the Companies Act (Chapter 42:01) set out on pages 2 and 3, directors' responsibilities and approval statement on page 4. 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.

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

30 March 2021
Gaborone

Christopher Matamande (BICA Practising Certificate number 20080088)
Partner

STATEMENT OF FINANCIAL POSITION

In BWP	Notes	31 December 2020	31 December 2019
ASSETS			
Non-current Assets			
Premises and equipment	5	5 204 099	6 395 226
Intangible assets	6	7 382	67 991
Loans and advances to customers	7	255 576 608	201 049 975
Deferred tax asset	20	7 755 950	4 474 890
		268 544 039	**211 988 082**
Current Assets			
Loans and advances to customers	7	16 775 059	18 336 072
Other financial assets	8	23 310 012	6 215 102
Other non-financial assets	9	7 665 987	7 448 998
Advances to related parties	10	1 021 985	1 187 654
Cash and cash equivalents	11	8 553 226	6 087 630
		57 326 269	**39 275 456**
TOTAL ASSETS		**325 870 308**	**251 263 538**
LIABILITIES			
Non-current Liabilities			
Borrowed funds	12	118 128 595	104 539 301
Lease liability	13	1 954 854	2 119 934
Deferred protection fee	14	26 074 098	16 316 100
		146 157 548	**122 975 335**
Current liabilities			
Borrowed funds	12	81 317 177	52 753 423
Lease liabilities	13	1 666 327	1 277 145
Deferred protection fee	14	461 504	443 954
Other financial liabilities	15	3 429 621	10 752 291
Provisions	16	734 036	887 497
Other payables	17	21 706 605	14 882 630
Corporate tax payable	21	11 600 180	4 516 448
		120 915 449	**80 996 940**
TOTAL LIABILITIES		**267 072 997**	**203 972 275**
EQUITY			
Stated capital	17	69 050 184	58 572 293
Accumulated deficit		(10 252 872)	(11 281 030)
TOTAL EQUITY		**58 797 312**	**47 291 263**
TOTAL LIABILITIES AND EQUITY		**325 870 308**	**251 263 538**

The financial statements have been approved for issue by the Directors on __________ and signed on its behalf by:

Director Gitts Suberts

Director Uma Hewitt

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

In BWP	Notes	For the year ended 31 December 2020	For the 9 months ended 31 December 2019
Interest income	18	97 175 578	54 284 163
Other similar income	18	36 383 036	13 884 509
Interest expense	18	(35 683 575)	(16 126 039)
Net margin on interest and similar income		**97 875 040**	**52 042 633**
Credit loss allowance		(18 650 067)	(6 382 780)
Net margin on interest and similar income after credit loss allowance		**79 224 973**	**45 659 853**
Administrative and other operating expenses	19	(52 663 331)	(29 427 579)
Foreign exchange translation gains less losses		(22 204 631)	1 863 192
Lease interest expense		(488 658)	(252 701)
Other income		962 476	195 267
Profit/(loss) before tax		**4 830 829**	**18 038 032**
Income tax (expense)/benefit	20	(3 802 671)	250 733
Loss for the year		**1 028 158**	**18 288 765**
Other comprehensive income		-	-
PROFIT/(LOSS) FOR THE PERIOD		**1 028 158**	**18 288 765**

STATEMENT OF CHANGES IN EQUITY

In BWP	Stated Capital	Accumulated deficit	Total
Balance at 31st March 2019	**120**	**(29 569 795)**	**(29 569 675)**
Profit for the year	-	18 288 765	**18 288 765**
Debt conversion into equity	58 572 173	-	**58 572 173**
Balance at 31 December 2019	**58 572 293**	**(11 281 030)**	**47 291 263**
Profit for the year	-	1 028 158	**1 028 158**
New shares issued	10 477 891	-	**10 477 891**
Balance at 31 December 2020	**69 050 184**	**(10 252 872)**	**57 797 312**

STATEMENT OF CASH FLOWS

In BWP	Notes	For the year ended 31 December 2020	For the 9 months ended 31 December 2019
Cash flows from operating activities			
Profit / (Loss) before taxation		4 830 829	17 842 380
Adjustments for:			
Depreciation and amortisation	5, 6	3 371 102	1 799 178
Change in provisions		(153 461)	210 038
Interest income from loans		(97 175 578)	(54 284 163)
Interest expense on borrowings		35 683 575	16 126 039
Impairment losses on loans		18 650 067	6 151 684
Cash flows used in operating activities before changes in operating assets and liabilities		**(34 793 466)**	**(12 154 844)**
Net (increase)/decrease in:			
- Loans and advances to customers		35 335 439	(77 930 510)
- Other financial assets		1 066 564	(4 991 083)
Net increase/(decrease) in:			
- Other payables		14 794 326	14 054 439
Net cash (used in)/generated from operating activities		**49 237 812**	**(68 867 154)**
Cash flows from investing activities			
Acquisition of premises and equipment	5	(235 353)	(1 432 653)
Acquisition of intangible assets	6	-	(3 875)
Loans issued to related parties		(18 212 871)	(4 220 406)
Net cash used in investing activities		**(18 448 224)**	**(5 656 934)**
Cash flows from financing activities			
Proceeds from borrowed funds		52 834 805	155 222 255
Repayment of borrowed funds		(46 365 331)	(63 965 570)
Net cash generated from financing activities		**6 469 474**	**91 256 685**
Net increase in cash and cash equivalents		**2 465 596**	**4 577 753**
Cash and cash equivalents at the beginning of the year	11	6 087 630	1 509 877
Cash and cash equivalents at the end of the year	11	**8 553 226**	**6 087 630**

