CREATING VALUE FOR A BETTER

TODAY & TOMORROW

PEEPA
Public Enterprises Evaluation and Privatisation Agency

2018/19
ANNUAL REPORT
Breaking New Grounds

COMPANY INFORMATION

Nature and Principal Business Activity

The purpose of the company is to evaluate the performance of parastatals and to advise on, as well as implement the commercialisation and privatisation of these parastatals.

MISSION

To provide quality advice and effectively implement the privatisation programme, and monitor the performance of Public Entities to ensure efficient service delivery

VISION

To be the leader in the transformation of Botswana towards an efficient private sector led economy

CORE VALUES

The core values espoused by employees and directors of PEEPA, individually and collectively in pursuance of PEEPA's mission are:

PROFESSIONALISM
We perform our daily duties with enthusiasm and conviction, whilst taking responsibility for our actions and decisions.

INTEGRITY
We are honest, transparent and act in accordance with high ethical and moral principles.

QUALITY SERVICE
We maintain high standards in the delivery of innovative services to customers.

TEAMWORK
We collaborate effectively with our colleagues in order to achieve our common goals.

TABLE OF CONTENTS


S T R A T

PEEPA MANDATE

PEEPA is responsible for advising Government on privatisation strategies as well as implementation of privatisation. This includes commercialisation, restructuring, outsourcing and divestiture interventions for the effectiveness and efficiency of public entities and ministries as well as evaluating the performance of parastatals and promoting good corporate governance in them.

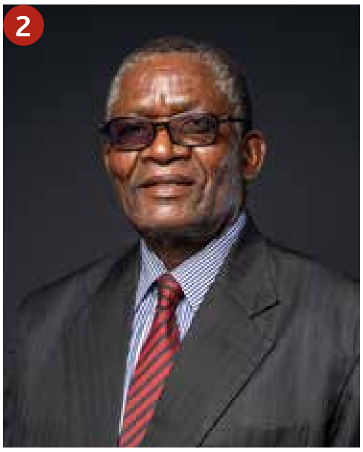
COMPANY PROFILE

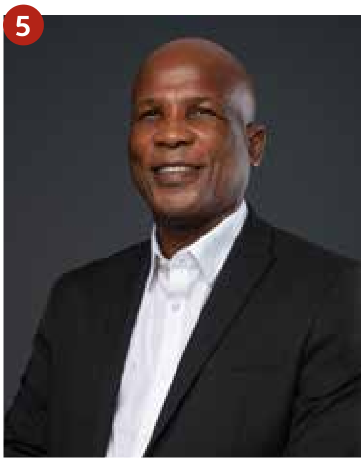
Company Registration Number
2000/4113

Country Of Incorporation and Domicile
Botswana

Nature of Business
The purpose of the Company is to evaluate the performance of Parastatals and to advise on, as well as implement the commercialisation and privatisation of these Parastatals.

Board Of Directors





1. Ms T M Kgatlwane
   Chairperson
2. Mr. G L Tlogelang
3. Mr. G Mmolawa
4. Mr T G Bogosi
5. Mr O A B Ngwakwena

Not photographed

i. Mr. M K J Masisi

ii. Ms. P. Motswagole

Executive Management

1. Mr. Ezekiel O. Moumakwa
   Chief Executive Officer
2. Mr Ishmael Joseph
   Director, Public Services Outsourcing
3. Ms Maele L. Keaikitse
   Director, Human Resources

Not photographed

i. Mr. B. Radipati
   General Corporate Council

Ag. Company Secretary

K & N Business Consultants

Business address

Chillesford House, Fairgrounds Office Park,
Private Bag 00510, Gaborone.

Registered address

Plot 64511, Fairgrounds Office Park, Gaborone.

Bankers

absa, Stanbic Bank, FNB First National Bank

Currency

Botswana Pula.

Auditors

Grant Thornton
An instinct for growth

COMPLIANCE WITH THE PRIVATISATION POLICY

The Honourable Kabo Morwaeng,
Minister for Presidential Affairs, Governance and Public Administration,
Private Bag 001,
Gaborone.

In compliance with paragraph 81 of the Privatisation Policy of Botswana, I have the honour to submit the Annual Report of the Public Enterprise Evaluation and Privatisation Agency (PEEPA) for the year that ended 31 March 2019.

Yours Faithfully

T. M. Kgatlwane
Chairperson

CHAIRPERSON's **STATEMENT**

On behalf of the PEEPA Board of Directors, I am humbled to present to you the PEEPA Annual Report for the financial year 2018/2019. This period under review has not lived to the expectations arising from the major structural changes pronounced in November 2017 to re-ignite the performance of the Agency. We will however, with the transformational nature of our mandate, continue to make inroads across all sectors.

OPERATING ENVIRONMENT

Botswana's economic growth is projected to sustain about 4% in 2018-2019. The growth will be driven by a promising performance by non-mining sectors and the anticipated recovery of mining sector. The services sector, which contributes over 40% of the growth, led primarily by investments in transport and communications, trade and finance, and business services continues to underpin the economy. However, slow diversification to reduce reliance on the mining (diamonds) revenues without a robust export oriented manufacturing and agriculture sectors continues to pose a risk to the country's economy.

As the Board of PEEPA we believe that the mandate of the Agency is well positioned to contribute to the transformation of the economy to that which is output and export-oriented and private sector led through the promotion of increased private sector participation in service delivery.

OPERATING PERFORMANCE OVERVIEW

The Agency is at the centre stage of realising the Vision 2036 pillar of Sustainable Economic Development which sees Botswana as "a high income country, with an export-led economy underpinned by diversified, inclusive and sustainable growth driven by high levels of productivity." That is, through increased private sector participation in the economy.

The Agency has lined up initiatives aimed at increasing private sector participation as outlined in the PEEPA Corporate Strategy 2016-2021 in line with priorities of the approved Privatisation Master Plan II (PMP II). Unfortunately, since the National Development Plan 11 had not expressly accommodated the PMP II, none of the initiatives mentioned above were funded.

In recognition of the fact that project funding was not receiving the attention it deserved, the Agency embarked upon an intense stakeholder engagement to reach out to major stakeholders and Batswana as the potential beneficiaries of improved service delivery expected from increased private sector participation.

FINANCIAL REVIEW

Government reached a decision to centralise privatisation funding to the Agency in November 2017. This was outside the budgeting period for the financial year 2018/2019. The Agency therefore went into the period under review without project funding.

The Agency recorded a net deficit for the year ended March 2019 of P2,086,776 compared to a deficit of P2,008,082 reported in the previous financial year.

Revenue recorded for the financial year 2018/19 amounted to P20, 466,719 compared to P26, 511,620 in the previous year. The revenue consists of subventions received from Government of P25, 312, 000 representing a 16.55% increase compared to the 2017/18 financial year. Of the revenue received P5, 645, 281 was in the form of capital grants. The revenue also consists of transfer of funds from deferred income against Ministry projects amounting to P800, 000 compared to P5, 387,517 recorded in the previous year.

The operating income represents miscellaneous income such as corporate governance trainings, tender fees and sale of residential furniture at P96, 479 which is higher than P17,841 recorded in the previous year.

The company's total expenditure for the year amounted to P24,382,487 including depreciation expenditure. the expenditure decreased by P4, 160, 236 from P28,542,723 to P24,126,586 recorded in 2018/19 financial year compared to the previous year. This decrease was mainly attributed to reduced expenditure from deferred funds on the ministry projects.

Trade and other receivables increased from P644,591 by end of March 2018 to P891,028 by end of March 2019. Trade and other payables increased from P3,222,226 in the year ending March 31 2018 to P5,596,461 at the end of the year.

Plant and equipment balances increased from P1, 666,360 to P5, 939,666 as a result of purchase of new company vehicles and office refurbishments.

