ANNUAL REPORT

2020

Norsad
FINANCE

CONTENTS

ABOUT US

Our purpose

To Build a better Africa

Norsad supports the growth of profitable companies in Africa through tailor-made debt finance solutions, enabling them to continue to have substantial social impact through the services and employment they provide.

“Our aspiration is to positively impact the lives of 100 million Africans by 2030.”

Our values

Be Passionate

We are inspired to Build a Better Africa, and committed to positively impacting our communities and the environment.

Be Authentic

Be yourself. We keep it real with humility, conduct ourselves with professionalism and are guided by high ethical standards.

Seek Growth

We are active learners and constantly seek to improve, learning from others and from our experiences.

Cultivate Adaptability

We are determined to be innovative in our thinking and execution, as we find ways to provide solutions and act on opportunities.

Embrace Collaboration

Together we make the difference, and our diversity and partnerships makes us stronger.

Our profile

Norsad is an impact investor and private credit provider. We offer flexible debt financing solutions to profitable growth-stage companies in Africa that deliver desirable social impact. Our investment coverage is focused on sub-Saharan Africa and our principal operational area is Southern Africa.

Norsad has invested close to USD500 million in more than 150 companies in various sectors and countries in Africa. Our current diversified portfolio comprises 31 companies. We are a long-term funding partner with a typical investment holding period of four to seven years and we work with sponsors, entrepreneurs and management teams of businesses to provide tailor-made financing solutions that enable their companies to achieve their strategic goals. We provide direct debt financing of between USD5 million and USD15 million to mid-market companies for growth and development.

We apply a rigorous investment approach, aligning with and measuring our investments against international Environmental, Social and Governance (ESG) standards, the United Nations Sustainable Development Goals (SDGs) and regional development priorities, to provide long-term risk capital to companies and financial service providers that are financially, socially and environmentally sustainable.

In 2020 Norsad celebrated "30 years of impact", but these celebrations were hampered by having to deal with the COVID-19 pandemic. Like most organisations worldwide, Norsad was severely tested by COVID-19 and the resultant lockdowns, which posed a grave threat to people, societies and our portfolio companies.

The virus changed how business is done, affecting the interconnectedness and sustainability of the financial system. However, we remained driven by our core purpose of Building a Better Africa and reached out to the companies in our portfolio early on to assess the impact of COVID-19. Working closely with our partners allowed us to understand and respond to their needs with relevant and tailored solutions. Our commitment to (ESG) standards remains unchanged, and it is the core of our work.

Our Timeline

1990

Norsad is established:
Norsad Fund and Norsad Agency begin operations as a Nordic/SADC multilateral entity in Lusaka, Zambia.

2000

10th anniversary:
Norsad Fund celebrates its 10th anniversary.

2010

20th anniversary:
Norsad Fund celebrates its 20th anniversary.

2012

Transformation and increase in capital:
Four Nordic development finance institutions – Finnfund (Finland), IFU (Denmark), Norfund (Norway) and Swedfund (Sweden) – invest USD33.8 million in the transformed Norsad Finance, increasing the company's capital base to over USD100 million. Norsad Finance relocates from Lusaka to Gaborone.

2004

Capital exceeds USD80-million:
Norsad achieves an operating surplus of USD1.5 million and increases its capital base to USD84 million.

2009

More than 80 projects financed:
Norsad has financed 81 projects since its establishment, with disbursements totalling USD114 million.

2015

Expanded finance offering:
Norsad places increased emphasis on customised debt offerings, with more stretch loans and mezzanine investments introduced into its portfolio.

2020

30 years of impact:
Thirty years of impact investing by Norsad, selecting investments that clearly contribute to solving social and environmental issues.

CHAIRMAN'S MESSAGE

Mr Martin Inkumbi

On behalf of the Board of Directors, I am pleased to present our Annual Report for the financial year ended 31 December 2020. Following the evolution of Norsad from a multilateral agency to a limited liability company, Norsad's strategy incorporated more customised and flexible debt funding structures to businesses in the region.

Operations

The Norsad Finance Executive Committee embarked on a strategy development process in late 2020 to define the way forward for the organisation for the coming five to 10 years. We sought strategy facilitation support by employing the strategic choice cascade in a series of workshops that helped the Norsad team define and answer key questions pertaining to its strategy. These were centred on Norsad's strategic goals and aspirations, where the organisation will play, and how it will win in its chosen markets.

I am please to inform you that Norsad aims to increase its assets under management (AUM) to USD350 million by 2026 (from USD175 million in 2020). Norsad's strategy comprises four growth levers which, when executed in a phased manner over the medium to long term, will enable the organisation to achieve its financial and impact goals. This strategy will see Norsad retain the SADC as its principal market while diversifying into new markets and product segments to grow its AUM and its impact on the African continent.

Performance outlook

In 2020 the board approved eight transactions valued at USD40.8 million in 2020 (2019: USD67.1 million), which was below the original budget of USD58.4 million but exceeded the post-COVID forecast of USD38.6 million. The average size of an investment was USD5.1 million (2019: USD6.7 million). This was mainly because economies in sub-Saharan Africa were contending with the unprecedented COVID-19 health and economic crisis and had limited resources at their disposal to stimulate economic recovery.

Two members of the Board of Directors left Norsad in 2020, with Mr Morten Christiansen retiring on 25 April and Mr Jan Rixen resigning on 14 May. The company diligently followed due process to ensure that newly appointed members would sufficiently replace these board members' personalities and ensure a values fit in the company.

Norsad has been committed to providing value for all stakeholders, including our shareholders. Since our inception, we have not strayed from this and have been consistently distributing dividends and providing long-term returns to our shareholders.

Norsad considers ESG standards pertinent in the investment decision-making process and incorporates sustainability criteria in the management of the investment cycle and investment activities. Norsad has now aligned its categorisation with the United Nations Principles of Responsible Investment and the Global Impact Investing Network. We also aligned our impact ideologies to the United Nations SDGs. The Norsad Impact Report for 2019 marks 30 years of impact in the region with the theme of "Building a better Africa" and demonstrates Norsad's journey and significant contributions toward sustainable development.

We saw companies reacting to and mitigating the impact of the COVID-19 outbreak, with new strategies to emerge stronger by focusing on brand positioning. Some trends coming from the region include accelerating digital transformations and coming up with mitigants to protect growth and profitability through scenario planning and more frequent financial modelling to improve resilience by incorporating the economic impacts of past pandemics.

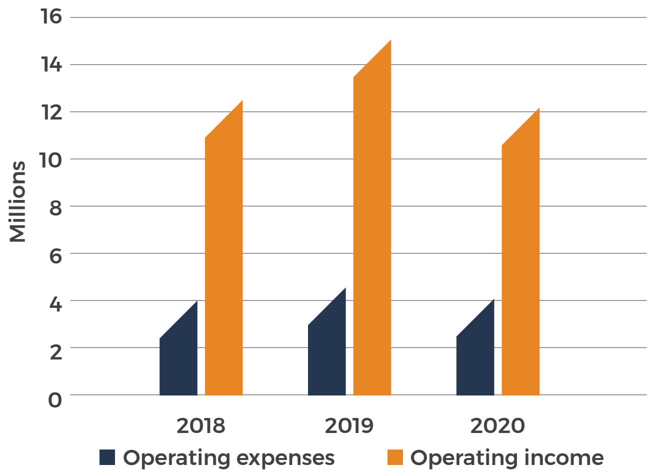
In conclusion, I want to reiterate that fulfilling our purpose takes a team. I would like to extend my gratitude to my fellow directors for their commitment and contributions to Norsad and to our shareholders for their support during the year. Further, I wish to thank our dedicated management team and Norsad staff who have worked tirelessly to see the company record meaningful milestone successes and live our purpose of Building a Better Africa. We remain optimistic about our ability to navigate and be resilient through these tough periods.

CEO'S STATEMENT

Mr Kenny Nwosu

Norsad Finance's ninth year of operations has been characterised by resilience and the development of tactical strategies to ensure that the company survives the COVID-19 pandemic and puts in place business continuity measures.

Operating Expenses vs Operating Income 2018-2020



In 2020 the company achieved a profit for the year of USD796 282 and a total comprehensive income of USD930 749.

Investment operation 2020

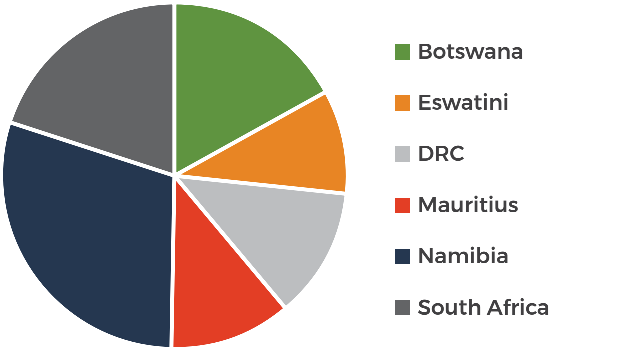
The COVID-19 pandemic brought fast-moving and unexpected variables, some of which existing crisis plans and teams weren't prepared to handle. Many companies, including Norsad, successfully tapped into incident management and business continuity plans specific to this crisis. Many companies had to combine remote work with time in the office to get the best mix of productivity and collaboration, but a lot of employees were left feeling anxious and burned out. Getting the balance of the new hybrid model right is critical for both employers and employees.

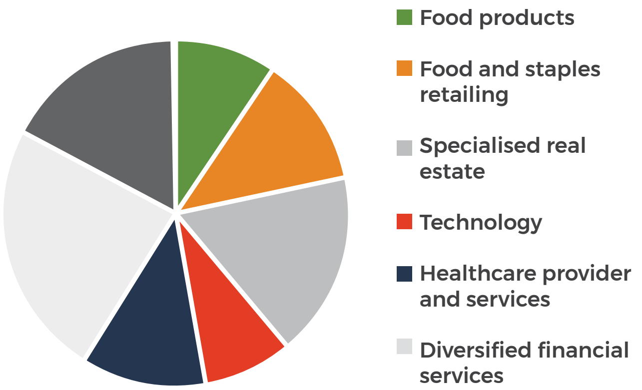
In 2020 Norsad had a high-level strategy update to develop focused, appropriate and proportionate responses to COVID-19. For most of Q1 2020 and part of Q2 2020, Norsad Finance provided COVID-19 relief and support to the impacted portfolio companies across all sectors and economies in which we operate. The support and relief programme was aligned with the industry-specific responses to the impacted investee companies. Credit evaluation of investee repayment relief waivers followed Norsad's response to COVID-19, internal underwriting and credit monitoring frameworks.