NOTES TO THE FINANCIAL STATEMENTS

1 Introduction

ExpressCredit Proprietary Limited (the "Company") was incorporated as a private company limited by shares in Botswana on 22nd December 2015 under Botswana's Companies Act (Chapter 42:01) and holds a micro lender licence by the Non-Bank Financial Institutions Regulatory Authority (NBFIRA).

The Company's immediate parent company is YesCash Group Limited, incoroporated in the Republic of Mauritius, and its ultimate parent company is SIA EC Finance Group, incorporated in the Republic of Latvia.

Principal activity The Company's principal business activity is consumer micro-lending activities.

Registered address of the Company. The Company's registered address is situated at Plot 64516, 1st Floor, Gabs FM Building, Showgrounds Close, Fairgrounds, Gaborone, Botswana.

Basis of preparation. The financial statements of the Company have been prepared in accordance with the 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. These policies have been consistently applied to all the periods prensented, unless otherwise stated.

Presentation currency. These financial statements are presented in Botswanan Pula ("BWP"), unless otherwise stated.

Abbreviations. A glossary of various abbreviations used in this document is included in Note 27.

Going concern. The financial statements were prepared on a going concern basis which assumes that the Company will continue in operational existence for the foreseeable future.

2 Significant Accounting Policies

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 24.

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.

2 Significant Accounting Policies (Continued)

Financial instruments – key measurement terms (continued).

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") 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 diffferences 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 at 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.

2 Significant Accounting Policies (Continued)

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.

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 21 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 21 For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL. Note 21 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.

2 Significant Accounting Policies (Continued)

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 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.

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.

2 Significant Accounting Policies (Continued)

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 items of equipment are calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	Useful lives in years
Furniture and fixtures	4 - 5
Leasehold improvements	(Shorter of lease period and useful life) 5
Right of use assets (Buildings)	(Shorter of lease period and useful life) 5
Office equipment	3
IT equipment	3
Work in progress	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.

Intangible assets. The Company's intangible assets have a definite useful life and primarily include capitalised computer software. Capitalised computer software is amortised on a straight line basis over expected useful lives of 3 to 5 years.

Accounting for leases by the Company as a lessee. 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 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.

Borrowed funds. Borrowed funds include shareholder loans, loans obtained from unrelated non-financial instititutions and funding obtained from peer-to-peer financing platform. Borrowings are carried at AC.

2 **Significant Accounting Policies (Continued)**

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.

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 statement of financial position 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.

Provisions and charges. Provisions-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.

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.

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

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').

2 Significant Accounting Policies (Continued)

Foreign currency translation (continued).

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.

Foreign currency translation (continued).

The principal rate of exchange used for translating foreign currency balances was as follows:

	31 December 2020	31 December 2019
BWP/EUR	13.2626	11.9048

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.

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:

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 21. 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 currenty in Stage 1 measured at 12-months ECL), the expected credit loss allowance would be BWP 457 210 as of 31 December 2020 (31 December 2019: BWP 56 787 587).

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 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

Unallocateed/unidentified deposits. Unallocateed/unidentified deposits are temporarily posted in a seperate control account until they are allocated/identified to the concerned loan.

Business model assessment. The business model drives classification of financial assets. Management applied judgement in performing the business model assessment to determine which business model best reflects how the group of financial assets are managed to achieve a particular objective. The objective of the Company is to achieve long-term capital appreciation and its portfolio is managed on a cost less impairment basis.

Initial recognition of related party transactions. In the normal course of business, the Company enters into transactions with its related parties. IFRS 9 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis.

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.

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, 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.

Useful life of Premises and equipment. Management assess the appropriateness of the useful lives of premises and equipment at the end of each reporting period. The useful lives of furniture and fixtures, leasehold improvements, buildings, office equipment and IT 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.

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 Application of New and Revised International Financial Reporting Standards (IFRS)

In the current year, the Company has applied all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2020.

4.1 New and amended IFRS Standards that are effective for the current year

i) Effective from 1 January 2020

Amendments to the Conceptual Framework for Financial Reporting. 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. 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 organized 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 group of similar assets).

4 **Application of New and Revised International Financial Reporting Standards (IFRS) (Continued)**

Definition of materiality – Amendments to IAS 1 and IAS 8. 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.