Cash and cash equivalents stood at P2,979,979 as at March 31, 2019 compared to P5,343,946 as at March 31, 2018. These include an aggregate of deferred income amount of P1,809,305 which represents the unspent grants as follows:

a) Funds for NDB privatisation project amounting to P576, 715.
b) Funds from the Ministry of Minerals, Energy and Water Resources for BPC and ESI project at P603, 700.
c) Funds from the Ministry of Infrastructure Science and Technology for the development and implementation of an effective maintenance strategy for Government buildings at P 538, 918.
d) PEEPA contribution in the ended African Development project amounting to P89, 972.

STAFFING

The Board recognises that the successes of this Agency is attributable to performance and well-being of its people.

The Board is committed to creating an enabling environment for PEEPA staff to unleash their full potential to improve the performance of the Agency.

The Agency will come up with creative and innovative ways of enabling its employees to acquire the much-needed skills to deliver on its mandate while remaining as lean as possible.

Top on the agenda of the in-coming Board is to implement a dynamic operating model to enable the Agency to have access to set of capabilities that allow the entire business to run effectively and be responsive. That is, an Agency grounded in strategy as enabled by its people, processes, and technology.

OUTLOOK

The future outlook for the Agency is anchored on a number of fronts, amongst which are:

- Governance: Having the governance structures in place following the appointment of a new Board towards the end of the financial year;
- Funding: Approval of a mechanism of centralising funding for privatisation transactions at PEEPA. This is yet to be realised having been pronounced at the end of 2017/2018.
- Operating model: A dynamic operating model yet to be put in place to deliver the Agency's mandate. The model enable the Agency to have access to set of capabilities that allow the entire business to run effectively and be responsive. That is, an Agency grounded in strategy as enabled by its people, processes, and technology.
- Policy: Privatisation in earnest as expressed in the Policy Shift Directive and the continued desire to gear the private sector as the engine of growth. The Agency is optimistic that 2019/2020 will be a turning point for privatisation and Parastatal performance.

ACKNOWLEDGEMENTS

The Board of Directors of PEEPA are thankful for the commitment demonstrated by the Government of Botswana to ensure that PEEPA delivers on its mandate as an advisor on privatisation and private sector participation and the lead implementer of approved privatisation transactions. Much gratitude goes to the Minister of Presidential Affairs, Governance and Public Administration and his staff for the guidance and support given to the Agency. The Board also appreciates Government Departments and Ministries who continue to recognise the need to give the private sector greater role in public service delivery. The Board is again grateful to the private sector, which continues to demonstrate its readiness to play a greater role in the economy. The Board also recognises the continued anticipation by members of the public and other stakeholders for improved efficiency in public service delivery and economic transformation, as a result of privatisation, improved SOE performance and private sector participation.

The contribution through oversight and direction to the Agency by the Board of Directors of PEEPA, individually and collectively cannot go unnoticed.

The Board is also grateful to Management and Staff of PEEPA who continue to come up with innovative ways of delivering on the Agency's mandate under extreme uncertainty.

Stakeholders engagement at the Gantsi Agric Show

BAOA & PEEPA Officials after the BAOA & PEEPA MOA signing

CORPORATE GOVERNANCE **STATEMENT**

Introduction

PEEPA is committed to best corporate governance principles and practices and promotes their entrenchment throughout Parastatals. PEEPA therefore recognises the need to develop and strengthen its processes and procedures to ensure alignment with internationally accepted standards. The processes are under-pinned by the principles of transparency, integrity and accountability and an inclusive approach that takes into account the importance of good corporate governance and the involvement of all stakeholders.

Shareholding

The Government of the Republic of Botswana is the sole shareholder of PEEPA.

GOVERNING BODIES

Board Of Directors

The PEEPA Board was appointed in December 2018. The PEEPA Constitution prescribes up to twelve (12) directors including the Chairperson. The Board currently has seven (7) members, including the Chairperson.

Board Committees

The PEEPA board has four (4) Committees

Audit, Risk And Performance Monitoring Committee

The Audit Committee oversees areas of internal control systems, financial reporting, risk management and governance structures. It also oversees the performance monitoring of Parastatals. The members of the Committee during this period are:

Mr G. Mmolawa – Chairperson
Mr O. A. B. Ngwakwena

The members of the Tender Committee during this period are as follows:

Mr G. L. Tlogelang – Chairperson
Mr M K. J. Masisi
Mr T. G. Bogosi

Privatisation and Programmes Board Committee

Mr. O. A. B. Ngwakwena – Chairperson
Ms. P. Motswagole
Mr. G. Mmolawa

Company Secretary

The Company Secretary ensures that PEEPA observes the highest standards of corporate governance and compliance with the requirements of the Companies Act, the Constitution of the Company, the Privatisation Policy and other relevant regulations.

ATTENDANCE OF MEETINGS

Dates for the quarterly meetings are scheduled annually in advance. Additional meetings are called as and when deemed necessary.

Only one (1) Board meeting, one (1) meeting for each of the committees were held during the year under review. This was due to Board having been appointed effectively in the last quarter of the period under review.

Board Member's Name	Board Meetings	Audit, Risk and Performance Monitoring Committee	Human Resource Committee Meetings	Board Tender Committee Meetings
Ms. T. M. Kgatlwane	1			
Mr. G. Mmolawa	1	1	1	
Ms. P. Motswagole	1		1	
Mr. G. L. Tlogelang	1		1	1
Mr. O. A. B. Ngwakwena	1	1		
Mr. M. K. J. Masisi	1		1	1
Mr. T. G. Bogosi	1		1	1

CODE OF CONDUCT

PEEPA is committed to the highest standards of integrity and ethical conducts in dealing with all stakeholders.

Human Resources Committee

The Human Resources Committee is tasked with matters relating to Human resource adequacy and development, remuneration policy and general staff welfare. The members of the HR Committee during 2018/19 are as follows:

Ms P. Motswagole – Chairperson
Mr T. G. Bogosi
Mr M. K. J. Masisi
Mr G. L. Tlogelang

Board Tender Committee

The Board Tender Committee's main task is to adjudicate on and authorise acceptance, or otherwise of tenders for goods and services in excess of a set threshold in accordance with the Financial Regulations and Procedures Manual and to ensure adherence to the Public Procurement and Asset Disposal Act and Regulations. This is in compliance to the requirements for entities funded out of the Consolidated Fund such as PEEPA.

CHIEF EXECUTIVE OFFICERS REPORT

INTRODUCTION

The Agency looked at the financial year 2018/2019 with much anticipation as the second financial year where the Agency started implementing its new Corporate Strategy 2016/2021 and new organisational structure. Much anticipation was based on the decision to centralise project funding within the Agency instead of line Ministries, which had been the norm. Unfortunately, this was not the case and it left the Agency yet again without project funding.

On the governance front, the Agency went without a Board until one was appointed in December 2018.

The Agency had to ensure that projects and initiatives were progressed with internal capacity and capabilities up to a point where expertise not available internally were required. Hence, the Agency undertook planning and situation assessments and stakeholder engagements for projects/initiatives in the privatisation portfolio.

Capacity was increased in the area of public education by acquiring vehicles to enable the Agency to travel throughout the country engaging stakeholders on its mandate and planned privatisations.

PRIVATISATION PORTFOLIO

PRIVATISATION, MONITORING AND EVALUATION

ESTABLISHMENT OF A MEAT INDUSTRY REGULATORY AUTHORITY

Towards the end of the 2017/2018 financial year, Government took decisions to liberalise the beef export market, corporatize and privatise BMC, and maintain Maun abattoir as strategic entity. The liberalisation of the beef export market is necessary to enable further investment in the industry. It is necessary to level the playing field and assure investor confidence in the industry. The actual work to develop a meat industry regulatory framework and the institutional framework will commence in early 2019/2020, once funding has been secured.

PRIVATISATION OF THE BOTSWANA MEAT COMMISSION

In 2018, Government took a decision to privatise the Botswana Meat Commission (BMC), which has been a long-standing item over the past several years. Work towards the development of a privatisation strategy, the conversion of BMC to a limited liability company under the Companies Act and the drafting of a transition bill to facilitate the privatisation commenced during the financial year. The transaction will cover all BMC abattoirs and subsidiaries. The actual work to develop a privatisation strategy will commence in early 2019/2020, once funding has been secured.