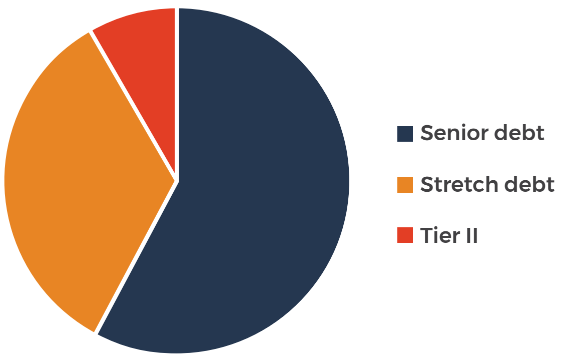
Norsad was recognised for its role in the private credit space when it won the Specialist Investor of the Year category at the Private Equity Africa Awards 2020 ahead of multiple investment firms short-listed for this category. This recognition was significant because Norsad was adjudicated by industry peers and in line with the vision of being acknowledged as the preferred impact investor providing flexible and customised financing solutions.

In advancing the communication of our purpose, we continued with our media campaign and engagements with various stakeholders and other industry partners. The use of technology has had a huge impact on the way we have lived our lives through the pandemic.

Approved investments in 2020 by country, sector and instrument

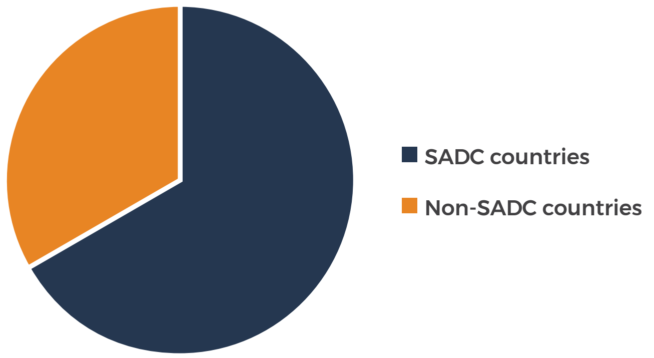


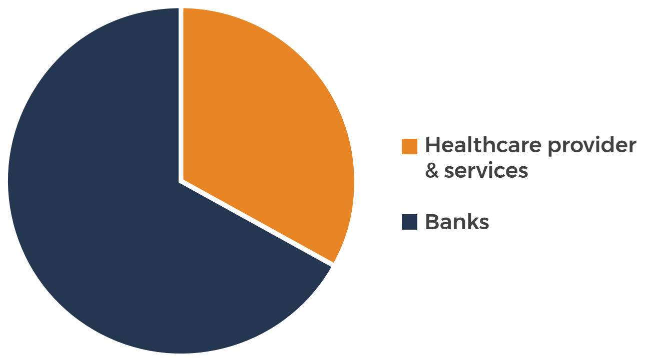


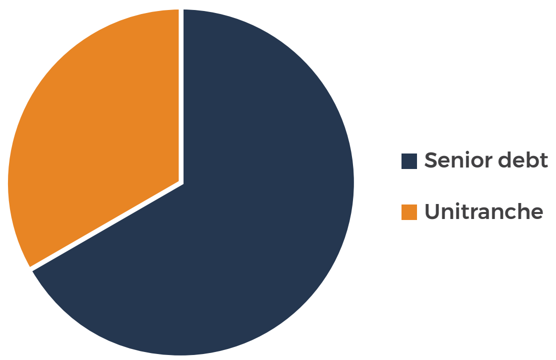


The company's total gross investment facility portfolio reached USD141.1 million (2019: USD133.7 million) with investment disbursements of USD15.13 million in 2020 (2019: USD35.7 million). The investment disbursements were below the original budget of USD52.6 million and the post-COVID forecast of USD34.7 million. This resulted in an investment portfolio with no growth in 2020 (2019: 26.2%).

Disbursements in 2020 by country, sector and instrument



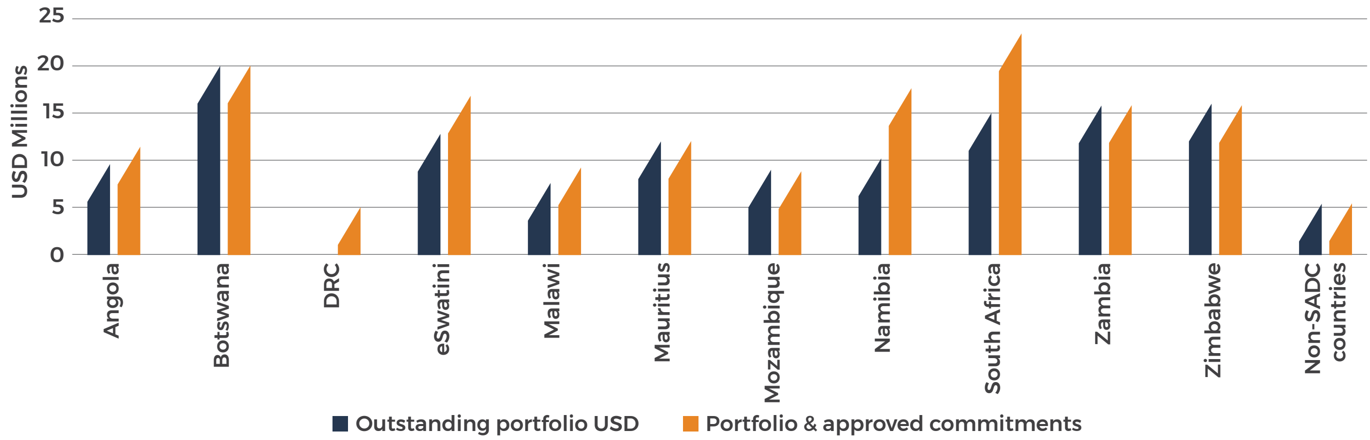




Investment portfolio

Country analysis

The quality of the investment portfolio has changed to reflect business and operational challenges that arose from the pandemic. Impairments consequently increased to 7.3% of the portfolio together with the increased flow into stage 2 and stage 3 classifications.

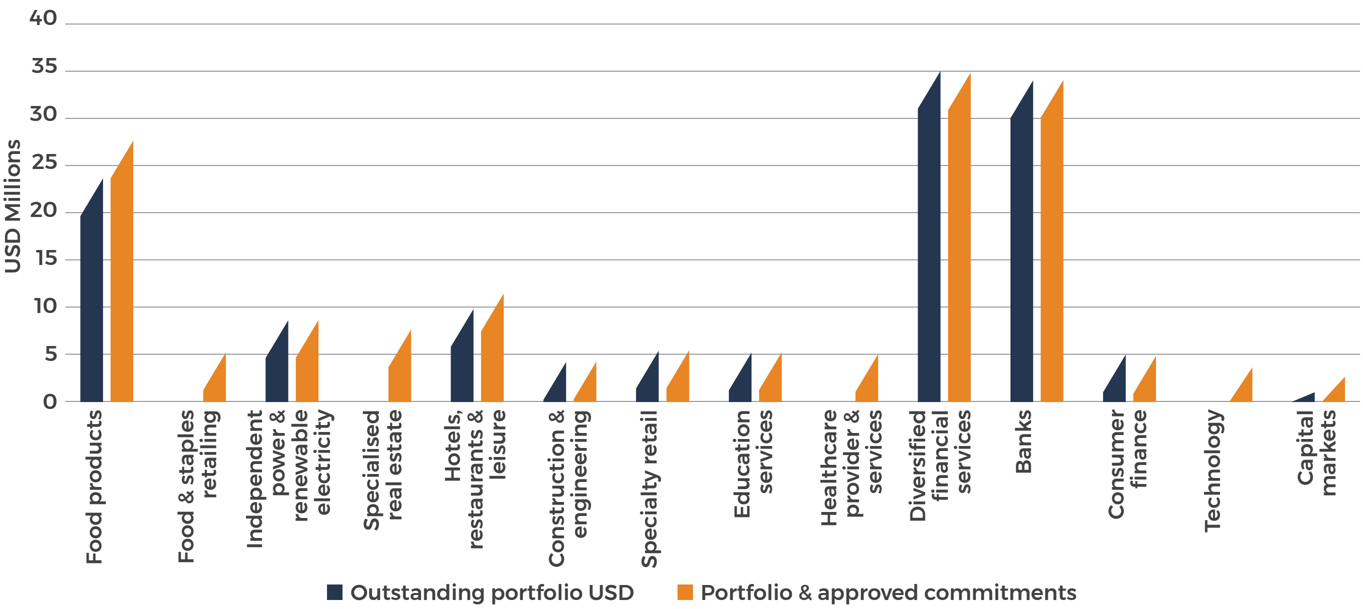


Portfolio and Commitments as at 31 December 2020 – country analysis

Sector analysis

Our largest sector exposures are in the diversified financials, banks and food products. The higher exposures around these sectors are informed by the SADC's regional priorities on financial inclusion and food security. Financial inclusion and financial sector deepening are a key priority within the SADC as 41.9 million adults (34%) within the region do not have formal or informal access to financial services or products. Financial inclusion is also a key driver of economic growth and poverty alleviation. Strengthening food security and sustainable agriculture is a high priority in Southern Africa, especially in light of climate-change-induced droughts, which have increasingly caused erratic rainfall and threatened food security. The sectors are also aligned with the United Nations SDGs on No Poverty and Zero Hunger.

Portfolio and commitments as at 31 December 2020 – sector analysis



Environmental, Social and Governance management

Norsad was tested in 2020 by COVID-19. The pandemic highlighted the need for sound ESG management and practices, and turned the spotlight on the materiality of the "S" factor. We believe that ESG lends itself to sustainable businesses that are resilient, adaptable and able to recover from shocks. The theme of our fourth Annual Impact Report was "Building a Better Africa". This report reflects on the challenges of COVID-19 in our portfolio and gives a view of Norsad themed sectors and special highlights from our partner investee companies.

Norsad continues with the alignment of our impact objectives and achievements to the United Nations SDGs, as well as our affiliations to global platforms, such as the GIIN. Norsad is also a proud signatory of the UNPRI. In the 2020 PRI reporting and assessment cycle, Norsad achieved the highest possible A+ rating for strategy and governance, outperforming our peers in all reporting categories.