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7). The amendments clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. Phase 1 of this amendment is focused on pre-replacement issues affecting financial reporting in the period before the reform.

ii) Effective from 1 June 2020

COVID-19-Related Rent Concessions (Amendment to IFRS 16). The amendment to IFRS 16 provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

4.2 New and revised Standards and Interpretations in issue but not yet effective

i) Effective from 1 January 2021

Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16). The amendments clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. Phase 2 of this amendment is focused on replacement issues that might affect the financial reporting when an existing interest rate benchmark is either reformed or replaced.

ii) Effective from 1 January 2022

Narrow Scope Amendments to IFRS Standard. The International Accounting Standards Board has made several small amendments to the following IFRS Standards to clarify the wording or correct micor consequences, oversights or conflicts between requirements in the Standards.

- ***Amendment to IFRS 3 Business Combinations*** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- ***Amendments to IAS 16 Property, Plant and Equipment*** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- ***Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets*** specify which costs a company includes when assessing whether a contract will be loss-making.

iii) Effective from 1 January 2023

IFRS 17 "Insurance Contracts". 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 groups 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 group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately.

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

NOTES TO THE FINANCIAL STATEMENTS

5 Premises and equipment

In BWP	Office Equipment	Leasehold improvements	IT equipment	Furniture and fixtures	Work in progress	Right of Use Asset	Total
Cost at 31 March 2019	75 679	2 795 011	1 870 930	224 500	-	-	4 966 120
Accumulated depreciation and amortization	(9 606)	(795 091)	(765 109)	(77 993)	-	-	(1 647 799)
Adoption of IFRS 16: Leases	-	-	-	-	-	2 450 857	2 450 857
Carrying amount at 31 March 2019	**66 073**	**1 999 920**	**1 105 821**	**146 507**	**-**	**2 450 857**	**5 769 178**
Additions	-	380 191	120 830	97 625	67 783	1 709 137	2 375 566
Depreciation	(14 190)	(442 326)	(476 528)	(50 251)	-	-	(983 295)
Amortization	-	-	-	-	-	(766 223)	(766 223)
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 and amortization	(23 796)	(1 237 417)	(1 241 637)	(128 244)	-	(766 223)	(3 397 317)
Carrying amount at 31 December 2019	**51 883**	**1 937 785**	**750 123**	**193 881**	**67 783**	**3 393 771**	**6 395 226**
Additions	68 002	68 768	36 969	-	61 614	1 884 013	**2 119 366**
Trasfer from work in progress	-	29 344	29 404	-	(58 748)	-	**-**
Depreciation	(21 753)	(646 976)	(604 725)	(78 445)	-	-	**(1 351 899)**
Amortization	-	-	-	-	-	(1 958 595)	**(1 958 59)**
Cost at 31 December 2020	143 681	3 273 314	2 058 133	322 125	70 650	6 044 007	11 911 909
Accumulated depreciation and amortization	(45 549)	(1 884 393)	(1 846 362)	(206 690)	-	(2 724 818)	(6 707 810)
Carrying amount at 31 December 2020	**98 132**	**1 388 921**	**211 771**	**115 435**	**70 650**	**3 319 190**	**5 204 099**

6 Intangible assets

In BWP	Computer Software For the year ended 31 December 2020	For the 9 months ended 31 December 2019
Cost	-	
Opening balance:	199 935	196 060
Additions	-	3 875
Cost at 31 December 2020	**199 935**	**199 935**
Accumulated depreciation and amortization		
Opening balance:	(131 944)	(82 284)
Charge for the period	(60 609)	(49 660)
Accumulated depreciation and amortization as at 31 December 2020	**(192 553)**	**(131 944)**
Carrying amount at 31 December 2020	**7 382**	**67 991**

7 Loans and advances to customers

Breakdown of Loans and advances to customers:

In BWP	31 December 2020	31 December 2019
Gross carrying amount of loans and advances to customers	307 141 617	247 305 679
Less credit loss allowance	(34 789 950)	(27 919 632)
Total carrying amount of loans and advances to customers	**272 351 667**	**219 386 047**
Non-current	255 576 608	201,049,975
Current	16 775 059	18 336 072
Total carrying amount of loans and advances to customers	**272 351 667**	**219 386 047**