MAUN ABATTOIR SEPARATION

Preparatory work towards developing options for the separation of the abattoir from the BMC group commenced late in the year under review. The separation exercise follows Government's decision to retain BMC Maun abattoir as a strategic Government entity but operated commercially. This aims to continue to provide a market for cattle farmers in the Okavango, Ngamiland and Chobe areas and to guard against the spread of Foot and Mouth Disease (FMD) into the non-FMD zones.

The actual separation work will commence in early 2019/2020, once funding has been secured.

PRIVATISATION OF AIR BOTSWANA (AB)

The implementation of initiatives to pave way for the privatisation of Air Botswana (AB) through the engagement of the private sector in the ownership and management of the airline commenced during the year under review. The privatisation of AB is to ensure continued provision of air travel services in the domestic and regional markets by a viable and efficient airline and ultimately reduce the Government's financial commitments in the sector. Therefore Government has taken an approach to position AB as a profitable and operationally sustainable enterprise in the short term before implemeting the privatisation. Currently, the financial, operational structure and operating environment are being reviewed with a view to recommending a profitable and sustainable operating model.

Air Botswana Fleet

PUBLIC SERVICES OUTSOURCING

DEVELOPMENT OF FUNDING MODEL FOR THE PROVISION AND MAINTENANCE OF GOVERNMENT OFFICE AND RESIDENTIAL ACCOMMODATION

A high-level financial concept model, with capability to use "rental" streams to generate income from existing portfolio of Government Properties has been developed. Ten (10) selected properties with approximately 108,258 sqm leasable floor space have been used. The concept model entails:

- The establishment of an Investment Holding Entity (IHE) Company incorporated, initially 100% owned by Government.
- Transfer of certain Government owned properties to the IHE as consideration and final settlement for shareholder equity.
- Government Ministries and Institutions continue occupying the transferred premises but paying market rentals as the only obligation.

The model demonstrates that it can achieve the following:

a) All properties adopted into the model will be able to carry themselves, financially, leaving a surplus. The generated surplus could therefore be used to augment Governments efforts in addressing the maintenance backlog of priority facilities such as schools and hospitals, or for new buildings.

b) Cash flows from the modelled entity can be ringfenced to raise additional funding for new properties. Currently, based on the key assumptions made, the value of all the cash (discounted cash flows) generated through the model (using ten properties) amounts to BWP1,2 billion, BWP1,8 billion and BWP 2,3 billion over 10, 15 and 20 years, respectively.

c) The funding model will be presented to Government for adoption and implementation during following wide stakeholder consultations.

PRIVATISATION OF THE FUELLING OF GOVERNMENT FLEET

The privatisation the operation of Central Transport Organisation (CTO) fuel points by leasing the fuel points to private citizens and enable Government fleet to fuel at these privately operated fuel points is being explored.

All 34 CTO fuel points and 27 storage facilities have been assessed concerning their accessibility, condition, capacity, technical compliance and operational challenges. Stakeholders have been engaged to address the issue of paying fuel point operators on time and putting appropriate controls in place.

The initiative, once implemented will not only improve the efficiency of the fuelling of the Government fleet, but will also increase local citizen participation in the fuel sector.

CTO Village Depot

PERFORMANCE MONITORING

Board Selection And Induction

The Agency continued to support Ministries with the processes of identifying and nominating Directors to parastatal boards to ensure that Boards have adequate skills mix and capacity. In addition, the Agency facilitated induction of new Boards on corporate governance and the corporate governance framework, as it is applied to parastatals.

Number of entities	Number of requests	Number of positions filled
21	24	47

Review Of Performance Of Parastatals

An audit to establish the adoption and compliance of the corporate governance framework by Ministries and Parastatals was undertaken in August 2018. PEEPA noted that only 14 parastatals out of sixty-three (63) parastatals have signed shareholder compacts with their line ministries, while only 19 parastatals completed their performance monitoring tool. A summary of the audit results is shown in the table below:

	Shareholder Compacts	Board Charters	Board Evaluation	Performance Monitoring Tool
Completed/Signed	14	17	3	19
Draft/Process	15	14	7	0
Not done at all	13	5	27	1
No response from entity	21	27	26	43

The results indicate low adoption and compliance in the usage of the framework by Ministries and parastatals. Interventions are being introduced to improve the uptake of the framework. Among these, the Agency has signed a memorandum of understanding with **Botswana Accountancy Oversight Authority (BAOA)** for the two entities to coordinate their oversight efforts in relation to parastatals as public interest entities.

BAOA & PEEPA MOA signing

HUMAN RESOURCES

At the end of 2017/2018 the Agency's Chief Executive Officer was appointed. Most Director level positions had remained vacant since the current organisational structure was effected. Two new positions were created: Advisor to the CEO and Executive Assistant to the CEO. The position of General Corporate Counsel was also filled.

The Agency also suffered greatly during the period when it lost the finance manager, an issue which culminated in a protracted court case during which the position could not be filled.

Recruitment for most positions was put on hold in order to allow the restructuring process, which was a top priority strategic issue for the in-coming Board to commence.

CORPORATE SERVICES

Finance And Administration

Segregation of responsibilities became a challenge during the last half of the reporting period following the departure of the Finance Manager.

Budgetary Challenges

PEEPA budget (spending reprioritisation) for the financial year under review was not authorised by the Board since the Board was only appointed towards the end of the year (December 2019).

Procurement

PEEPA undertakes procurement activities under the guidance of the PEEPA Financial Procedures Manual within the provisions of the PPAD Act and Regulations. Through its procurement activities, the Agency continued to implement and support the Government's Economic Diversification Drive and Citizen Economic Empowerment by procuring local goods and services.

Information Technology (IT)

The Agency uses different applications and systems to support business processes for various departments throughout the organization.

SUPPORTING PROCESSES	SUPPORTING SYSTEMS
Project Management	• Project- in- a Box (PiaB)
Communications, Marketing and Stakeholder Management	• Website • Corporate Portal • Phone and Fax Management system
Corporate Governance and Legal	• Board Pad
Financial Resources Management	• Accpac – financial accounting and asset management system (mini – ERP)
Knowledge Management	• Electronic Document Management Systems (EDMS) and Project- in- a Box (PiaB)
Human Capital Management	• VIP Payroll • Employee Self-Service
Administration	• CCTV and Office Access Control • Printing Management

During 2018/19 financial year measures were put in place to address challenges experienced within the IT environment. The challenges were result of previous project of upgrading servers and installing new ones, not done to conclusion. An audit of the environment was carried out, which was followed by the engagement of an external support.

Support for Project-in-a-Box was lost before internal expertise could be built due to delays in recruiting personnel for the Project Management Office. This affected project/ initiative documentation and tracking.

Knowledge Management

Due to budgetary constraints, the implementation of the KM strategy could not continue as planned. This compromised the functions expected of the Knowledge Management (KM).

The (KM) division is expected to provide the Agency with information and research support through library services and the records management function. More importantly, the division should facilitate the capturing, storing, sharing, applying, and re-using of the knowledge generated through implementation of projects and routine activities with the objective of improving efficiency.

COMMUNICATIONS AND PUBLIC EDUCATION

During the period under review, PEEPA embarked on a stakeholder engagement campaign. The key objectives of the campaign was to update stakeholders on PEEPA projects, particularly the Botswana Meat Commission and Air Botswana privatisation projects as well as to get their feedback and views on the same. This was also an opportunity to share our mandate and educate them on other aspects of our mandate.