Norsad is proud of the accomplishments and achievements over the reporting period, having received the:

- Best Impact Investor (Africa) award for 2020 by Capital Finance International
- Specialist Investor of the Year award (under the Regional and Specialist Investor Category) at the Private Equity Africa 2020 Awards

Norsad secured a technical assistance facility of EUR60 000 from its shareholder, Swedfund, to provide much-needed support to its hospitality investments, which were hardest hit by the COVID-19 pandemic, for use in business continuity preparations.

Impact is the core of our existence and operations. We continue with the alignment of our impact objectives and achievements to the United Nations SDGs. Amid the 2020 global challenges, we continued to promote inclusive growth and equality in our markets, with the activities of our partner investee companies aligning with the SDGs.

Impact highlights

The table below highlights significant numbers in our portfolio:

Numbers that matter

PROSPERITY

USD154 million Invested in our current portfolio

USD583 million Revenue generated

USD107 million Locally produced goods

USD41.9 million Government revenues generated

PEOPLE

10 366 Jobs supported

4 100 Women employees supported

1 006 Youth employees supported

100% Partner companies have a Board of Directors

1 256 Managerial positions

40% of managerial positions are occupied by women

PLANET

76% of partner companies have implemented some form of sustainable initiative

48% of partner companies are party to external/ international economic, environmental or social charters

Our impact focus

As part of our growth strategy, we select investments that clearly contribute to solving social and environmental challenges – we have chosen four themes that are strongly aligned with our impact priorities.

Impact theme	Description	SDG alignment
Sustainable livelihoods	We will contribute to employment creation and boost people's capacity to provide for themselves by funding well-managed mid-sized companies as well as high-impact small and medium enterprises (SMEs). This impact theme aligns with **SDGs 1,2, 8 and 13**.	
Financial inclusion	We will extend credit to companies that provide individuals and businesses with access to useful and affordable financial services– transactions, payments, savings, credit and insurance. Access to affordable financial services can contribute to eliminating poverty, creating jobs, reducing gender equality and accessing education and healthcare. Aligning with **SDGs 1, 2, 3, 4, and 8**	
Gender equality	We will adopt the 2x challenge criteria – we fund not only companies that are majority owned by women and embrace female representation at all levels in the workplace, but also offer products and services aimed specifically at improving the lives of women and girls. This theme is an SDG on its own – **SDG 5.**	
Climate and clean energy	We will introduce sustainable infrastructure finance to develop renewable energy, water and sanitation, and green buildings. Strong alignment with **SDGs 6, 7, 9 and 13.**	

2021 outlook

While regional growth is expected to recover modestly to 3.1% in 2021, growth in most of the larger SADC economies is expected to remain very subdued (averaging less than 3% over the next five years). The fastest-growing economies in Africa, of a size sufficient to support Norsad's growth, are in East and West Africa. Growth in these regions is expected to return to pre-COVID levels by 2021/22.

The shortage of appropriate funding is hampering further growth potential on our continent – credit solutions offered are not always suitable for the needs of growing companies. Private credit solutions offered by Norsad can play a pivotal role in complementing the financing of opportunities and unlocking growth towards Building a Better Africa.

Our focus in 2021 will be supporting our partner companies in their recovery from the COVID-19 pandemic, as we believe the direct impact will be felt in 2021. We will also be measuring the impact of the pandemic on our internal operations to ensure that we remain resilient, create impact and continue with our purpose of Building a Better Africa. The need for businesses to protect the health and safety (H&S) of their workers as an inherent part of their business operations is a standard consideration in ESG and impact investing. We will be partnering with responsible companies and prior to investment we will closely assess their H&S measures and performance.

I would like to take this opportunity to extend my gratitude to the Norsad team, especially in the environment we found ourselves in. The team demonstrated resilience and adaptability as we had to change "our ways" to ensure that we continue to fulfill our mandate. Additionally, I wish to take this opportunity to thank our investors and our partner companies for the immense contributions to our impact story.

BUSINESS PRACTICES AND STRUCTURE

CORPORATE GOVERNANCE

Norsad maintains the highest level of ethical and accountable business practices

Our board is committed to maintaining the integrity of the organisation and its ability to manage risk and perform optimally. Our investors are from various countries. We, therefore, comply with international corporate governance guidelines.

Strengthening governance is one of our strategic goals. Norsad supports the corporate governance outcomes of King IV, and we have reviewed our board charter in line with King IV accordingly. The Institute of Directors South Africa (IoDSA) conducted a governance assessment review, and our board is implementing the IoDSA action plan.

Code of ethics

Norsad promotes the principles of good ethical conduct as set out in the group's code of ethics. The code reflects the group's commitment to integrity and good governance in all business dealings and informs its approach to combating bribery and corruption. The group has zero tolerance for willful and deliberate non-compliance. Employees are required to attest to the code of ethics and complete ethics training regularly. Directors hold one another accountable for decision-making and acting in a way that is consistent with the code of ethics. The board oversees the code of ethics and promotes ethical behaviour.

Governance structure

The board performs its duties and responsibilities in terms of a board charter that is reviewed annually. In discharging its responsibilities, the board is empowered to delegate its responsibilities to committees and management. As such, the board is supported by board committees and senior management.

The board has concluded that it has collectively satisfied and fulfilled its responsibilities in accordance with the board charter.

The board committees are satisfied that they have fulfilled their responsibilities in accordance with their respective terms of reference.

Internal audit

Norsad has an independent in-house internal audit (IA) function which operates in terms of an approved charter. The risk-based audit plans are presented to the Audit and Risk Committee for approval on an annual basis. During the year the audit plan is reviewed and adjusted as necessary in response to changes in the business, risks, operations, systems and controls, for example responding to changes introduced by the COVID-19 pandemic. Progress against the plan, as well as changes to the plan, are approved on a quarterly basis by the Audit and Risk Committee.

The IA function is headed by the Head of Audit and Compliance, who reports functionally to the Audit Committee chair and administratively to the CEO and has the mandate to communicate directly and freely on relevant matters. Where requisite skills are not available internally, IA co-sources these from external experts. IA has a Quality Assurance and Improvement Programme, which ensures audit file quality conforms with the audit methodology and the International Professional Practices Framework of Internal Auditing. Independent assessments of the IA function are also undertaken every five years to test conformance with the Institute of Internal Auditors standards.

Chief executive officer

Kenny Nwosu was appointed CEO by the board on 1 January 2017 and is responsible for leading the implementation and execution of approved strategy, policies and operational planning. The CEO leads and directs the executive management and serves as the principal link between management and the board.

The CEO is accountable to the board for, among other things:

- developing and recommending the short-, medium- and long-term strategies
- managing the strategies, group performance and vision
- ensuring that Norsad has an effective management team and management structures
- ensuring that appropriate policies are formulated and implemented
- ensuring that effective governance measures are deployed
- serving as Norsad's chief spokesperson.

The CEO does not have any significant commitments outside of Norsad and its related companies. The contract of the CEO is subject to a three-month notice period, and there are no exceptional contractual conditions related to his termination. A succession plan for the CEO is in place and is reviewed annually.

Company secretary

The company secretary is responsible to the board for, among other things, acting as a central source of information and advice to the board on its duties and responsibilities, adherence to good corporate governance principles, and compliance with procedures and applicable statutes and regulations.

Desert Secretarial Services were appointed as Norsad's company secretary in September 2011. Aligned with good governance practice, the appointment and removal of the company secretary is a matter for the board.

All directors have full access to the professional services and advice of the company secretary in all aspects of the board's mandate and operations. The board is satisfied that these arrangements are effective.

An assessment of the performance of the company secretary is undertaken annually, as part of the board evaluation process. The assessment confirmed the company secretary:

- is competent, suitably qualified and experienced
- has the requisite skills, knowledge and experience to advise the board on good governance
- maintains an arm's-length relationship with the board and directors
- has discharged their responsibilities effectively during the current year under review.

Board of Directors

The board believes that its current size and composition – given the mix of knowledge, skill, experience, diversity and independence – is suitable to enable it to meet the group's strategic objectives.

As at 31 December 2020, Norsad had a board of seven members; four of the directors are classified as independent non-executive directors to facilitate effective oversight in terms of King IV.

The board is satisfied that all directors, whether classified as non-executive or independent non-executive, act independently, free of undue influence, and in the best interest of Norsad.

In response to the COVID-19 social-distancing restrictions, board and committee meetings were conducted virtually. Due to Norsad's sound and deeply embedded governance frameworks, principles and practices, the switch to remote meetings did not impact the effectiveness of board and committee oversight. The board and management collaborated effectively, ensuring continuity in effective governance and decision-making.

Appointments to the Board

There is a clear policy in place detailing procedures for nominations, elections and appointments to the board to ensure an optimally diverse board with the required skill set. Non-executive directors are expected to ensure that other professional commitments outside the company do not impinge on their ability to perform their duties as directors of Norsad Finance Limited and do not present any material conflicts of interest. The appointment of all directors to the board requires the approval of shareholders at the annual general meeting. All directors of the company must be assessed as fit and proper by the Non-Bank Financial Institutions Regulatory Authority.

The board acknowledges and recognises the benefits of diversity. The policy on the promotion of race and gender diversity is included in the board charter, which requires that, when appointing new directors, the nominations committee takes cognisance of the board's needs in terms of different skills, experience, cultural and gender diversity. While no specific targets have been set, the board is committed to increasing its gender and race diversity at board and top management level.

The Board of Directors reviews the governance guidelines of the company on an annual basis. The following corporate governance guidelines were last amended and approved in June 2020:

1. Board Charter
2. Governance Committee Charter
3. Audit and Risk Committee Charter
4. Human Resources and Remuneration Committee Charter
5. The Ethical Code of Conduct for the Directors
6. Remuneration and Compensation of Expenses for Director

An extraordinary general meeting was held on 14 May 2020 to address the director replacement appointments. The following replacement appointments were made:

NOMINEE DIRECTOR	REPLACING
Dr. Ann Frances Léautier	Ms Paula Perttunen
Mr Jørgen Høholt	Mr Morten Christiansen
Ms Anastasia Soula Proxenos	Mr Jan Rixen

The composition of the board as at 31 December 2020 is presented in the following table:

DIRECTOR	NATIONALITY	PERSONAL ALTERNATE	NATIONALITY	NOMINEE
Mr Martin Inkumbi (C)	Namibian	Mr Molefi Leqhaoe	Mosotho	SADC
Mr Jacob Hagerman	Swedish	Mr Jakob Larsson	Swedish	Nordic
Mr Jørgen Høholt	Danish	Mr Morten Elkjaer	Danish	Nordic
Mr Andrew Madeswi	Motswana	Mr Charles Singili	Tanzanian	SADC
Ms Aurora Malene	Mozambican	Ms Ana Maria De Campos	Angolan	SADC
Dr. Ann Frannie Léautier	Tanzanian	Ms Ulla Huotari	Finnish	Nordic
Ms Anastasia Soula Proxenos	South African	Ms Kristin Sandtorv	Norwegian	Nordic

(C) - Chair

Mr Martin Inkumbi was appointed as Chairman of the Board on 13 August 2019 by the Board of Directors.