NOTES TO THE FINANCIAL STATEMENTS

7 Loans and advances to customers (Continued)

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

	Credit Loss Allowance				Gross Carrying Amount			
In BWP	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**
At 31 December 2019	8 698 909	3 132 649	16 088 074	**27 919 632**	216 395 140	10 398 526	20 512 013	**247 305 679**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to 12-months ECL (to Stage 1 from Stage 2 and Stage 3)	637 584	(269 426)	(368 158)	-	1 998 405	(1 233 026)	(765 379)	-
- to lifetime (to Stage 2 from Stage 1 and Stage 3)	(375 089)	474 631	(99 542)	-	(5 133 130)	5 309 224	(176 094)	-
- to credit-impaired (to Stage 3 from Stage 1 to Stage 2)	(3 515 830)	(2 287 390)	5 803 220	-	(23 285 981)	(6 875 810)	30 161 791	-
Net remeasurement of credit loss allowance	(64 458)	237 082	5 436 609	**5 609 233**	823 996	129 619	589 715	**1 543 330**
New originated or purchased	2 835 048	923 939	5 126 813	**8 885 800**	161 070 874	2 501 612	6 254 330	**169 826 816**
Loan repayments	(3 417 764)	244 736	7 153 745	**3 980 717**	(87 932 525)	(2 979 512)	(9 016 739)	**(99 928 776)**
Total movements with impact on credit loss allowance charge for the period	(3 900 509)	(676 428)	23 052 687	**18 475 750**	47 541 639	-3 147 893	27 047 624	**71 441 370**
Movements with impact on credit loss allowance charge for the period:								
Write-offs	-	-	(11 605 432)	**(11 605 432)**	-	-	(11 605 432)	**(11 605 432)**
At 31 December 2020	**4 789 400**	**2 456 221**	**27 535 329**	**34 789 950**	**263 936 779**	**7 250 633**	**35 954 205**	**307 141 617**

NOTES TO THE FINANCIAL STATEMENTS

7 Loans and advances to customers (Continued)

In BWP	Credit Loss Allowance Stage 1 (12-months ECL)	Credit Loss Allowance Stage 2 (lifetime ECL for SICR)	Credit Loss Allowance Stage 3 (lifetime ECL for credit im-paired)	Total	Gross Carrying Amount Stage 1 (12-months ECL)	Gross Carrying Amount Stage 2 (lifetime ECL for SICR)	Gross Carrying Amount Stage 3 (lifetime ECL for credit im-paired)	Total
At 31 March 2019	**1 939 171**	**2 526 605**	**17 071 976**	**21 537 752**	**74 329 014**	**4 633 735**	**19 137 107**	**98 099 856**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to 12-months ECL (to Stage 1 from Stage 2 and Stage 3)	1 008 647	(275 145)	(733 502)	-	1 301 209	(530 086)	(771 123)	-
- to lifetime (to Stage 2 from Stage 1 and Stage 3)	(207 450)	207 450	-	-	(2 853 790)	2 853 790	-	-
- to credit-impaired (to Stage 3 from Stage 1 to Stage 2)	(299 343)	(1 445 764)	1 745 107	-	(3 373 760)	(1 959 539)	5 333 299	-
Changes in accrued interest	-	-	-	-	1 424 226	699 069	(518 291)	**1 605 004**
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**
Loan repayments	(2 158 229)	(43 849)	(3 593 080)	**(5 795 158)**	(27 681 338)	(1 696 284)	(5 250 569)	**(34 628 191)**
Total movements with impact on credit loss allowance charge for the period	**6 759 738**	**606 044**	**(752 806)**	**6 612 976**	**142 066 126**	**5 764 791**	**1 606 002**	**149 205 823**
Movements with impact on credit loss allowance charge for the period:								
Write-offs	-	-	(231 096)	**(231 096)**	-	-	(231 096)	**(231 096)**
At 31 December 2019	**8 698 909**	**3 132 649**	**16 088 074**	**27 919 632**	**216 395 140**	**10 398 526**	**20 512 013**	**247 305 679**

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 21. 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 31 December 2019 and 2020:

In BWP	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**
At 31 December 2019				
- 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**
Gross amount of loans and advances to customers at AC	**216 395 140**	**10 398 526**	**20 512 013**	**247 305 679**
Credit loss allowance	(8 698 909)	(3 132 649)	(16 088 074)	**(27 919 632)**
Carrying amount	**207 696 231**	**7 265 877**	**4 423 939**	**(219 386 047)**

In BWP	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**
At 31 December 2020				
- Current	246 616 769	-	40 584	**246 657 353**
- 1-30 days past due	17 320 010	-	37 334	**17 357 344**
- 31-60 days past due	-	4 590 913	15 298	**4 606 211**
- 61-90 days past due	-	2 659 720	-	**2 659 720**
- Default	-	-	35 860 989	**35 860 989**
Gross amount of loans and advances to customers at AC	**263 936 779**	**7 250 633**	**35 954 205**	**307 141 617**
Credit loss allowance	(4 798 400)	(7 250 633)	(27 535 329)	**(34 789 950)**
Carrying amount	**259 138 379**	**4 794 412**	**8 418 876**	**(272 351 667)**

At 31 December 2020 the Company had 11 238 borrowers (31 December 2019: 11 508 borrowers) with aggregated loan amounts excluding repayments above BWP 516 756 thousand (31 December 2019: BWP 327 944 thousand).

NOTES TO THE FINANCIAL STATEMENTS

7 Loans and advances to customers (Continued)

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 2020:

In BWP	31 December 2020	31 December 2019
Loans and advances to customers written off	11 605 432	231 096

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

In BWP	31 December 2020	31 December 2019
Other financial assets at AC		
Loan to related parties	22 433 278	4 220 406
Collections receivable	22 958	224 485
Other	796 602	716 038
Receivables from Mintos	57 173	1 054 173
Total other financial assets at AC	23 310 012	6 215 102

9 Other non-financial assets

In BWP	31 December 2020	31 December 2019
Other non-financial assets at AC		
Deferred Direct Sales Agents comission	6 809 447	6 377 795
Prepayments for services	592 597	830 166
Security deposits	263 943	240 255
Other assets	-	782
Total other non-financial assets at AC	7 665 987	7 448 998

10 Advances to related parties

Advances paid to related parties represents 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 attact any interest income.