Engagement	Kgotla Meetings	Full Council Briefings	Farmer Meetings	Agricultural And Other Shows
Number	10	24	2	4

Lubu site visit

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

The following supplementary information does not form part of the annual financial statements and is unaudited

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

General Information

Country of incorporation and domicile	Botswana
Nature of business and principal activities	The purpose of the company is to evaluate the performance of parastatals and to advise on, as well as implement the commercialisation and privatisation of these parastatals.
Board of directors	Ms TM Kgatlwane **(Chairperson)** Mr GL Tlogelang Mr MKJ Masisi Mr TG Bogosi Mr G Mmolawa Ms. P. Motswagole Mr O Ngwakwena
Registered Office	Plot 64511, Block 4, Unit 1 & 2, Chillesford House Fairgrounds Office Park Gaborone Botswana
Postal address	Private Bag 00510 Gaborone Botswana
Bankers	Absa Bank Botswana Limited Stanbic Bank Botswana Limited First National Bank of Botswana Limited African Banking Corporation of Botswana Limited
Auditors	Grant Thornton Chartered Accountants A Botswana Member of Grant Thornton International Limited
Secretary	K & N Business Consultants
Company registration number	2000/4113
Investment advisors	Stanlib Investment Management Services (Proprietary) Limited Botswana Insurance Fund Management (BIFM)
Legal form	Company limited by guarantee

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

Directors' Responsibilities And Approval

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

The annual 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 place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors 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 annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company's cash flow forecast for the year to 31 March 2020 and, in light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on pages 25 to 28.

The annual financial statements set out on pages 29 to 59, which have been prepared on the going concern basis, were approved by the board of directors on 16/04/2020 and were signed on their behalf by:

Approval of financial statements

....	....
Director	**Director**

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of Public Enterprises Evaluation and Privatisation Agency for the year ended 31 March 2019.

1. Incorporation

The company was incorporated on 31 August 2000 and obtained its certificate to commence business on the same day.

2. Nature of business

Public Enterprises Evaluation and Privatisation Agency was incorporated in Botswana with the purpose of the Agency being to evaluate the performance of parastatals and to advise on, as well as implement the commercialisation and privatisation of these parastatals. The company operates in Botswana.

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

3. Review of financial results and activities

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Botswana. 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 annual financial statements.

4. Directorate

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

Name

Ms. T.M. Kgatlwane (Chairperson)
Mr. G.L Tlogelang
Mr. M.K.J Masisi
Mr. T.G. Bogosi
Mr. G. Mmolawa
Ms. P. Motswagole
Mr. O. Ngwakwena

5. Directors' interests in contracts

During the financial year, no contracts were entered into which directors or officers of the company had an interest and which significantly affected the business of the company.

6. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

7. Going concern

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual 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.

8. Secretary

The company secretary is K & N Business Consultants.

9. Shareholders

The Government of the Republic of Botswana is the sole shareholder of PEEPA

10. Auditors

Grant Thornton will continue in office in accordance with section 90 of the Companies Act of Botswana

Chartered Accountants

Grant Thornton
Acumen Park, Plot 50370
Fairgrounds, Gaborone
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Gaborone, Botswana

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twitter.com/GrantThorntonBW

Independent Auditor's Report

To the shareholders of Public Enterprises Evaluation and Privatisation Agency

Opinion

We have audited the annual financial statement of Public Enterprises Evaluation and Privatisation Agency set out on pages 29 to 59, which comprise the statement of financial position as at 31 March 2020, and the statement of profit or loss and other comprehensive income, statement of change in equity and statement of cash flows for the year then ended, and notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, the annual financial statements give a true and fair view of, the financial position of Public Enterprises Evaluation and Privatisation Agency as at 31 March 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 Standard on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the annual financial statements section of our report. We are independent of the company in accordance with the International Ethics Standard Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA code) and other independence requirements applicable to performing audits of annual financial statements in Botswana. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Botswana. We belive that the audit evidence we have obtained is sufficient and appropriate to provide a basic for our opinion.

Key audit matters

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

GRANT THORNTON CHARTERED ACCOUNTANTS GABORONE

Grant Thornton

Independent Auditor's Report

Key audit matter	How the matter was addressed the key audit matter
Government Subventions The Company is supported by Government Subventions for their operaional and capital expenditure. These amounts are granted by the government based on the budgets submitted after appropriate rationalisation. Government subventions are recognised in line with requirements of IAS 20. For the period ended 31 March 2019, Government subventions amounted to P21.1 million. due to the Significance of the amount involved, this matter is considered key for audit.	We obtained schedule of all government subventions, agreed the information to the accounting records and also obtained confirmations for the respective ministries in the government We have also determined compliance to the requirements of IAS 20 for recorgnition and measurements of the government subventions. We have obtained sufficient and appropriate audit evidence.
Operating Expenses and payroll expenditure The Company is supported by Government Subventions for its operating expenditure including payroll costs. Due to the high volume of transaction, amounts involved and susceptibilities to incurring expenses that may have not been carried out as per the procurement procedures or expenditure incurred not for the purpose of normal operating activities of the entity, these cycles are considered significant Payroll costs forms a very large portions of Company's expenses. For the year ended 31 March 2020, administrative and payroll costs exceeded P31.2 million. Due to the economic significance of these costs to the Company, therefore is considered as a Key Audit Matter	Our audit procedures included testing the appropriateness of the application of the procurement procedures and verifying expenditure to supporting documents. We also obtained an understanding of and tested the relevant controls in place to evaluate the procurement procedures put in place by management. We verified the existance of employees by performing procedures such as verification of appropriate identity documents, examination of employee files, contracts and other terms of employment. We also verified if the payroll information was updated with information from the employee files. We noted that there was significant non-compliance with procurement policy and procedures and this has been communicated to those charged with governance.

GRANT THORNTON CHARTERED ACCOUNTANTS GABORONE

Independent Auditor’s Report

Responsibilities of the directors for the Annual Financial Statements

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

In preparing the annual 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 directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company’s financial reporting process.

Auditor’s responsibilities for the audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from materials 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 International Standards on Auditing will always detect a material misstatement when its exists. Misstatements can arise from fraud or error and are considered materials if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual fiancial statements.

As part of an audit in accordance with International Standards on Auditing, We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and asses the risks of materials misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to the risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a materials misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, interntional 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 the directors.

GRANT THORNTON CHARTERED ACCOUNTANTS GABORONE

Grant Thornton

Independent Auditor's Report

- 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 concluded that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual fianacial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion 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 annual report financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentations.

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

We also provide the directors with a statement that we have compiled with relevant ethical requirements regarding independence, and to comminicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Grant Thornton

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Chartered Accountants
Certified Auditor: Madhavan Venkatachary: Member No: 20030049)
Certified Auditor of Public Interest Entity Certificate No: CAP 0017 2021

29 April 2020
....
Gaborone

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

Statement Of Financial Position As at 31 March 2019

	Note	2019 P	2018 P
Assets			
Non-Current Assets			
Property, plant and equipment	4	5 894 795	1 666 360
Current Assets			
Other receivables	5	891 028	644 591
Cash and cash equivalents	6	2 979 979	5 343 946
		3 871 007	**5 988 537**
Total Assets		**9 765 802**	**7 654 897**
Equity and Liabilities			
Equity			
Retained loss		(1 560 313)	526 465
Liabilities			
Non-Current Liabilities			
Deferred income	8	3 920 350	-
Current Liabilities			
Trade and other payables	7	5 596 460	3 222 226
Deferred income	8	1 809 305	3 906 206
		7 405 765	**7 128 432**
Total Liabilities		**11 326 115**	**7 128 432**
Total Equity and Liabilities		**9 765 802**	**7 654 897**

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

Statement Of Profit Or Loss And Other Comprehensive Income

	Note	2019 P	2018 P
Revenue	9	21 935 750	26 511 620
Other operating income	10	96 497	17 841
Employee costs	11	(12 666 493)	(14 436 485)
Operating lease charges	11	(1 852 053)	(1 827 814)
Depreciation	11	(1 116 073)	(1 234 514)
Other operating expenses		(8 491 967)	(11 043 910)
Operating deficit	**11**	**(2 094 339)**	**(2 013 262)**
Finance income	12	7 563	5 180
Deficit for the year		**(2 086 776)**	**(2 008 082)**
Other comprehensive deficit		-	-
Total comprehensive deficit for the year		**(2 086 776)**	**(2 008 082)**

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

Statement Of Change In Equity

	Accumulated loss P	Total equity P
Balance at 01 April 2017	**2 534 547**	**2 534 547**
Total comprehensive deficit for the year	(2 008 082)	(2 008 082)
Total comprehensive deficit for the year	**(2 008 082)**	**(2 008 082)**
Balance at 01 April 2018	**526 463**	**526 463**
Total comprehensive deficit for the year	(2 086 776)	(2 086 776)
Total comprehensive deficit for the year	(2 086 776)	(2 086 776)
Balance at 31 March 2019	**(1 560 313)**	**(1 560 313)**

Note

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

Statement Of Cash Flow

	Note	2019 P	2018 P
Cash flows from operating activities			
Cash generated from/(used in) operations	13	2 972 978	(4 378 772)
Finance income		7 563	5 180
Net cash from operating activities		**2 980 541**	**(4 373 592)**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(5 600 409)	(29 991)
Sale of other asset 1		255 901	-
Net cash from investing activities		**(5 344 508)**	**(29 991)**
Cash flows from financing activities			
Total cash movement for the year		**(2 363 967)**	**(4 403 583)**
Cash and cash equivalents at the beginning of the year		5 343 946	9 747 529
Total cash and cash equivalents at end of the year	**6**	**2 979 979**	**5 343**

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

Accounting Policies

1. Significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Basis of preparation

The annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these annual financial statements .