The board has three committees: Governance Committee, Audit & Risk Committee, and Human Resources & Remuneration Committee (HR&R Committee). The members of the board committees are as follows:

The board committees were constituted as follows:

GOVERNANCE COMMITTEE	AUDIT & RISK COMMITTEE	HR&R COMMITTEE
Mr Martin Inkumbi (C)	Dr Frannie Léautier (C)	Ms Aurora Malene (C)
Mr Jacob Hagerman	Mr Andrew Madeswi	Mr Andrew Madeswi
Dr Frannie Léautier	Mr Jørgen Høholt	Ms Anastasia Proxenos

(C) - Chair

The board is satisfied that the composition of the committees of the board and the arrangements of delegation within its own structures promote independent judgement and assist with the balance of power and effective discharge of its duties.

The Board of Directors held seven meetings during 2020, where attendance of directors was recorded at 93% (2019: 96%). The Governance Committee and the HR&R Committee had four meetings, while the Audit & Risk Committee had five meetings. The total allowances paid to the directors during the year were as follows:

- Chairman USD10 800
- Board members USD25 200
- Committee members USD11 700
- Total USD47 700

Succession plan

Norsad benefits from an extensive pool of directors with diverse experience and competence. Norsad continues to apply specific focus on succession planning at board level. The board is comfortable that its composition, and that of its committees, is appropriately constituted with the correct mix of knowledge, skill and experience, diversity and independence.

Induction

The directors are accountable and responsible for all actions of board committees. This is emphasised during induction training provided to new directors.

Ongoing training

Other ongoing training and education courses allow directors to familiarise themselves with Norsad's operations, the business environment, fiduciary duties and responsibilities, and the board's expectations in respect of a director's commitment, ethical behaviour and keeping abreast of regulatory changes and trends. The Governance Committee oversees directors' induction and ongoing training programmes, and will continue to make professional development of its members a priority.

Directors have full and unrestricted access to management, group information and property. They are entitled to seek independent professional advice on matters within the scope of their duties at Norsad's expense.

Annual assessment

During the year a formal evaluation was conducted, which measured the board's performance and effectiveness, as well as that of the individual members. The governance committee reviewed the evaluation and identified no material concerns in respect of the areas assessed. The board is satisfied that the evaluation process continues to improve its performance and effectiveness.

Conflict of interest

Policies are in place to manage any potential conflicts of interest. Directors sign annual declarations stating that they are not aware of any undeclared conflicts of interest that may exist due to their interests in, or association with, any other company. In addition, directors disclose interests in contracts and related party transactions for the board to assess whether such transactions are on arm's-length commercial terms. In instances that they are conflicted, directors will recuse themselves from the relevant deliberations.

OUR PEOPLE

The executive management team

The Executive team composition in 2020 consisted of the following members:

KENNY NWOSU
Chief Executive Officer

JONATHAN DAVIES
Chief Financial Officer

NATHANIEL NYIKA
Chief Investment Officer

THE TEAM

LANTLHA ANDERSON
Business Support Officer

KEBOETSWE LETSHOLO
Senior Investment Analyst

CHARITY MALATSI
Administration Manager

KEOLEBOGE MALELA
ESG Officer

GOSEGOMANG MODISE
Head of Audit and Compliance

BRIAN MOIPONE
Treasury Manager

MELISSA MORAPEDI
Investment Analyst

TSHEPHO MPOLOKENG
Portfolio Manager

JUSTIN NTHALA
Investment Principal

GORATA OGOTSENG
Corporate Communications Manager

MATTHEW PRATT
Investment Associate

MERCY RAMATEKE
Finance Manager

MABEDI RASEDIE
Senior Portfolio Analyst

OTENG SEBONEGO
Investment Director

KHUMOETSILE SEKUCHA
Portfolio & Risk Director

ZUBAIR SULIMAN
Investment Director

THABO TOKO
Admin Assistant

ALICE ZULU
Investment Principal

OUR INVESTMENT PHILOSOPHY

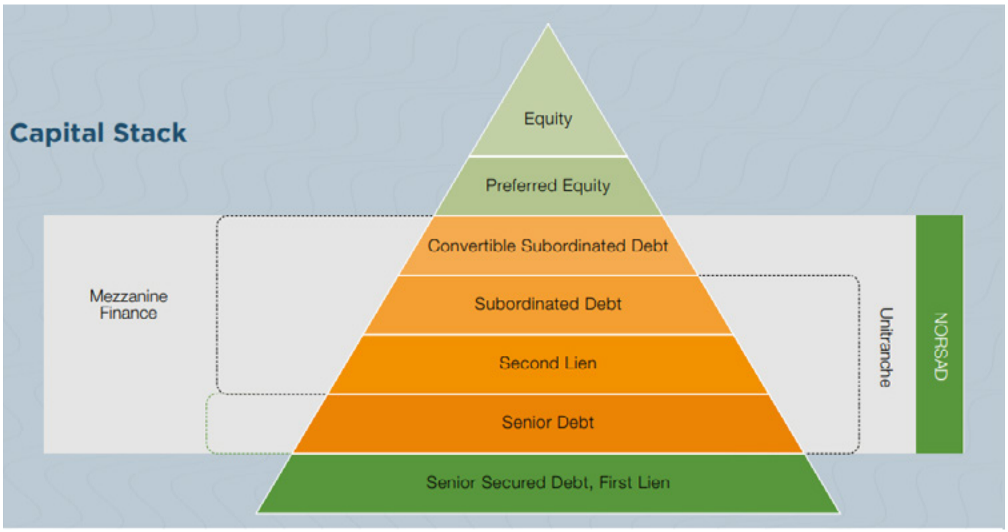
The main principle in Norsad investment operations is to provide innovative and flexible solutions for financing and risk sharing, primarily towards commercially viable expansion investments to achieve sustainable development outcomes. Hence, we focus on companies and projects that can deliver attractive returns while having significant social, environmental and developmental impact.

Our purpose is "To build a better Africa". This is currently achieved primarily by investing in responsibly inclined businesses in the Southern African region and enabling sustainable enterprise growth.

Our solutions are complementary to other sources of funding and are layered between senior debt and pure equity of a company's capital structure.

Our range of investment products include senior debt, stretch senior, unitranche, second lien, subordinated debt and mezzanine debt financing. The private credit solutions we offer constitute an innovative funding component (complementary to bank financing or an alternative sustainable financing solution) that can be better structured to the needs of growing mid-sized companies.

We partner with banks, other financial institutions and investors by providing complementary financing that allows them to stay within their core lending mandates and investment policies while unlocking potential future lending capacity for their clients. This can be demonstrated as follows:

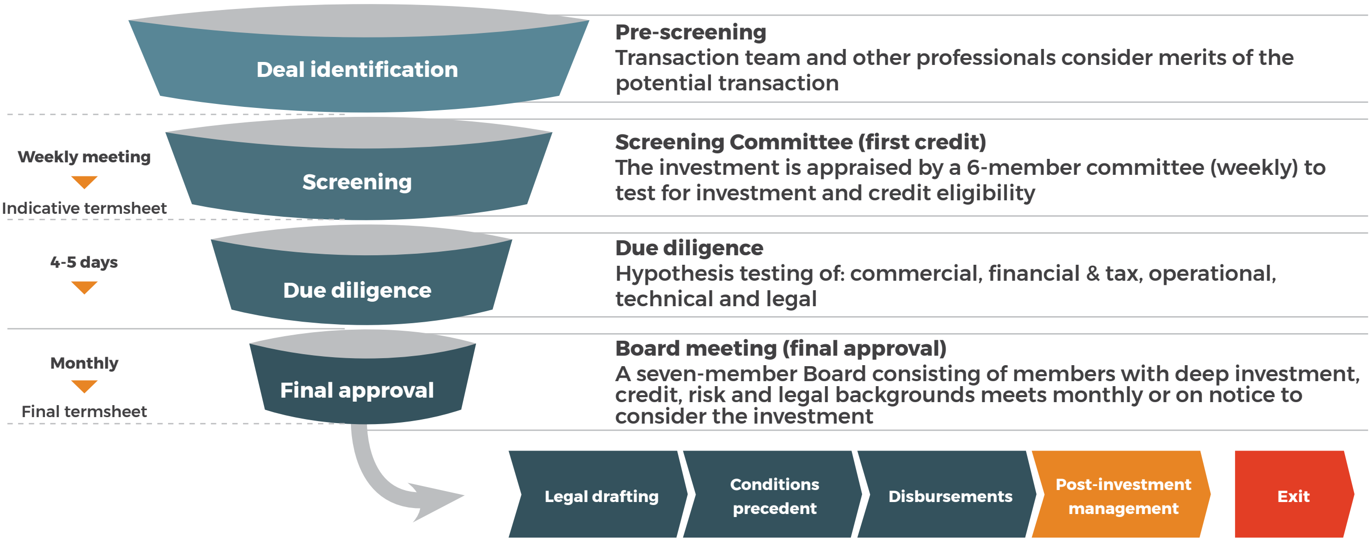


We customise financing solutions to each individual client, depending on their business needs and capital structure. We prioritise and focus on the following sector themes:

- Financial institutions
- Food value chain
- Soft & Social Infrastructure
- Industrials & Manufacturing

OUR INVESTMENT PROCESS

Our disciplined investment process is streamlined to two decision-making committees with combined experience in multiple financial instruments, sectors and geographies.



The full year 2020 saw a total of seven transactions approved by the board and disbursements of USD26.1 million. Through our robust investment philosophy and process, we have developed a diverse portfolio and have been able to remain relevant and continue to create social impact through our investee companies in the region. We remain committed to our purpose, which is which is to o build a better Africa

Ongos Valley

Country: Namibia
Industry: Soft and social infrastructure
Product: Residential housing

Norsad has provided a revolving facility to Ongos Valley, a transformative property development situated in the north-west corridor of the city of Windhoek, with the intent of building 28 000 affordable residential housing units over the next 15 to 20 years. The promoters intend to deliver the project in several phases, with Phase 1 contributing 4 500 housing units to the Namibian housing market over the next five years. The proposed Norsad funding is ZAR110 million, which will go towards Phase 1.