In BWP	31 December 2020	31 December 2019
Advances paid for marketing services to EC Finance Group Ltd.	1 021 985	1 187 654
Total advances paid to related parties	**1 021 985**	**1 187 654**

11 Cash and cash equivalents

In BWP	31 December 2020	31 December 2019
Cash on hand	14 535	17 394
Cash at bank	8 538 690	6 070 235
Total other non-financial assets at AC	**8 553 226**	**6 087 630**

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 21 for the ECL measurement approach.

12 Borrowed funds

The Company has borrowings only from Mintos peer-to-peer lending platform and they are secured with the Company's loans and advances to customers which have been listed in the Mintos platform. The borrowings from Mintos have an interest rate that ranges between 9.1% and 23.0% per annum (31 December 2019: 9.1% and 16.0% per annum) and the weighted average remaining maturity of 34 months (31 December 2019: 31 months).

In BWP	31 December 2020	31 December 2019
Non-current	118 128 595	104 539 301
Current	81 317 177	52 753 423
Total borrowed funds at AC	**199 445 772**	**157 292 724**

13 Lease liabilities

In BWP	Up to 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years
As at 31 December 2019	301 838	975 307	1 270 940	848 994
As at 31 December 2020	**383 422**	**1 282 905**	**1 780 964**	**173 890**

In BWP	31 December 2020	31 December 2019
Non-current	1 954 854	2 119 934
Current	1 666 327	1 277 145
Total Lease liabilities	**3 621 181**	**3 397 079**

In BWP	31 December 2020	31 December 2019
Opening balance	3 397 078	2 646 509
Additions	-	1 148 083
Lease liability interest expense	488 658	252 701
Effect of modifications of lease terms	1 884 015	631 447
Lease payments	(2 148 570)	(1 281 662)
Total Lease liabilities	**3 621 181**	**3 397 079**

NOTES TO THE FINANCIAL STATEMENTS

14 Deferred Protection fees

In BWP	31 December 2020	31 December 2019
Non-current	26 074 098	16 316 100
Current	461 504	443 954
Total deferred protection fee	**26 535 602**	**16 760 054**

In BWP	31 December 2020	31 December 2019
Opening balance	16 760 054	-
Additions	22 555 231	18 577 678
Protection fee income recognised	(12 779 683)	(1 817 624)
Total deferred protection fee	**26 535 602**	**16 760 054**

15 Other financial liabilities

In BWP	Note	31 December 2020	31 December 2019
Related party payables	25	2 307 143	9 982 500
Trade payables		561 422	769 791
Payables to Mintos		561 055	-
Total other financial liabilities at AC		**3 429 620**	**10 752 291**

16 Provisions

In BWP	31 December 2020	31 December 2019
Provision for vactaion costs	216 674	410 431
Provision for severence costs	517 362	477 066
Total provisions at AC	**734 036**	**887 497**

17 Other payables

In BWP	31 December 2020	31 December 2019
Withholding tax payable	8 808 286	1 948 807
Value added tax payable	8 299 628	3 209 909
Other taxes payable	136 198	225 945
Subtotal financial liabilities	**17 244 112**	**5 384 662**
Unassigned deposits	2 712 338	4 444 732
Accrued liabilities	1 750 155	1 204 696
Other payables	-	19 924
Subtotal other payables	**4 462 493**	**4 981 521**
Total other payables at AC	**21 706 605**	**10 366 183**

NOTES TO THE FINANCIAL STATEMENTS

18 Stated Capital

In BWP except for number of shares	Number of shares	Value of shares
At 01 April 2019	120	120
New shares issed	58 572 173	58 572 173
At 31 December 2019	**58 572 293**	**58 572 293**
New shares issed	10 477 891	10 477 891
At 31 December 2020	**69 050 184**	**69 050 184**

The total authorised number of ordinary shares is 69 050 184 shares (31 December 2019: 58 572 293 shares) with a total value of BWP 69 050 184 (31 December 2019: BWP 58 572 293). All issued ordinary shares are fully paid.

YesCash Group Limited is the sole shareholder of the Company as at 31 December 2020 and 2019.