Public Enterprises Evaluation and Privatisation Agency is a Agency limited by guarantee incorporated and domiciled in Botswana. The address of its registered office and principal place of business is Plot 64511, Block 4, Unit 1 & 2 Chillesford House Fairgrounds Office Park, Gaborone, Botswana. Their principal activity are to evaluate the performance of parastatals and to advise on, as well as implement the commercialisation and privatisation of these parastatals.

The annual financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Pulas, which is the company's functional currency.

These accounting policies are consistent with the previous period.

1.2 Significant judgements and sources of estimation uncertainty

The preparation of annual financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgements in applying accounting policies

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

Key sources of estimation uncertainty

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Agency for similar financial statements.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on higher of valuing use calculations and fair values less costs to sell. These calculations require the use of estimate and assumptions. It is reasonably possible that the useful assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of assets.

The Agency 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 lives of property, plant and equipment

Management assess the appropriateness of the useful lives of property, plant and equipment at the end of each reporting period. The useful lives of motor vehicles, furniture and computer equipment are determined based on company replacement policies for the various assets. Individual assets within these classes, which have a significant carrying amount are assessed separately to consider whether replacement will be necessary outside of normal replacement parameters. The

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

Accounting Policies

useful life of manufacturing equipment is assessed annually based on factors including wear and tear, technological obsolescence and usage requirements.

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

Provisions

Provisions are inherently based on assumptions and estimates using the best information available.

Trade receivables

The Agency assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from the financial asset.

The impairment for trade receivables is calculated on a portfolio basis, except for individually significant trade receivables which are assessed separately. The impairment test on the portfolio is based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Contingent liabilities

Management applies its judgement to facts and advice it receives from attorneys, advocates and other advisors in assessing if an obligation is probable, more likely than not or, or remote. The judgement application is used to determine if the obligation is recognised as a liability or disclosed as a contingent liability.

1.3 Property, plant and equipment

Property, plant and equipment are tangible assets which the Agency holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the company, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the Agency and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the Agency. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	5 years
Motor vehicles	Straight line	4 years
Office equipment	Straight line	5 years
IT equipment	Straight line	3 years
Residential furniture	Straight line	5 years

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

Accounting Policies

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1.4 Financial instruments

Financial instruments held by the company are classified in accordance with the provisions of IFRS 9 Financial Instruments. Broadly, the classification possibilities, which are adopted by the company ,as applicable, are as follows:
Financial assets which are equity instruments:

- Mandatorily at fair value through profit or loss; or
- Designated as at fair value through other comprehensive income. (This designation is not available to equity instruments which are held for trading or which are contingent consideration in a business combination).

Financial assets which are debt instruments:
- Amortised cost.

Derivatives which are not part of a hedging relationship:
- Mandatorily at fair value through profit or loss.

Financial liabilities:
- Amortised cost; or

Note 16 Financial instruments and risk management presents the financial instruments held by the company based on their specific classifications.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the company are presented below:

Trade and other receivables

Classification

Other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 5).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the company's business model is to collect the contractual cash flows on other receivables.

Recognition and measurement

Other receivables are recognised when the company becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

Accounting Policies

Application of the effective interest method

For receivables which contain a significant financing component, interest income is calculated using the effective interest method, and is included in profit or loss in finance income (note 12).

The application of the effective interest method to calculate interest income on trade receivables is dependent on the credit risk of the receivable as follows:

- The effective interest rate is applied to the gross carrying amount of the receivable, provided the receivable is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.
- If a receivable is a purchased or originated as credit-impaired, then a credit-adjusted effective interest rate is applied to the amortised cost in the determination of interest. This treatment does not change over the life of the receivable, even if it is no longer credit-impaired.
- If a receivable was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the receivable in the determination of interest. If, in subsequent periods, the receivable is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

Trade and other receivables denominated in foreign currencies

When other receivables are denominated in a foreign currency, the carrying amount of the receivables are determined in the foreign currency. The carrying amount is then translated to the Pula equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in other operating gains (losses)..

Details of foreign currency risk exposure and the management thereof are provided in the trade and other receivables (note 5).

The company recognises a loss allowance for expected credit losses on other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The company measures the loss allowance for other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

Measurement and recognition of expected credit losses

The company makes use of a provision matrix as a practical expedient to the determination of expected credit losses on other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality. Details of the provision matrix is presented in note 5.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of other receivables, through use of a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance (note 11).

Write off policy

The company writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the company recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Credit risk

Details of credit risk are included in the other receivables note (note 5) and the financial instruments and risk management note (note 16).

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

Accounting Policies

Derecognition

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.

Trade and other payables

Classification

Trade and other payables (note 7), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the company becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

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

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.
If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs.

Trade and other payables expose the company to liquidity risk and possibly to interest rate risk. Refer to note 16 for details of risk exposure and management thereof.

Trade and other payables denominated in foreign currencies

When trade payables are denominated in a foreign currency, the carrying amount of the payables are determined in the foreign currency. The carrying amount is then translated to the Pula equivalent using the spot rate at the end of each reporting period.

Any resulting foreign exchange gains or losses are recognised in profit or loss in the other operating gains (losses).

Details of foreign currency risk exposure and the management thereof are provided in the financial instruments and risk management note (note 16).

Derecognition

Refer to the “derecognition” section of the accounting policy for the policies and processes related to derecognition.

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

Derecognition

Financial assets

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The company derecognises financial liabilities when, and only when, the company obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

Accounting Policies

Reclassification

Financial assets

The company only reclassifies affected financial assets if there is a change in the business model for managing financial assets. If a reclassification is necessary, it is applied prospectively from the reclassification date. Any previously stated gains, losses or interest are not restated.

The reclassification date is the beginning of the first reporting period following the change in business model which necessitates a reclassification.

Financial liabilities

Financial liabilities are not reclassified.

1.5 Financial instruments: IAS 39 comparatives

Classification

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

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

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

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

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

Dividend income is recognised in profit or loss as part of other income when the company's right to receive payment is established.

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

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

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

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in profit or loss as part of other income. Dividends received on available-for-sale equity instruments are recognised in profit or loss as part of other income when the company's right to receive payment is established.

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

Accounting Policies

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

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of financial assets

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

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

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

Impairment losses are recognised in profit or loss.

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

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale. Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

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

Loans to employees

Loans to group companies are classified as loans and receivables.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

Accounting Policies

Trade and other receivables are classified as loans and receivables.

Trade and other payables

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

Cash and cash equivalents

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

1.6 Tax

Tax expenses

No provision for taxation has been made as the Agency is exempt from income tax under the Second Schedule of the Income
Tax Act.

1.7 Leases (Comparatives under IAS 17)

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

Finance leases – lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease. The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Operating leases – lessee

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

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

1.8 Impairment of assets

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

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.
The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

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

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

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

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

Accounting Policies

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

1.9 Employee benefits

Short-term employee benefits

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

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

Gratuities are paid to all employees of the Agency based on contractual terms of employment.