Ongos Valley aims at addressing the critical housing shortage in Namibia by providing affordable housing solutions through direct purchases or a rent-to-own model that has been initiated. The rent-to-own model was born from the need to provide alternative financing for individuals that do not qualify for a traditional home loan, but will be able to do so with a financial institution in the medium term. The model is an innovative and affordable pathway that allows clients to become entry-level homeowners.

The housing sector in Namibia ranks high on the government's development agenda due to the existing acute deficit of affordable serviced land and housing.

Phase 1 of the Ongos Valley development is expected to create 14 000 job opportunities over the five-year implementation period. These will be 4 140 full time jobs and 9 860 part-time jobs. The project intends to provide Namibians with access to quality and affordable housing solutions while improving their overall standard of living.

Norsad is excited to be involved with Ongos Valley and help kick start the development that aims to be one of Africa's first green and smart cities with a focus on sustainable energy utilisation from renewable sources. Bulk infrastructure for Phase 1, in partnership with the Windhoek municipality, is in its final stages of installation and the first housing units are now being constructed.

Soft and social infrastructure development is a key sector for Norsad.The development also links to a number of the United Nations SDGs, such as Clean Water and Sanitation, Affordable and Clean Energy, and Sustainable Cities and Communities. The investment is also in line with Norsad's impact themes on Sustainable livelihood (employment creation and empowering local entrepreneurs) and Climate and clean energy (the project is expected to be Edge compliant).

About Ongos Valley

Ongos Valley is jointly owned by Fullbright Investments (80%) and Bonsec Investments (20%), with sponsors that have extensive experience in property development and management.

Moni-Shop Sarl

Country: Democratic Republic of Congo
Industry: Food & staples retailing
Product: FMCG

Norsad Finance made its maiden investment in the Democratic Republic of the Congo (DRC) through an investment of USD5 million by way of a term credit facility to Monishop SARL, a fast-moving consumer goods (FMCG) retailer operating in Kinshasa, DRC.

The investment alongside other funders, including XSML managed Africa Rivers Fund II, BGFI Bank and other local banks, is targeted towards the development of a 12-storey mixed-use retail development in the relatively under-served area of Gombe, Kinshasa (Monishop II). This follows the successful development and operation of a similar retail complex anchored by Monishop Supermarket in the Kintambo municipality of Kinshasa in 2011. The DRC is the fourth most populous country in Africa and Kinshasa has a population of over 17 million people, highlighting not only the market potential but also the need for more formalised retail in the city and country.

The food value chain, which ranges from “farm to table” is one of the key focus sectors for Norsad’s investments as it is aligned to the United Nations SDG on Zero Hunger. The investment is also in line with Norsad’s impact themes on Sustainable livelihood (employment creation and empowering local entrepreneurs) and Gender equality (women-owned business as well as female employees within similar establishments).

Norsad is delighted to be making our first investment in the DRC in the over 30-year period Norsad has been investing in the region. In Monishop, Norsad has partnered with strong sponsors with a depth of experience as well as other financial partners that have knowledge and networks within the central African region.

About Monishop SARL

Monishop was founded in 2011 and currently operates a mini retail complex, anchored by the Monishop Supermarket in the Kintambo municipality of Kinshasa. The supermarket sells both local and imported FMCG products and also houses key banking tenants.

NORSAD FINANCE LIMITED

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2020

NORSAD FINANCE LIMITED

Annual financial statements
for the year ended 31 December 2020

NORSAD FINANCE LIMITED

Directors' responsibility statement

for the year ended 31 December 2020

The directors are responsible for the preparation and fair presentation of the group annual financial statements and annual financial statements of Norsad Finance Limited, comprising the statements of financial position at 31 December 2020, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for maintaining adequate accounting records and an effective system of risk management. Nothing has come to the attention of the directors to indicate that any significant breakdown in the functioning of these systems has occurred during the year under review.

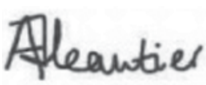
The directors have made an assessment of the ability of the company and its subsidiaries to continue a going concern and have no reason to believe that the group will not be a going concern in the foreseeable future based on forecasts and available cash resources.

The auditor conducts an examination of the annual financial statements in conformity with International Standards on Auditing, which include tests of transactions and internal accounting control. Discussions and meetings are held between the Auditor and Management, the Audit and Risk Committee, and the Board of Directors.

Approval of group annual financial statements and annual financial statements

The group annual financial statements and annual financial statements of Norsad Finance Limited, as identified in the first paragraph, were approved by the Board of Directors on 24 March 2021 and signed on their behalf by:

Martin Inkumbi
Chair of the Board of Directors



Frannie Léautier
Chair of the Board Audit & Risk Committee

Independent auditor's report

to the shareholders of Norsad Finance Limited

Our opinion

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Norsad Finance Limited (the "Company") and its subsidiaries (together the "Group") as at 31 December 2020, and its consolidated and separate financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

What we have audited

Norsad Finance Limited's consolidated and separate financial statements set out on pages 11 to 59 comprise of:

- the consolidated and separate statements of financial position as at 31 December 2020;
- the consolidated and separate statements of profit or loss and other comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the accounting policies to the consolidated and separate financial statements;
- the use of estimates and judgements to the consolidated and separate financial statements and
- the notes to the consolidated and separate financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report.

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

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) issued by the International Ethics Standards Board for Accountants and other independence requirements applicable to performing audits of financial statements in Botswana. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and other ethical requirements applicable to performing audits of financial statements in Botswana.

Key audit matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We communicate the key audit matter that relates to the audit of the consolidated and separate financial statements of the current period in the table below.

Key audit matter	How our audit addressed the key audit matter

Assessment of Allowances for Expected Credit Losses on Loans and Advances

The Group applies IFRS 9 - Financial Instruments ("IFRS 9"), which requires it to assess allowances require allowances for impairment of loans and advances to be considered on an expected loss basis. Accordingly, the Group measures such allowances using its own impairment model to calculate Expected Credit Losses ("ECLs").

In determining the ECLs, the following key judgements were applied by the Group:

- Choosing appropriate model and assumptions for the measurement of ECLs;
- Determining appropriate Probabilities of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD") applying to loans;
- Determining criteria for significant increase in credit risk ("SICR");
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/ market and the associated ECLs; and
- Establishing groups of similar financial assets for the purposes of measuring ECLs.

The impairment of advances to customers was considered to be a matter of most significance to the current year audit due to the following:

- The degree of judgement applied by in determining the PD, LGD and EAD, and
- The degree of judgement applied in determining the SICR thresholds.

Refer to the use of judgement and estimates on page 26, accounting policies "financial assets and financial liabilities" on page 17, credit risk note on page 36 and loans and advances note on page 31.

Our audit addressed the assessment of allowance for ECLs of advances to customers by performing the following:

- We assessed the Group's impairment model against the requirements of IFRS 9 and did not note any inconsistencies.
- We utilised our valuation expertise to assess the appropriateness of the model used by the Group, including IFRS 9 compliance, and ensured that the model was consistently applied to all loans and loan portfolios. We noted that the model was appropriate and there were no inconsistencies across the Group.
- We tested – on a sample basis - the underlying information with respect to loans and portfolios of loans utilised in the model to underlying accounting records and other information maintained by the Group and found no exceptions.
- We evaluated the reasonableness of key judgemental inputs used in the model. We are satisfied that the judgements applied are reasonable compared to, amongst others, our understanding of the Group's business operations and individual loans and advances.
- We assessed the reasonableness of the judgement applied by the Group in determining the SICR attribution by obtain an understanding thereof through discussion with management and by comparing this understanding with other available information. We found the Group's assessment of SICR to be reasonable.

Independent auditor's report
to the shareholders of Norsad Finance Limited

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Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Norsad Finance Limited Group Annual Financial Statements and Annual Financial Statements for the year ended 31 December 2019", which we obtained prior to the date of this auditor's report, and the other sections of the document titled, "Norsad Annual Report 2019", which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate annual financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of the directors for the consolidated and separate financial statements

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

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

Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit

Independent auditor's report

to the shareholders of Norsad Finance Limited

evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Individual practicing member: Rudi Binedell
Registration number: 2004009110

Gaborone
2 August 2021

Directors' report

for the year ended 31 December 2020

The directors have pleasure in presenting their report to shareholders, together with the audited group annual financial statements and the annual financial statements for the year ended 31 December 2020.

Nature of business and principal activities

Norsad Finance Limited is a company domiciled in Botswana, incorporated on 23 November 2011 with company registration no BW00001164284. It is registered under the Botswana Companies Act and regulated by the Botswana Non-Bank Financial Institutions Regulatory Authority (NBFIRA). The company is accredited under the Botswana International Financial Services Centre (IFSC) which became the Botswana International Trade Centre (BITC). Principle activity is providing medium to long term risk capital to mid-market growth companies in Southern Africa that are financially, socially and environmentally sustainable. These financial statements represent the statutory financial statements.

Investment in Subsidiaries

Norsad Finance Limited holds 100% of the issued share capital of Norsad Finance (Botswana) Ltd, comprising 100 shares at no par value, a company incorporated in Botswana on 9 September 2013, (Company Registration No. BW00001350365). In addition, Norsad Finance Limited holds 100% of the issued stated capital of Norsad Finance (Pty) Ltd, comprising 100 shares at no par value, a company incorporated in South Africa on 24 March 2017, (Company Registration No. CO.2017/137409/07). These investments are accounted for by the reporting of separate, standalone financial statements by the two entities.

Review of the group's financial position and results

The financial statements incorporate the financial statements of the company, referred to as the **"Company**" and consolidated statement incorporating entities controlled by the company, reflect the financial statements of the company and its subsidiaries and are collectively referred to as the **"Group"**.

The financial results and position are reflected in the financial statements set out on pages 11 to 59.

Currency of presentation

The group's annual financial statements and the annual financial statements are presented in United States Dollars (USD), which is the group's functional and presentation currency.

Events after the reporting date

On 24 March 2021 a dividend of USD 24 (2019: 136) for each 9,118 ordinary share and USD 48 (2019: 272) for each 5,545 preference share was approved by the Board of Directors for the year ended 31 December 2020, for recommendation to the Shareholders at the Annual General Meeting.