19 Interest income and expense

In BWP	For the year ended 31 Decemeber 2020	For the 9 months ended 31 Decemeber 2019
Interest income calculated using the effective interest method		
Interest income	97 175 578	54 284 163
Total interest income calculated using the effective interest method	**97 175 578**	**54 284 163**
Other similar incomes		
Protection fees	11 410 431	1 817 624
Collection fees	10 975 260	3 783 359
Early repayment interest	9 546 002	5 708 871
Statement fees	3 656 013	1 260 701
Termination commission	604 303	-
Late payment interest	167 026	831 490
Extension interest	24 001	482 464
Total other similar incomes	**36 383 036**	**13 884 509**
Total interest income	**133 558 614**	**68 168 672**
Interest and other similar expenses		
Borrowed funds from peer-to-peer lending platform	30 637 252	11 891 291
Withholding tax	4 975 440	1 364 255
Borrowed funds from related parties	70 883	2 870 493
Total Interest and other similar expense	**35 683 575**	**16 126 039**
Net margin on interest and similar income	**97 875 040**	**52 042 633**

NOTES TO THE FINANCIAL STATEMENTS

20 Administrative and other operating expenses

In BWP	Note	For the year ended 31 December 2020	For the 9 months ended 31 December 2019
Management fees	25	15 059 786	6 843 676
Staff costs		7 304 008	7 273 386
IT costs		6 305 016	2 447 695
Direct Sales Agents commissions		6 007 508	2 120 536
Collection fees		5 399 930	2 832 296
Depreciation and amortisation	5, 6	3 371 102	1 801 158
Professional services		2 204 394	931 885
VAT on foreign supplies		2 147 893	375 300
Regulatory expenses		1 797 601	849 473
Advertising and marketing services		1 328 639	2 281 959
Communication costs		526 095	360 848
Office expenses		358 740	316 796
Printing and stationery		202 145	168 939
Travel		190 033	245 248
Bank fees		163 664	141 896
Rent and utilities		153 624	261 041
Data costs		115 581	72 746
Other administrative expenses		27 574	102 700
Total administrative and other operating expenses		**52 663 331**	**29 427 579**

21 Income Taxes

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

Income tax expense/(credit)

In BWP	For the year ended 31 December 2020	For the 9 months ended 31 December 2019
Current tax	7 083 732	4 224 157
Deferred tax	(3 281 060)	(4 474 890)
Income tax expense/(credit) for the year	**3 802 671**	**(250 733)**

(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 2020 income is 22% (31 December 2019: 22%). A reconciliation between the expected and the actual taxation charge is provided below.

In BWP	For the year ended 31 December 2020	For the 9 months ended 31 December 2019
Profit/(loss) before tax	**4 830 829**	**18 038 034**
Theoretical tax charge/credit at statutory rate of 22%	1 062 782	3 968 367
Tax effect of items which are not deductible or assessable for taxation purposes:		
Non-taxable impact from IFRS 16	71 452	97,150
Other non-taxable items	70 153	62,612
Management Fees and Royalty Fees	-	
Prior year deferred tax adjustment related to severance and accruals	1 894 029	
Prior year deferred tax adjustment related to non-allowable interest expenses	704 256	-57,990
Utilisation of previously unrecognised tax loss carry forwards	-	(4 320 871)
Income tax expense/(credit) for the year	**3 802 671**	**(250 733)**

21 **Income Taxes (Continued)**

(c) Corporate taxes payable

In BWP	31 December 2020	31 December 2019
Opening balance	4 516 448	292 291
Tax charged for the year	7 083 732	4 224 157
Tax paid	-	-
Total deferred protection fee	**11 600 180**	**4 516 448**

(d) 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.

In BWP	1 April 2019	Credited/ (charged) to profit or loss	31 December 2019	Credited/ (charged) to profit or loss	31 December 2020
Tax effect of deductible/(taxable) temporary differences and tax loss carry forwards					
Premises and equipment	44 468	13 188	57 656	100 837	158 493
Protection Fees	-	4 129 677	4 129 677	1 708 156	5 837 833
IFRS 16 adjustment	-	72 179	72 179	(5 741)	66 438
Tax loss carry forwards	4 320 872	(4 320 872)	-	-	-
Severance and accruals	401 677	2 331 547	2 733 224	(2 733 224)	-
Customer overpayment	797	1 306	2 103	(2 103)	-
Prepaid expenses	(310 038)	(1 536 998)	(1 847 036)	(6 251)	(1 853 287)
Foreign exchange difference	145 698	(818 611)	(672 913)	3 978 941	3 306 028
Other	-	-	-	240 445	240 445
Net deferred tax asset/(liability)	**4 603 474**	**(128 584)**	**4 474 890**	**3 281 060**	**7 755 950**
Recognised deferred tax asset	4 913 512		6 994 839		9 368 792
Recognised deferred tax liability	(310 038)		(2 519 949)		(1 853 287)
Net deferred tax asset/(liability)	**4 603 474**		**4 474 890**		**7 755 950**

22 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 committen 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 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.

22 Financial Risk Management (Continued)

Expected credit loss (ECL) measurement (continued).

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 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 calculated 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.

22 Financial Risk Management (Continued)

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.

Forward-looking information incorporated in the ECL models (continued).

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.