1.10 Provisions and contingencies

Provisions are recognised when:

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

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Contingent assets and contingent liabilities are not recognised.

1.11 Government grants

Government grants are recognised when there is reasonable assurance that:

- the company will comply with the conditions attaching to them; and
- the grants will be received.

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

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

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

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

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

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

1.12 Other income

'Interest is recognised, in profit or loss, using the effective interest rate method.

1.13 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

Accounting Policies

The capitalisation of borrowing costs commences when:
- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.14 Translation of foreign currencies

Foreign currency transactions

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

At the end of the reporting period:
- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

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

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

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

Notes to the Annual Financial Statements

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

Application of IFRS 9 Financial Instruments

In the current year, the company has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRSs. IFRS 9 replaces IAS 39 Financial Instruments and introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) impairment for financial assets and 3) general hedge accounting. Details of these new requirements as well as their impact on the company's financial statements are described below.

The company has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

Classification and measurement of financial assets

The date of initial application (i.e. the date on which the company has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 01 April 2018. Accordingly, the company has applied the requirements of IFRS 9 to instruments that have not been derecognised as at 01 April 2018 and has not applied the requirements to instruments that have already been derecognised as at 01 April 2018. Comparatives in relation to instruments that have not been derecognised as at 01 April 2018 have not been restated. Instead, cumulative adjustments to retained earnings have been recognised in retained earnings as at 01 April 2018.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The measurement requirements are summarised below:

Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortised cost.

Debt investments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at fair value through other comprehensive income.

All other debt investments and equity investments are subsequently measured at fair value through profit or loss, unless specifically designated otherwise.

The company may, on initial recognition, irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies in other comprehensive income.

The company may irrevocably designate a debt investment that meets the amortised cost or fair value through other comprehensive income criteria as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

When a debt investment measured at fair value through other comprehensive income is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. In contrast, for an equity investment designated as measured at fair value through other comprehensive income, the cumulative gain or loss previously recognised in other comprehensive income is not subsequently reclassified to profit or loss.

Debt instruments that are subsequently measured at amortised cost or at fair value through other comprehensive income are subject to new impairment provisions using an expected loss model. This contrasts the incurred loss model of IAS 39.

The directors reviewed and assessed the company's existing financial assets as at 01 April 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the company's financial assets as regards to their classification and measurement:

Classification and measurement of financial liabilities

One major change introduced by IFRS 9 in the classification

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

Notes to the Annual Financial Statements

and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

This change in accounting policy has affected the company's accounting for changes in the fair value of redeemable cumulative preference shares that were designated on initial recognition as financial liabilities at fair value through profit or loss. Specifically, the gain (loss) arising from changes in the fair value of the redeemable cumulative preference shares attributable to changes in the credit risk of the liabilities of P - has been presented in other comprehensive income in the current year (2018: P - restated). The remaining amount of change in the fair value of the liabilities of P - has been presented in profit or loss (2018: P - restated).

Apart from the above, the application of IFRS 9 has had no impact on the classification and measurement of the company's financial liabilities.

Reconciliation of the reclassifications and remeasurements of financial assets as a result of adopting IFRS9

The following table presents a summary of the financial assets as at 01 April 2018. The table reconciles the movement of financial assets from their IAS 39 measurement categories and into their new IFRS 9 measurement categories. "FVPL" denotes "fair value through profit or loss" and "FVOCI" denotes "fair value through other comprehensive income."

	Previous measurement	**New measurement category: IFRS 9**	
	IAS 39	**Amortised cost**	**Change attributable to:**
Previously Loans and receivables:			
Other receivables	644 591	644 591	No change
Cash and cash equivalents	5 343 946	5 343 946	No change
	5 988 537	**5 988 537**	

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

Notes to the Annual Financial Statements

Reconciliation of the reclassifications and remeasurements of financial liabilities as a result of adopting IFRS9

The following table presents a summary of the financial liabilities as at 01 April 2018. The table reconciles the movement of financial liabilities from their IAS 39 measurement categories and into their new IFRS 9 measurement categories. "FVPL" denotes "fair value through profit or loss".

	Previous measurement	New measurement category: IFRS 9	
	IAS 39	**Amortised cost**	**Change attributable to:**
Previously Amortised cost:			
Trade and other payables	3 222 226	3 222 226	No change

3. New Standards and Interpretations

3.1 Standards and interpretations effective and adopted in the current year

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

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurements of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a)impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the outstanding principal are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on outstanding principal, are measured at FVTOCI. All other debt and equity investments are measured at fair value at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the liability is presented in other comprehensive income, unless the recognition of the effect of the changes of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Under IAS 39, the entire amount of the change in fair value of a financial liability designated as at fair value through profit or loss is presented in profit or loss.

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

Notes to the Annual Financial Statements

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is therefore no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principal of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The effective date of the standard is for years beginning on or after 01 January 2018.

The company has adopted the standard for the first time in the 2019 annual financial statements. The impact of the standard is set out in note 2 Changes in Accounting Policy.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction contracts; IAS 18 Revenue; IFRIC 13 Customer Loyalty Programmes; IFRIC 15 Agreements for the construction of Real Estate; IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

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

IFRS 15 also includes extensive new disclosure requirements. The effective date of the standard is for years beginning on or after 01 January 2018.

The company has adopted the standard for the first time in the 2019 annual financial statements. The impact of the standard is not material.

3.2 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 April 2019 or later periods:

IFRS 16 Leases

IFRS 16 Leases is a new standard which replaces IAS 17 Leases, and introduces a single lessee accounting model. The main changes arising from the issue of IFRS 16 which are likely to impact the company are as follows:

Company as lessee:
- Lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short term leases or leases where the underlying asset has a low value, which are expensed on a straight line or other systematic basis.
- The cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received; initial direct costs of the lessee; and an estimate for any provision for dismantling, restoration and removal related to the underlying asset.
- The lease liability takes into consideration, where appropriate, fixed and variable lease payments; residual value guarantees to be made by the lessee; exercise price of purchase options; and payments of penalties for terminating the lease.
- The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

Notes to the Annual Financial Statements

use asset may be measured on the revaluation model.

- The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications.
- Re-measurements of lease liabilities are affected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognised in profit or loss.
- The lease liability is re-measured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset.
- The lease liability is re-measured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments.
- Certain lease modifications are accounted for as separate leases. When lease modifications which decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee re-measures the lease liability by decreasing the carrying amount of the right of lease asset to reflect the full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease is recognised in profit or loss. For all other lease modifications which are not required to be accounted for as separate leases, the lessee re-measures the lease liability by making a corresponding adjustment to the right-of-use asset.
- Right-of-use assets and lease liabilities should be presented separately from other assets and liabilities. If not, then the line item in which they are included must be disclosed. This does not apply to right-of-use assets meeting the definition of investment property which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 leases.

Company as lessor:

- Accounting for leases by lessors remains similar to the provisions of IAS 17 in that leases are classified as either finance leases or operating leases. Lease classification is reassessed only if there has been a modification.
- A modification is required to be accounted for as a separate lease if it both increases the scope of the lease by adding the right to use one or more underlying assets; and the increase in consideration is commensurate to the stand alone price of the increase in scope.
- If a finance lease is modified, and the modification would not qualify as a separate lease, but the lease would have been an operating lease if the modification was in effect from inception, then the modification is accounted for as a separate lease. In addition, the carrying amount of the underlying asset shall be measured as the net investment in the lease immediately before the effective date of the modification. IFRS 9 is applied to all other modifications not required to be treated as a separate lease.
- Modifications to operating leases are required to be accounted for as new leases from the effective date of the modification. Changes have also been made to the disclosure requirements of leases in the lessor's financial statements.