Going Concern

All of the countries in which the Group operates has suffered the social and economic impact of the global COVID-19 pandemic. Most of these countries have implemented strict measures to enforce "social distancing", including restrictions on travel, trade and stay-at-home orders. These measures have had a significant impact on global, regional and domestic economies and the full impact is still currently unquantifiable.

Going Concern (Continued)

The Group has developed and implemented a COVID-19 management and relief support programme for eligible clients impacted by the pandemic. The intervention and support scheme, takes account of the varying impact the pandemic has had on different industries. For example, it acknowledges that clients involved in tourism and export-orientated businesses where foreign markets are currently closed may be more adversely impacted and probably also for longer periods.

Interventions under the programme include the provision of repayment breaks to mitigate the impact of the economic downturn and adverse business impact caused by the pandemic. These include defined principal installment payment deferrals for impacted businesses and on an exceptional basis, interest capitalization.

The Group has determined that key drivers of its financial performance which have been materially impacted as a result of the COVID-19 pandemic are facility disbursements, repayments, impairment levels, Libor and Jibar interest rates and operational costs. The Group recognises the dynamic nature of this situation and will continue to review and refine this programme as may be necessary.

Guided by these principles and the continued interventions and relief support programme, the Group has assessed the adequacy of liquid assets through preparation of stress tested cashflow projections.

Such projections took into account the Group's current assessment of the following:

- how individual client facilities may be impacted, taking account of their country of operation, industry and the Group's understanding of their own financial strength, and how the Group may be able to assist clients through relief interventions structured to the specific needs of each client, without placing undue strain on the Group;
- manners in which the Group could manage its extension of credit facilities to best deploy cash resources on facilities, which will support business and economic recovery in the regions where it already operates;
- available liquid resources, repayment obligations on the Group's leverage debt facilities, likelihood of factors which may trigger changes in these obligations and possible mitigants against such changes;
- realistic reduction of operating expenses to conserve cash resources; and
- issuance of a stock dividend in lieu of cash dividend.

Based on these stress-tested cashflow projections, which took account of a range of possible cashflow impacts of measures to be undertaken by the Group, the Group has concluded that existing liquid facilities are sufficient to sustain the Group's operations for a period of no less than twelve months from the date of approval of these financial statements.

The Group's Board of Directors and Executive Management will continue to monitor closely the implementation of risk mitigation plans and the Group will change these in order to support not only its clients but also the sustainability of the Group during these unprecedented times.

On this basis the annual financial statements have been prepared on the basis of accounting policies applicable to a going concern.

Directors' report *(continued)*
for the year ended 31 December 2020

Property, plant and equipment
Details of changes in property, plant and equipment during the year are reflected in note 24.

Stated capital
In 2020 declared dividends totalling USD 2,702,080 relating to the year ended 31 December 2019 were settled by the authorisation and issue of 318 shares to the shareholders in lieu of a dividend payment. Changes in the stated capital is disclosed in note 35.

Board of Directors	Alternate Directors
Inkumbi, Martin	Singili, Charles
Hagerman, Jacob	Larsson, Jakob
Høholt, Jørgen	Elkjaer, Morten
Léautier, Frannie	Huotari, Ulla
Madeswi, Andrew	Leqhaoe, Molefi
Malene, Aurora	De Campos, Ana Maria
Proxenos, Anastasia (Soula)	Sandtorv, Kristin

Changes during the period

Christiansen, Morten	(Retired 25 April 2020)
Rixen, Jan	(Resigned 14 May 2020)
Høholt, Jørgen	(Appointed 14 May 2020)
Léautier, Frannie	(Appointed 14 May 2020)
Proxenos, Anastasia (Soula)	(Appointed 14 May 2020)

Registered office
Plot 54366, Western Commercial Road
Central Business District, P.O. Box 1476 ABG, Gaborone

Company Secretary
Desert Secretarial Services (Proprietary) Limited
Plot 64518, Fairgrounds Office Park, Gaborone

Auditors
PricewaterhouseCoopers
Plot 50371, Fairgrounds Office Park, Gaborone

Principal Bankers
Stanbic Bank Botswana
Head Office, Stanbic House, Plot 50672 Off Machel Drive, Fairgrounds, Gaborone

Exchange Rates		2020	2019
USD / ZAR	(ZAR = South African Rand)	14.6246	14.042
USD / BWP	(BWP = Botswana Pula)	10.7875	10.627
USD / EUR	(EUR = Euro)	0.8141	0.8929

NORSAD FINANCE LIMITED

Income statements and statements of other comprehensive income

for the year ended 31 December 2020

	Note	Group		Company	
		2020 USD	2019 USD	2020 USD	2019 USD
Operating income					
Interest income	5	15 436 146	15 098 013	14 555 885	14 221 391
Interest expense	6	(2 484 039)	(1 551 035)	(2 484 039)	(1 551 035)
Net interest income		**12 952 107**	**13 546 978**	**12 071 846**	**12 670 356**
Fee and commission income	7	260 698	883 214	260 698	642 381
Fee and commission expense	8	(150 000)	(171 674)	(150 000)	(171 674)
Net fee and commission income		**110 698**	**711 540**	**110 698**	**470 707**
Investment income	9	320 906	354 673	320 906	354 673
Other income	10	-	(25 260)	271 092	305 884
Fair value adjustment on FVPL assets	14	(1,329 451)	307 145	(1 329 451)	307 145
Other operating (deficit) income		**(1 008 545)**	**636 558**	**(737 453)**	**967 702**
Total Operating income		**12 054 260**	**14 895 076**	**11 445 091**	**14 108 765**
Operating expenses					
Personnel expenses	11	(2 630 547)	(2 899 833)	(2 375 752)	(2 699 767)
General and administration expenses	12	(213 458)	(188 174)	(205 082)	(177 461)
Depreciation charge	24	(76 460)	(93 356)	(74 846)	(92 063)
Amortisation expense	25	(145 376)	(145 275)	(131 071)	(133 756)
Other operating expenses	13	(847 097)	(1 205 848)	(1 032 723)	(1 384 568)
Total Operating expenses		**(3 913 169)**	**(4 532 486)**	**(3 819 474)**	**(4 487 615)**
Operating profit		**8 141 091**	**10 362 590**	**7 625 617**	**9 621 150**
Credit impairment losses	14	(6 172 468)	(2 710 017)	(5 639 974)	(2 691 404)
Foreign exchange (loss)/gain on loans & bank	15	(343 230)	738 904	(343 230)	738 904
Foreign exchange gain / (loss) on borrowings	30	617 235	(717 922)	617 235	(717 922)
Profit/(Loss) before income tax		**2 242 628**	**7 673 555**	**2 259 648**	**6 950 728**
Income tax expense	16	(1 446 346)	(1 312 700)	(1 446 346)	(1 155 078)
Profit/(Loss) for the year		**796 282**	**6 360 855**	**813 302**	**5 795 650**
Other comprehensive income					
Items that may be subsequently re-classified to the income statement					
Unrealised net gain / (loss) on equity investments	23	134 467	(979 599)	134 467	(979 599)
Total Other comprehensive income		**134 467**	**(979 599)**	**134 467**	**(979 599)**
Total Comprehensive income		**930 749**	**5 381 256**	**947 769**	**4 816 051**

NORSAD FINANCE LIMITED

Statements of financial position
for the year ended 31 December 2020

	Note	Group 2020 USD	Group 2019 USD	Company 2020 USD	Company 2019 USD
Assets					
Cash	17	27 910 547	11 280 230	26 736 378	10 863 161
Financial Guarantees	18	65 000	85 000	65 000	85 000
Cash held as investments	19	13 756 756	10 000 000	13 756 756	10 000 000
Loans and advances	20	129 983 734	130 162 781	119 315 411	119 560 369
Loans and advances to subsidiaries	21	-	-	11 134 775	10 195 132
Investment in subsidiaries	22	-	-	107	107
Investment securities	23	967 154	832 687	967 154	832 687
Property, plant and equipment	24	149 384	216 087	144 122	210 915
Right of Use Assets	25	462 477	448 776	396 749	447 368
Current tax assets	26	45 313	5 615	-	-
Deferred tax assets	27	8 090	2 942	6 574	2 942
Other assets	28	1 881 365	1 003 330	1 694 824	897 077
Total assets		**175 229 820**	**154 037 448**	**174 217 850**	**153 094 758**
Liabilities					
Unsecured debt	29	-	5 104 541	-	5 104 541
Secured debt	30	45 459 842	20 652 623	45 459 842	20 652 623
Current tax liabilities	31	73 329	144 364	13 691	39 737
Lease Liabilities	32	516 384	479 208	446 246	477 937
Other liabilities and provisions	33	848 493	1 150 045	763 647	1 128 110
Total liabilities		**46 898 048**	**27 530 781**	**46 683 426**	**27 402 948**
Shareholders' equity					
Stated capital	35	121 680 825	118 978 745	121 680 825	118 978 745
Retained earnings		6 096 824	8 003 111	5 299 476	7 188 254
Other reserves		554 123	(475 189)	554 123	(475 189)
Total equity		**128 331 772**	**126 506 667**	**127 534 424**	**125 691 810**
Total liabilities and equity		**175 229 820**	**154 037 448**	**174 217 850**	**153 094 758**

Martin Inkumbi
Chair of the Board of Directors

Frannie léautier
Chair of the Board Audit & Risk Committee

Kenny Nwosu
Chief Executive Officer

NORSAD FINANCE LIMITED

Statements of changes in equity

for the year ended 31 December 2020

	Stated capital		Available for sale equity reserve	Interest Suspense Reserve	Retained earnings	Total equity
	Ordinary shares	Preference shares				
	USD	USD	USD	USD	USD	USD
Group						
Restated Balance at 1 January 2019	**73 071 690**	**45 907 055**	**504 410**	**-**	**1 642 256**	**121 125 411**
Profit for the year	-	-	-	-	6 360 855	6 360 855
Other comprehensive income	-	-	(979 599)	-	-	(979 599)
Balance at 31 December 2019	**73 071 690**	**45 907 055**	**(475 189)**	**-**	**8 003 111**	**126 506 667**
Profit for the year	-	-	-	-	795 793	795 793
Other comprehensive income	-	-	134 467	-	-	134 467
Interest added	-	-	-	894 845	-	894 845
2019 Dividends settled by 318 Ordinary shares	2 702 080	-	-	-	(2 702 080)	-
Balance at 31 December 2020	**75 773 770**	**45 907 055**	**(340 722)**	**894 845**	**6 096 824**	**128 331 772**
Company						
Restated Balance at 1 January 2019	**73 071 690**	**45 907 055**	**504 410**	**-**	**1 392 604**	**120 875 759**
Profit for the year	-	-	-	-	5 795 650	5 795 650
Other comprehensive income	-	-	(979 599)	-		(979 599)
Balance at 31 December 2019	**73 071 690**	**45 907 055**	**(475 189)**	**-**	**7 188 254**	**125 691 810**
Profit for the year	-	-	-	-	813 302	813 302
Other comprehensive income	-	-	134 467	-	-	134 467
Interest added	-	-	-	894 845	-	894 845
2019 Dividends settled by 318 Ordinary shares	2 702 080	-	-	-	(2 702 080)	-
Balance at 31 December 2020	**75 773 770**	**45 907 055**	**(340 722)**	**894 845**	**5 299 476**	**127 534 424**