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

	At 31 December 2020			**At 31 December 2019**		
In BWP	**Monetary financial assets**	**Monetary financial liabilities**	**Net position**	**Monetary financial assets**	**Monetary financial liabilities**	**Net position**
Other financial assets	22 490 451	-	**22 490 451**	5 274 579	-	**5 274 579**
Advances paid to related parites	1 021 985	-	**1 021 985**	1 187 655	-	**1 187 655**
Borrowed funds	-	199 445 772	**(199 445 772)**	-	157,292,724	**(157 292 724)**
Total	**23 512 437**	**199 445 772**	**(175 933 336)**	**6 462 234**	**157 292 724**	**(150 830 490)**

	At 31 December 2020			**At 31 December 2019**		
In EUR	**Monetary financial assets**	**Monetary financial liabilities**	**Net position**	**Monetary financial assets**	**Monetary financial liabilities**	**Net position**
Other financial assets	1 695 780	-	**1 695 780**	443 063	-	**443 063**
Advances paid to related parites	77 058	-	**77 058**	99 763	-	**99 763**
Borrowed funds	-	15 038 211	**(15 038 211)**	-	13 212 546	**(13 212 546)**
Total	**1 772 838**	**15 038 211**	**(13 265 373)**	**542 826**	**13 212 546**	**(12 669 720)**

22 **Financial Risk Management (Continued)**

Currency risk (continued).

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:

	At 31 December 2020		**At 31 December 2019**	
In BWP	**Impact on profit or loss**	**Impact on equity**	**Impact on profit or loss**	**Impact on equity**
BWP strengthening by 5% (2018: strengthening by 5%)	8 796 269	8 796 269	7 541 525	7 541 525
BWP weakening by 20% (2018: weakening by 5%)	(35 186 402)	(35 186 402)	(30 166 098)	(30 166 098)

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

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:

In BWP	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Total**
31 December 2019					
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	51 241 130	120 855 401	**186 019 689**
Net interest sensitivity gap at 31 December 2020	**8 469 230**	**1 089 176**	**(44 083 890)**	**80 194 574**	**45 669 090**

In BWP	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Total**
31 December 2020					
Total financial assets	1 456 329	3 656 351	12 539 113	278 009 886	**295 661 679**
Total financial liabilities	29 128 644	63 399 746	15 785 893	144 202 693	**252 516 977**
Net interest sensitivity gap at 31 December 2020	**(27 672 315)**	**(59 743 395)**	**(3 246 780)**	**133 807 192**	**43 144 702**

At 31 December 2019 and 2020 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 considersation 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 and 2020 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.

22 **Financial Risk Management (Continued)**

Liquidity risk (continued).

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.

In BWP	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
31 December 2019						
Assets						
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**
Total	**20 600 247**	**2 881 317**	**7 157, 40**	**131 635 435**	**69 414 540**	**231 688 779**
Liabilities						
Borrowed funds	148 707	1 660 629	50 944 087	94 077 797	10 461 504	**157 292 724**
Lease liabilities	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**
Total potential future payments for financial obligations	**12 131 017**	**1 792 141**	**51 251 130**	**103 361 893**	**17 493 508**	**186 029 689**
Liquidity gap arising from financial instruments	**8 469 229**	**1 089 176**	**(44 093 890)**	**28 273 542**	**51 921 032**	**45 659 089**

In BWP	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
31 December 2020						
Assets						
Cash and cash equivalents	8 553 226	-	-	-	-	**8 553 226**
Loans and advances to customers	579 595	3 656 351	12 539 113	109 859 058	145 717 550	**272 351 667**
Other financial assets	876 734	-	-	22 433 278		**23 310 012**
Total	**10 009 555**	**3 656 351**	**12 539 113**	**132 292 336**	**145 717 550**	**304 214 905**
Liabilities						
Borrowed funds	2 583 497	63 304 518	15 429 162	76 206 693	41 921 903	**19 ,44 ,773**
Other payables	12 779 683	-	-	-	-	**12 779 683**
Lease liabilities	13 755 919	-	-	-	-	**13 755 919**
Other financial liabilities	9 544	95 228	356 732	10 657 601	15 416 496	**26 535 602**
Total	**29 128 644**	**63 399 746**	**15 785 893**	**86 864 294**	**57 338 399**	**252 516 977**
Liquidity gap arising from financial instruments	**(19 119 089)**	**(59 743 395)**	**(3 246 780)**	**45 428 042**	**88 379 150**	**51 697 928**

22 **Financial Risk Management (Continued)**

Liquidity risk (continued)

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.

23 **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

24 **Contingencies and commitments**

Operating lease commitments. Where the Company is the lessee, the future minimum lease payments under non-cancellable operating leases at 31 December 2019 and 2020 are as follows:

In BWP	**31 December 2020**	**31 December 2019**
Not later than 1 year	1 666 326	1 577 672
Later than 1 year and not later than 5 years	1 954 854	1 549 475
Later than 5 years	-	-
Total operating lease commitments	**3 621 181**	**3 127 147**

25 **Fair Value Disclosure**

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.