Sale and leaseback transactions:

- In the event of a sale and leaseback transaction, the requirements of IFRS 15 are applied to consider whether a performance obligation is satisfied to determine whether the transfer of the asset is accounted for as the sale of an asset.
- If the transfer meets the requirements to be recognised as a sale, the seller-lessee must measure the new right-of-use asset at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained. The buyer-lessor accounts for the purchase by applying applicable standards and for the lease by applying IFRS 16
- If the fair value of consideration for the sale is not equal to the fair value of the asset, then IFRS 16 requires adjustments to be made to the sale proceeds. When the transfer of the asset is not a sale, then the seller-lessee continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds. The buyer-lessor recognises a financial asset equal to the transfer proceeds.

The effective date of the standard is for years beginning on or after 01 January 2019.

The company expects to adopt the standard for the first time in the 2020 annual financial statements.

It is unlikely that the standard will have a material impact on the company's annual financial statements

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

Notes to the Annual Financial Statements

	2019	2018
	P	P

4. Property, plant and equipment

	2019			2018		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	5 723 108	(3 253 381)	2 469 727	3 290 844	(2 740 116)	550 728
Motor vehicles	4 603 384	(1 797 204)	2 806 180	1 699 477	(1 558 852)	140 625
Office equipment	2 065 209	(1 668 147)	397 062	2 134 572	(1 616 123)	518 449
IT equipment	1 967 778	(1 877 685)	90 093	1 863 417	(1 630 138)	233 279
Residential furniture	1 039 776	(908 043)	131 733	1 039 776	(816 497)	223 279
Total	**15 399 255**	**(9 504 460)**	**5 894 795**	**10 028 086**	**(8 361 726)**	**1 666 360**

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	550 728	2 432 264	(513 265)	2 469 727
Motor vehicles	140 625	2 859 037	(193 482)	2 806 180
Office equipment	518 449	204 748	(326 135)	397 062
IT equipment	233 279	104 360	(247 546)	90 093
Residential furniture	223 279	-	(91 546)	131 733
	1 666 360	**5 600 409**	**(1 371 974)**	**5 894 795**

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	892 954	29 991	(372 217)	550 728
Motor vehicles	213 395	-	(72 770)	140 625
Office equipment	920 893	-	(402 444)	518 449
IT equipment	620 363	-	(387 083)	233 279
Residential furniture	223 279	-	-	223 279
	2 870 884	**29 991**	**(1 234 514)**	**1 666 360**

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

Notes to the Annual Financial Statements

5. Other receivables

	Opening balance	additions	Depreciation	Total
Deposits			196 874	196 874
Other receivable			474 521	347 202
Non-financial instruments:				
Employee costs in advance			110 395	10 785
Prepayments			109 238	89 730
Total trade and other receivables			**891 028**	**644 591**

Fair value of trade and other receivables

The fair value of other receivables approximates their carrying amounts.

	2019 P	2018 P
6. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	4 701	3 000
Bank balances	1 262 693	1 611 725
Short-term deposits	1 712 585	3 729 221
	2 979 979	**5 343 946**

Short term deposits includes an unspent balance amount of P - (2018: P1.88 million) which is exclusively held for expenses relating to a specific project approved by the Ministry of Transport and Communication. Ministry of Minerals, Energy and Water resources. Ministry of Infrastructure, Science and Technology and National Development Bank:

7.Trade and other payables

Financial instruments:		
Trade payables	1 613 702	460 382
PAYE payable	94 118	87 342
Sundry Creditors	289 294	289 294
Provision - Leave pay	458 418	371 985
Withholding tax	20 575	27 215
Gratuity provision	1 823 452	1 986 008
Other payable	1 296 901	-
	5 596 460	**3 222 226**

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

Notes to the Annual Financial Statements

Fair value of trade and other payables

The fair value of trade and other payables approximates their carrying amounts.

	2019 P	2018 P
8. Deferred income		
Non-current liabilities	3 920 350	-
Current liabilities	1 809 305	3 906 206
	5 729 655	**3 906 206**

In April 2008, the Agency received a grant of P21 million from the Ministry of Transport and Communications, and further received an additional grant of P12 million in 2012. The grants received were specifically restricted to use projects approved by the ministry. In 2013, the Agency received an additional P2.5 million ministry of Transport an communications for the implementation of Botswana Telecommunication Corporation (BTC) initial Public offering.

In 2015/2016 P20.9 million was received from the Ministry of Transport and Communication for the further implementation of Botswana Telecommunication Corporation (BTC) initial public offering.

In 2015/2016 P2.5 million was also received from BTCL to cover various public communications costs. The BTCL project was completed in October 2016.

In 2016/2017, P7.7 million was received from the Ministry of Transport and Communication to facilitate an acquisition study being undertaken.

In 2014, PEEPA received a grant of P2.25 million from the Ministry of Minerals, Energy and Water Resources to carry out feasibility study to evaluate possible private sector participation options in the operations Botswana Power Corporation (BPC) and the Electricity Supply Industry (ESI), to improve efficiency in power provision.

In 2014/15, a further P2.48 million and P0.94 million respectively received from the Ministry of Infrastructure Science and Technology through the Department of Building and Engineering Services (DBES) for the development and implementation of an effective maintenance strategy for government buildings.

In 2013/2014, P5,500,000 was received from the Ministry of Finance and Economic Development for NDB Privatizations however the project was halted in 2014/2015 pending government decision.

The amount transferred to the statement of comprehensive income from the deferred income represents the funds utilised by the agency towards these projects.

Assets acquired using grants are capital grants and shall be recognised in the profit or loss on a systematic basis over the periods in which the entity recognises the expenses and related costs for which grants are intended to compensate.Therefore , capital

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

Notes to the Annual Financial Statements

grants as deferred income are recognised in the profit or loss on the systematic basis over the useful life of the asset.

	2019 P	2018 P
Reconciliation of deferred income relating to projects		
Opening balance at beginning of year	3 906 206	9 075 735
Grant received from AFDB	-	96 493
Utilised during the year and recognised in the statement of comprehensive income	(800 000)	(5 387 517)
Finance income	-	121 495
Current Year Adjusting Entries	(1 296 901)	-
	1 809 305	**3 906 206**
Deferred income as per project		
Ministry of Transport and Communication	-	2 096 900
African Development Bank	89 972	89 972
Ministry of Minerals, Energy and Water Resources	603 700	603 700
Ministry of Infrastructure, Science and Technology	538 918	538 918
National Development Bank	576 715	576 716
	1 809 305	**3 906 206**
Deferred income relating to capital grants		
Opening balance	-	-
Additions in the current period	4 176 251	-
Ammortisation in the current period	(255 901)	-
	3 920 350	**-**
9. Revenue		
Revenue from contracts with customers		
Government funding - subvention	21 135 750	21 124 103
Government funding transfer from deferred income	800 000	5 387 517
	21 935 750	**26 511 620**
10. Other operating income		
Other income	96 497	17 841

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

Notes to the Annual Financial Statements

	2019 P	2018 P
11. Operating profit (loss)		
Operating deficit for the year is stated after charging (crediting) the following, amongst others:		
Auditor's remuneration - external		
Audit fees	107 784	133 321
Employee costs		
Salaries, wages, bonuses and other benefits	10 712 924	12 515 130
Staff phone allowance	96 391	93 182
Gratuity	1 857 178	1 828 173
Total employee costs	**12 666 493**	**14 436 485**
Leases		
Operating lease charges		
Premises	1 886 235	1 827 814
Variable lease payments	(34 182)	-
Total lease expenses	**(34 182)**	**-**
Depreciation and amortisation		
Depreciation of property, plant and equipment	1 371 974	1 234 514
Amortisation of intangible assets	(255 901)	-
Total depreciation and amortisation	1 116 073	1 234 514
12. Finance income		
Interest income		
Investments in financial assets:		
Bank and other cash	7 563	5 180

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

Notes to the Annual Financial Statements

	2019 P	2018 P
13. Cash generated from/(used in) operations		
Loss before taxation	(2 086 776)	(2 008 082)
Adjustments for:		
Depreciation	1 116 073	1 234 514
Finance income	(7 563)	(5 180)
Changes in working capital:		
Other receivables	(246 437)	(88 476)
Trade and other payables	2 374 232	1 657 981
Deferred income	1 823 449	(5 169 529)
	2 972 978	**(4 378 772)**