NORSAD FINANCE LIMITED

Statements of cash flows

for the year ended 31 December 2020

	Note	Group 2020 USD	Group 2019 USD	Company 2020 USD	Company 2019 USD
Operating activities:					
Cash generated by operations before taxation and working capital changes	34	(3 980 516)	(4 229 746)	(3 645 953)	(4 108 148)
Interest income	5	15 436 146	15 098 013	14 555 885	14 221 391
Interest on debt leverage	6	(2 484 039)	(1 551 035)	(2 484 039)	(1 551 035)
Interest on lease liabilities	32	(51 136)	(41 496)	(36 831)	(40 724)
Movement in other receivables	29	878 035	461 000	797 747	351 569
Movement in accruals and other payables	33	(301 552)	708 768	(404 200)	700 518
Taxation paid	16	(167 811)	(423 806)	(87 427)	(163 780)
Cash generated in operating activities		**9 129 127**	**10 021 698**	**8 695 182**	**9 409 791**
Investing activities:					
Proceeds from disposal of cash investments	19	-	8 000 000	-	8 000 000
Payments to acquire cash investments	19	(3 756 756)	(133 983)	(3 756 756)	(137 482)
Loan investment principal repayments	20	10 544 830	9 534 460	10 544 830	9 534 460
Loan investment disbursed and interest added	20	(18 837 178)	(39 131 856)	(18 238 773)	(33 459 138)
Security investment disbursement	23	-	(440 263)	-	(440 263)
Subsidiary loan and interest addition	21	-	-	(939 643)	(6 041 113)
Subsidiary loan repayment	21	-	-	-	714 000
Sale proceeds of plant and equipment	24	13 554	6 409	13 554	6 409
Acquisition of plant and equipment	24	(15 810)	(120 084)	(14 106)	(113 619)
Amounts held as financial guarantees	18	20 000	(85 000)	20 000	(85 000)
Cash used from investing activities		**(12 031 360)**	**(22 370 317)**	**(12 370 894)**	**(22 018 247)**
Financing activities:					
Unsecured debt borrowings advanced	29	-	5 104 541	-	5 104 541
Unsecured debt borrowings repaid	29	(5 104 541)	-	(5 104 541)	-
Secured debt borrowings advanced	30	29 061 370	12 995 846	29 061 370	12 995 846
Secured debt borrowings repaid	30	(3 636 916)	-	(3 636 916)	-
Lease rental payments	32	(166 087)	(159 379)	(149 708)	(144 120)
Cash generated from financing activities		**20 153 826**	**17 941 008**	**20 170 205**	**17 956 267**
Movement in cash		**17 251 593**	**5 592 389**	**16 494 493**	**5 347 811**
Cash at the beginning of year	17	11 280 230	5 850 694	10 863 161	5 678 203
Effects of exchange rate changes on cash	15	(621 276)	(162 853)	(621 276)	(162 853)
Cash at end of year	**17**	**27 910 547**	**11 280 230**	**26 736 378**	**10 863 161**

Accounting Policies
for the year ended 31 December 2020

1. Basis of preparation

(a) Statement of compliance
The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS).

(b) Basis of measurement
The financial statements are prepared on the historical cost basis, except for financial instruments which are disclosed at fair value.

(c) Functional and presentation currency
The financial statements are presented in US Dollar (USD), which is also the functional currency.

(d) Use of estimates and judgements
The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the development, selection and disclosure of the group's critical accounting policies and their application, and assumptions made relating to major estimation uncertainties. 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.

Information regarding estimates and judgments in applying accounting policies that have the most significant effect on amounts recognised in the financial statements are included in Notes 3 and 4.

2. Significant accounting policies

(a) Financial assets and liabilities
Measurement methods
(i) Amortised cost and effective interest rate
The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs and fees that are integral to the effective interest rate, such as origination fees.

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

2. Significant accounting policies (continued)

(a) Financial assets and liabilities (continued)

Measurement methods (continued)

(ii) Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for financial assets that have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

(iii) Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost.

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

Financial Assets

i) Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans and credit lines.

Classification and subsequent measurement of debt instruments depend on the Group's business model for managing the asset and the cash flow characteristics of the asset.

Business model: the business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL.

2. Significant accounting policies (continued)

(a) Financial assets and liabilities (continued)

(i) Financial Assets, debt instruments (continued)

Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For example, the Group's business model for the loan facility book is to hold to collect contractual cash flows. Another example is the cash held as investments, which are held by the Group as part of liquidity management and are generally classified within the hold to collect and sell business model.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

SPPI: Where the business model is to hold assets to collect contractual cash flows, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

- ***Amortised cost:*** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 3. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.
- ***Fair value through other comprehensive income (FVOCI):*** Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Net Investment income'.

2. Significant accounting policies (continued)

(a) Financial assets and liabilities (continued)

Financial Assets (continued)

- ***Fair value through profit or loss (FVPL)***: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that was designated at fair value or which is not held for trading, are presented separately in 'Net investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

(ii) Investment Securities

Investment securities are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Group has elected, at initial recognition, to irrevocably designate an equity investment security at fair value through other comprehensive income. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

(iii) Impairment

The Group assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost with the exposure arising from loan commitments. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 38b provides more detail of how the expected credit loss allowance is measured.

2. Significant accounting policies (continued)

(a) Financial assets and liabilities (continued)

(iv) Modification and Derecognition of Loans

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cashflows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

The impact of modifications of financial assets on the expected credit loss calculation is detailed in note 38b.

Financial Liabilities

(i) Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified and subsequently measured at amortised cost.

2. Significant accounting policies (continued)

(a) Financial assets and liabilities (continued)

(ii) Derecognition

Financial liabilities are derecognised when they are extinguished, that is when the obligation specified in the contract is discharged, cancelled or expires.

(iii) Loan Commitments

The Group contractually recognizes loan commitments on the signing of the facility agreement. For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

(b) Foreign currency

Foreign currency translations

Transactions in foreign currencies are translated into the functional currency of group at the exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the spot exchange rate at the end of the period.

(c) Investment in Subsidiaries

(i) Subsidiary

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity where the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations by the group.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

(ii) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the “company” and entities controlled by the company, its subsidiaries which are collectively referred to as the “Group”.

2. Significant accounting policies (continued)

(d) Fee and commissions

Fees and commission income and expenses that are integral to the financial asset or liability are by their nature recognised as they are paid or received at a given point in time. There are three types of fees included; Due Diligence fee for assessing suitability for financing, Available fee on an undrawn portion of the approved facility and a Disbursement fee.

(e) Dividends

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Dividends are presented in other operating income based on the underlying classification of the equity investment.

(f) Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

(iii) Tax exposures

In determining the amount of current and deferred tax, the group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

2. Significant accounting policies (continued)

(g) Cash

Cash and cash equivalents include mainly highly liquid financial assets with original maturities of less than one month from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the company in the management of its short-term commitments Such assets are held with regulated banks that have risk ratings above "non-investment grade – Baa3, per Moody's ratings". Also included are notes and coins on hand.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(h) Cash held as investments

Fixed deposit investment are fixed term deposit investments with regulated banks that have risk ratings above "non-investment grade – Baa3, per Moody's ratings", with original maturities of one month or more from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the group in the management of its loan commitments.

Fixed deposit investments are carried at amortised cost in the statement of financial position.

(i) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the group holds to collect and does not intend to sell immediately or in the near term. They include both Investment loans to financial institutions and directly to customers.
The classification and recognition of loans and advances in explained under Financial Assets in note 2a(i) on pages 16-18.

(j) Property, Plant and equipment

(i) Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. When parts of an item of plant or equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

Any gain or loss on disposal of an item of plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised within other income in profit or loss.

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the group. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Items of plant and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the assets are completed and ready for use

2. Significant accounting policies (continued)

(j) Plant and equipment (continued)

(iii) Depreciation

Depreciation is calculated to write off the cost of items of plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is recognised in profit or loss. Significant items of plant and equipment are depreciated as follows:

• Motor vehicles	25% reducing balance
• Computer equipment	33.3% straight line
• Office equipment	20% straight line

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) Leases

The group leases various offices, houses and equipment. Rental contracts are typically made for fixed periods of 3 to 5 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

At inception the Group recognises a Right of use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (defined as lease assets with a value of USD 5 000 or less at the inception of the lease).

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- payments of penalties for terminating the lease

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- makes adjustments specific to the lease, eg term, country, currency and security.

2. Significant accounting policies (continued)

(k) Leases (continued)

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The asset is depreciated over the lease term on a straight-line basis, where ownership is not transferred at the end of the lease term.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date

(l) Impairment of non-financial assets

The group's non-financial assets are identified as plant & equipment and deferred taxation. Their carrying amounts are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. Impairment losses are recognised in the statement of profit or loss and other comprehensive income. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment was recognised.

(m) Secured and Unsecured Debt

Borrowings are initially recognised at fair value and are subsequently measured at amortised cost. Any difference between the proceeds and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

2. Significant accounting policies (continued)

(m) Secured and Unsecured Debt (continued)
Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(n) Other Liabilities and Provisions
A provision is recognised if, as a result of a past event, the group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(o) Employee benefits
(i) Defined contribution plans
A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as personnel expenses in profit or loss in the periods during which related services are rendered.

(ii) Short-term employee benefits
The cost of short term benefit is recognised during the period in which the employee renders the related service.

Employee entitlements to incentive payments, medical aid and gratuity benefits are recognised when they accrue to employees and an accrual is recognised for the estimated liability as a result of services rendered by the employee up to the reporting date. The accruals have been calculated at undiscounted amounts based on current wage and salary rates.

Employees who are not members of an approved pension scheme are entitled to gratuity benefits as stipulated in their employment contracts. An accrual is recognised for the estimated liability for services rendered by the employee up to the reporting date.