25 **Fair Value Disclosure (Continued)**

(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 and 2020 not measured at fair value are as follows:

	31 December 2019				
In BWP	**Level 1 fair value**	**Level 2 fair value**	**Level 3 fair value**	**Total fair value**	**Carrying value**
Assets					
Loans and advances to customers	-	-	234 650 294	**234 650 294**	219 617 143
Other financial assets	-	-	6 215 102	**6 215 102**	6 215 102
Total	-	-	**240 865 396**	**240 865 396**	**225 601 149**
Liabilities					
- Borrowed funds	-	-	156 006 973	**156 006 973**	157 292 724
- Other financial liabilities	-	-	10 752 291	**10 752 291**	10 752 291
- Trade and other payables	-	-	19 924	**19 924**	19 924
Total	-	-	**166 779 189**	**166 779 189**	**168 158 736**

	31 December 2020				
In BWP	**Level 1 fair value**	**Level 2 fair value**	**Level 3 fair value**	**Total fair value**	**Carrying value**
Assets					
Loans and advances to customers	-	-	321 021 209	**321 021 209**	272 351 667
Other financial assets	-	-	23 310 012	**23 310 012**	23 310 012
Total	-	-	**344 331 221**	**344 331 221**	**344 331 221**
Liabilities					
- Borrowed funds	-	-	182 652 327	**182 652 327**	199 445 772
- Other financial liabilities	-	-	26 535 602	**26 535 602**	26 535 602
- Trade and other payables	-	-	-	-	-
Total	-	-	**209 187 929**	**209 187 929**	**209 187 929**

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 2020, all of the Company's financial assets and liabilities were carried at AC.

NOTES TO THE FINANCIAL STATEMENTS

26 Related Party Information

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:

Related party	Jurisdictiion	Relationship with the Company
EC Finance Group Ltd	Latvia	Ultimate parent of the group
YesCash Group Limited	Mauritius	Parent
ExpressCredit Holding AS	Latvia	Entity belongs to the same group
YesCash Zambia Limited	Zambia	Entity belongs to the same group
Express Credit Cash Advance (Pty) Ltd	Namibia	Entity belongs to the same group
Express Credit (Pty) Limited	Malawi	Entity belongs to the same group
Dineo Saleshando	Botswana	Executive Director
Una Hewitt	United Kingdom	Executive Director
Girts Suberts	Latvia	Executive Director
Nicolaas Petrus Esterhuyse	Namibia	Executive Director

In BWP	Note	31 December 2020	31 December 2019
Other financial assets			
Loan to related parties			
Express Credit Cash Advance (Pty) Ltd	8	11 941 063	-
EC Finance Group Ltd	8	10 492 215	4 220 406
Advances paid to related parties			
Advances paid for centrally managed services			
EC Finance Group Ltd	10	1 021 985	1 187 655
Royalty fees advanced for use of loan management system			
YesCash Group Limited		-	19 597
Other financial liabilities			
Management fee payable			
YesCash Group Limited		1 547 196	8 757 405
Royalty fee payable			
YesCash Group Limited		759 947	-
Recharges for centrally managed services			
YesCash Group Limited		-	505 053

25 **Related Party Information (Continued)**

In BWP	*Note*	For the year ended 31 December 2020	For the 9 months ended 31 December 2019
Other income			
Interest income			
EC Finance Group Ltd		677 768	26 864
Express Credit Cash Advance (Pty) Ltd		151 232	
YesCash Zambia Limited		-	41 129
Express Credit (Pty) Limited		-	13 017
Interest expense			
Interest expense			
YesCash Zambia Limited		42 006	7 494
ExpressCredit Holding AS		28 877	-
YesCash Group Limited		-	2 856 798
EC Finance Group Ltd		-	6 200
Administrative and other operating expenses			
Management services received			
YesCash Group Limited		15 059 786	6 843 676
Royalty fees for the use of the loan management system			
YesCash Group Limited		5 334 869	1 765 542
Purchases of services			
EC Finance Group Ltd		235 622	394 685

In BWP	31 December 2020	31 December 2019
Executive - Dineo Saleshando		
Emoluments	1 628 640	1 134 000
Other Benefits	546 699	707 877
	2 175 339	**1 841 877**
Executive - Nicolaas Petrus Esterhuyse		
Emoluments	-	516 003
Other Benefits	-	223 637
	-	**739 640**
	2 175 339	**2 581 517**

27 Covid-19

The outbreak of Coronavirus Disease ("COVID-19") in early 2020 has had significant and continuing impact on global financial markets. The Government of Botswana has extend its state of emergency for a further 6 moths period from September 2020 to March.2021.

Management of the Company have 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 2020 financial statements. Management will remain proactive in the monitoring and assessment of COVID-19's impact on the Company.

28 Events after the End of the Reporting Period

The Company has commenced offering credit life cover on its products with effect from the 5th of April 2021, operating as an Insurance Agent for Hollard life Botswana (Pty) Ltd. The benefits of which includes cover against death, permanent disability, dread diseases and loss of income.

Except for the above, there have been no material events after the reporting date which would require disclosure or adjustment to the financial statements for the year ended 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS

29 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