14. Commitments		
Operating leases – as lessee (expense) (IAS 17)		
Minimum lease payments due		
- within one year	475 139	1 900 555
- in second to fifth year inclusive	-	475 139
	475 139	**2 375 694**

Operating lease payments represent rentals payable by the company for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

15. Related parties

Relationships

PEEPA executive management	Mr Ezekiel O. Moumakwa - **Chief Executive Officer** Mr Ishmael Joseph - **Director, Strategy and Programmes** Ms Maele L. Keaikitse - **Director, Human Resources** Mr Letshego Moeng - **Acting Director, Public Services Outsourcing** Ms Segomotso Matswiri - **Acting Director, Privatisation, Monitoring and Evaluation** Mr Shadrack Rathapo - **Acting Director, Corporate Services** Mr Bongi Radipati - **General Corporate Counsel** Mr Mosikare Mogegeh - **Acting Manager, Corporate Communications**
Those charged with governance and management	Ms P Motswagole Mr G Mmolawa Ms TM Kgatlwane **(Chalrperson)** Mr GL Tlogelang Mr MKJ Masisi Mr TG Bogosi Mr O Ngwakwena

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

Notes to the Annual Financial Statements

	2019 P	2018 P
Related party balances		
Grant from related parties recognised as deferred income		
Ministry of Transport and Communications	-	2 096 900
Ministry of Minerals , and Water Resources	603 700	603 700
Ministry of Infrastructure, Science and Technology	538 919	538 919
National Development Bank	576 716	576 716
Ministry of Infrastructure, Science and Technology- Peepa contributions	89 972	89 972
	1 809 307	**3 906 207**
Related party transactions		
Amount paid to directors		
Sitting allowances	62 550	103 950
Subvention received		
Government of Botswana	25 312 000	21 124 103
Grants received for projects		
Ministry of Transport and Communications	-	96 493

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

Notes to the Annual Financial Statements

16. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2019	Note	Amortised cost	Total	Fair value
Trade and other receivables	5	671 395	671 395	671 395
Cash and cash equivalents	6	3 678 241	3 678 241	3 678 241
		4 349 636	**4 349 636**	**4 349 636**
2018				
Trade and other receivables	5	544 076	544 076	544 076
Cash and cash equivalents	6	5 343 946	5 343 946	5 343 946
		5 888 022	**5 888 022**	**5 888 022**

Categories of financial liabilities

2019				
Trade and other payables	7	5 596 464	5 596 464	5 596 464
2018				
Trade and other payables	7	3 222 227	3 222 227	3 222 227

Financial risk management

Overview

The company is exposed to the following risks from its use of financial instruments:
- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

The agency's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the agency's financial performance. The agency uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by the finance department under policies approved by the board. Agency finance division identifies, evaluates and hedges financial risks in close cooperation with the agency's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, credit risk and investment of excess liquidity.

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

Notes to the Annual Financial Statements

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade and other receivables. The Agency only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. The Agency has deposits with Stanbic Bank Botswana Limited, Stanlim Investment Managements Services, Banc ABC Limited, First National Bank of Botswana Limited, BIFM Pula Money Market fund and Barclays Bank Botswana Limited.

Barclays Bank of Botswana Limited is listed on the Botswana Stock Exchange and is a subsidiary of Barclays plc, which is listed on the London Stock Exchange and has a credit rating of AA- (Fitch rating).

Stanbic Bank Botswana Limited is a long established bank in Botswana and a subsidiary of Standard Bank in South Africa. Standard Bank South Africa is listed on the Johannesburg Stock Exchange and a long term credit rating of BBB (Fitch rating).

Stanlib Limited is a subsidiary of Standard Bank South Africa and Liberty holdings. Liberty Holdings is listed on the Johannesburg Stock Exchange and has a long term credit rating of AA- (Fitch rating).

Banc ABC is a subsidiary of Atlas Mara. Atlas Mara is listed on the London Stock Exchange and has substantial holdings in various African banks.

First National Bank of Botswana Limited is listed on the Botswana Stock Exchange and is a subsidiary of First Rand Limited, a company listed on the Johannesburg Stock Exchange.

BIFM Pula Money Market Fund operated by Botswana Insurance Holdings Limited is a locally listed entity which has grown as a Fund manger with over 40 years of investment heritage.

The maximum exposure to credit risk is presented in the table below:

		2019			2018		
		Gross carrying amount	Credit loss allowance	Amortised cost	Gross carrying amount	Credit loss allowance	Amortised cost
Trade and other receivables	5	671 395	-	671 395	544 076	-	544 076
Cash and cash equivalents	6	3 678 241	-	3 678 241	5 343 946	-	5 343 946
		4 349 636	-	4 349 636	5 888 022	-	5 888 022

Liquidity risk

Prudent liquidity risk management implies minting sufficient cash and marketable securities, the availability of funding through grants and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Agency's finance department monitors funding by use of budgets.

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

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

Notes to the Annual Financial Statements

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

2019		Less than 1 year	Total	Carrying amount
Current liabilities				
Trade and other payables	7	5 596 464	5 596 464	5 596 464

2018				
Current liabilities				
Trade and other payables	7	3 222 227	3 222 227	3 222 227

Foreign currency risk

The agency operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the UK pound. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

During the year the agency was not exposed to any foreign exchange risk.

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

Detailed Income Statement

Interest rate risk

As the Agency has interest-bearing assets in cash deposited with financial institutions. If interest rates were to increase/decrease the impact on the statement of comprehensive income would be negligible. As such the Agency's income and operating cash flows are substantially independent of changes in market interest rates.

	Note	2019 P	2018 P
Revenue			
Government funding- subvention		21 135 750	21 124 103
Government funding transfer from deferred income		800 000	5 387 517
	9	21 935 750	26 511 620
Other operating income			
Other income		96 497	17 841
Other operating expenses			
Advertising		(98 208)	(42 129)
Amortisation		255 901	-
Auditors remuneration - external auditors	11	(107 784)	(133 321)
Bank charges		-	(2 766)
Consulting and professional fees-PEEPA projects		(279 518)	(1 858 974)
Consulting and professional fees-BTC projects		(800 000)	(5 161 252)
Consulting and professional fees-AFDB projects		-	(226 264)
Consulting and professional fees - legal fees		(38 557)	(325 016)
Depreciation		(1 371 974)	(1 234 514)
Employee costs		(12 666 493)	(14 436 485)
Workshop and conference attended		(292 980)	-

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

Public relations and hospitality		(1 383 605)	(64 892)
Recruitment		(68 981)	(43 833)
Board member fees and expenses		(279 547)	(129 498)
Insurance		(268 709)	(292 747)
Lease adjustments (IAS 17)		34 182	-
Lease rentals on operating lease		(1 886 235)	(1 827 814)
Motor vehicle expenses		(313 777)	(140 557)
Other expenses		(2 929 348)	(1 801 971)
Printing and stationery		(90 906)	(216 582)
Staff welfare		-	(2 333)
Subscriptions		(33 987)	(48 972)
Telephone and fax		(251 685)	(445 341)
Training		(5 704)	(9 570)
Transport and freight		(382)	-
Travel		(1 248 289)	(97 892)
		(24 126 586)	**(28 542 723)**
Operating (deficit)/surplus	**11**	**(2 094 339)**	**(2 013 262)**
Finance income	12	7 563	5 180
(Deficit)/surplus for the year		**(2 086 776)**	**(2 008 082)**

The supplementary information presented does not form part of the annual financial statements and is unaudited

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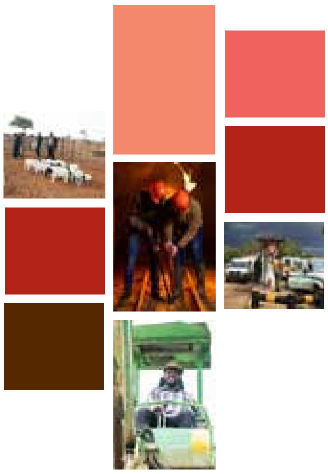

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