(p) Stated capital and equity
(i) Shares issued
Ordinary and preference shares are recognised as equity.

(ii) Dividends
Dividends on ordinary and preference shares are recognised against equity.

(iii) Other Reserves
Other reserves recognised by the group include reserves arising from valuation changes in available for sale equity investments and interest from investments not charged to the income statement until payment has been received from the client.

3. Use of Estimates and Judgements

Management discusses with the Audit and Risk Committee of the Board, the development, selection and disclosure of the group's critical accounting policies and their application, and assumptions made relating to major estimation uncertainties. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year and about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is disclosed below.

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 38b, which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL; Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in note 38b.

Fair value

The determination of fair value for financial assets and financial liabilities for which there is no observable market price requires the use of valuation techniques as described in the group's accounting policy in Note 2. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

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

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

3. Use of Estimates and Judgements (continued)

The asset classed as a level 2 was valued using the observable net asset value of the fund in which it is housed using verifiable financial reports produced by the entity.

Due to the material nature of the change in valuation for level 3 assets in 2020, the carrying amount of these assets was adjusted by any expected credit loss allowance recognised and measured as described in note 3. The sensitivity of inputs of these level 3 assets is not deemed to be significant.

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

Group & Company	*Note*	**Level 1**	**Level 2**	**Level 3**	**Total**
31 December 2020					
Investment securities	23	265 611	701 543	-	967 154
Loans and advances	21	-	-	15 699 342	15 699 342
		265 611	**701 543**	**15 699 342**	**16 666 496**

Group & Company	*Note*	**Level 1**	**Level 2**	**Level 3**	**Total**
31 December 2019					
Investment securities	23	128 711	703 976	-	832 687
Loans and advances	21	-	-	15 304 564	15 304 564
		128 711	**703 976**	**15 304 564**	**16 137 251**

The table below analyses the reconciliation of fair values of level 2 and 3 financial instruments:

Group & Company	**2020**		**2019**	
	Stage 2	**Stage 3**	**Stage 2**	**Stage 3**
Balance as at 1 January	70 3 976	15 304 564	272 720	7 008 220
Movement between stages	-	-	-	5 936 277
Disbursement of facilities	-	-	440 263	1 000 000
Changes in market value	(2 433)	-	(9 007)	-
Interest added	-	1 714 229	-	1 052 922
Changes in PD's/LGD's/EAD's	-	(1 319 451)	-	307 145
Balance as at 31 December	**701 543**	**15 699 342**	**703 976**	**15 304 564**

Notes to the financial statements
for the year ended 31 December 2020

4. Financial Assets

Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of the group's financial assets:

Group	*Note*	Amortised Cost	FVPL	FVOCI	Total carrying amount & Fair Value
31 December 2020					
Cash	17	27 910 547	-	-	27 910 547
Financial Guarantees	18	65 000	-	-	65 000
Cash held as investments	19	13 756 756	-	-	13 756 756
Loans and advances	20	114 284 392	15 699 342	-	129 983 734
Investment securities	23	-	-	967 154	967 154
		156 016 695	**15 699 342**	**967 154**	**172 683 191**

Company analysis has not been reported separately as the vast majority of the totals for 2020 and 2019 relate to the Company itself, except for Cash of USD 1,020,817 (2019: USD 391,768) and Loans and Advances of USD 10,668,323 (2019: USD 10,602,412)

Group	*Note*	Amortised Cost	FVPL	FVOCI	Total carrying amount & Fair Value
31 December 2019					
Cash	17	11 280 230	-	-	**11 280 230**
Financial Guarantees	18	85 000	-	-	**85 000**
Cash held as investments	19	10 000 000	-	-	**10 000 000**
Loans and advances	20	114 858 217	15 304 564	-	**130 162 781**
Investment securities	23	-	-	832 687	**832 687**
		136 223 447	**15 304 564**	**832 687**	**152 360 698**

	Group		Company	
	2020	**2019**	**2020**	**2019**

5. Interest income

	Group 2020	Group 2019	Company 2020	Company 2019
Loans and advances to financial institutions	10 374 436	10 820 782	10 121 422	10 549 527
Loans and advances direct to customers	5 061 710	4 277 231	4 434 463	3 671 864
	15 436 146	**15 098 013**	**14 555 885**	**14 221 391**

6. Interest expense

	Group 2020	Group 2019	Company 2020	Company 2019
Interest on secured debt facilities	2 424 573	1 443 024	2 424 573	1 443 024
Interest on unsecured debt facilities	59 466	108 011	59 466	108 011
	2 484 039	**1 551 035**	**2 484 039**	**1 551 035**

NORSAD FINANCE LIMITED

Notes to the financial statements *(continued)*

for the year ended 31 December 2020

	Group 2020	Group 2019	Company 2020	Company 2019
7. Fee and commission income				
Loans and advances to financial institutions	25 917	351 585	25 917	351 585
Loans and advances direct to customers	234 781	531 629	234 781	290 796
	260 698	**883 214**	**260 698**	**642 381**
8. Fee and commission expense				
Interest on secured debt facilities	150 000	82 191	150 000	82 191
Interest on unsecured debt facilities	-	89 483	-	89 483
	150 000	**171 674**	**150 000**	**171 674**
9. Investment income				
Interest on cash held as investments	320 906	354 673	320 906	354 673
	320 906	**354 673**	**320 906**	**354 673**
10. Other income				
Expenses recharged to subsidiary	-	-	271 092	331 144
Expenses from loans written off	-	(25 260)	-	(25 260)
	-	**(25 260)**	**271 092**	**305 884**
11. Personnel expenses				
Salaries and incentive payments	1 912 049	2 234 359	1 707 917	2 069 132
Pension and gratuity costs	193 673	175 558	173 260	159 074
Leave pay costs and provisions	(2 343)	(10 012)	(10 089)	(13 461)
Health insurance and staff welfare	192 646	152 047	176 454	139 616
Other employee benefits	334 522	347 881	328 210	345 406
	2 630 547	**2 899 833**	**2 375 752**	**2 699 767**
At year end the number of staff employed by the group was 21 (2019: 21)				
12. General and administrative expenses				
Office expenses	51 594	56 159	43 218	45 446
Administration Costs	99 357	65 028	99 357	65 028
Communication expenses	60 521	59 831	60 521	59 831
Motor vehicle costs	9 487	10 676	9 487	10 676
Profit on sale of fixed assets	(7 501)	(3 520)	(7 501)	(3 520)
	213 458	**188 174**	**205 082**	**177 461**

Notes to the financial statements *(continued)*
for the year ended 31 December 2020

	Group 2020	Group 2019	Company 2020	Company 2019

13. Other operating expenses

	Group 2020	Group 2019	Company 2020	Company 2019
Johannesburg Office Cost	-	-	307 622	284 042
Board of Director meeting costs	65 690	173 533	65 690	173 533
Finance costs	87 160	128 044	71 432	91 530
Travel and promotion expenses	102 441	290 276	94 540	259 769
Legal and consultancy expenses	430 933	497 136	339 076	473 363
Staff training costs	117 472	68 293	117 472	65 355
Auditors remuneration	43 401	48 566	36 891	36 976
	847 097	**1 205 848**	**1 032 723**	**1 384 568**

Included in group 2020 finance costs is a total of USD 51,136 (2019: USD 41,496) relating to interest on lease liabilities.

14. Credit impairment losses

	Group 2020	Group 2019	Company 2020	Company 2019
Specific provisions for impairment	6 172 468	2 710 017	5 639 974	2 691 404
Fair value adjustment on FVPL assets	1 329 451	(307 145)	1 329 451	(307 145)
	7 501 919	**2 402 872**	**6 969 425**	**2 384 259**
Specific Impairment Control Account				
Balance as at 1 January	2 310 681	21 012 470	2 240 375	20 960 777
Charge for the period	6 172 468	2 710 017	5 639 974	2 691 404
Loan written off from Books	-	(21 411 806)	-	(21 411 806)
Balance as at 31 December	**8 483 149**	**2 310 681**	**7 880 349**	**2 240 375**
Fair Value Adjustment Control Account				
Balance as at 1 January	348 720	655 865	348 720	655 865
Charge for the period	1 329 451	(307 145)	1 329 451	(307 145)
Balance as at 31 December	**1 678 171**	**348 720**	**1 678 171**	**348 720**

15. Foreign Exchange Losses on loans & others

	Group 2020	Group 2019	Company 2020	Company 2019
Realised gain on ZAR loan advances	4 970	685	4 970	685
Total Realised gain on loans and advances	4 970	685	4 970	685
Unrealised gain / (loss) ZAR loan advances	(969 476)	575 366	(969 476)	575 366
Total Unrealised gain / (loss) on loans and advances	(969 476)	575 366	(969 476)	575 366
Realised gain on ZAR bank accounts	621 276	162 853	621 276	162 853
Net foreign exchange gain / (loss) on loans and advances	**(343 230)**	**738 904**	**(343 230)**	**738 904**
Exposure				
ZAR loans and advances	26 008 037	20 972 558	26 008 037	20 972 558
Total forex loan and advance exposure	**26 008 037**	**20 972 558**	**26 008 037**	**20 972 558**

Notes to the financial statements *(continued)*
for the year ended 31 December 2020

	Group		Company	
	2020	2019	2020	2019

16. Income tax expense

Normal company taxation	496 316	798 966	496 316	798 966
Normal company taxation - subsidiary	-	151 838	-	-
Foreign withholding tax	953 662	530 307	953 662	530 307
Taxation relating to prior year	-	(195 260)	-	(190 291)
Deferred taxation charge per profit or loss	(3 632)	26 849	(3 632)	16 096
Taxation per statement of profit or loss	**1 446 346**	**1 312 700**	**1 446 346**	**1 155 078**
Taxation reconciliation				
Profit/(Loss) before taxation	2 242 628	7 673 555	2 259 648	6 950 728
Taxation at the rate of 15% on taxable profit	496 316	798 966	496 316	798 966
Taxation at the rate of 22% on taxable profit	-	151 838	-	-
Effect of items disallowed and exempt income	950 030	557 156	950 030	546 403
Taxation relating to prior year	-	(195 260)	-	(190 291)
Taxation per statement of profit or loss	**1 446 346**	**1 312 700**	**1 446 346**	**1 155 078**

Foreign withholding tax of USD 1,385,698 has been included in the interest and fee income for 2020 and may be utilised against tax liabilities in the current year. Group income tax paid to taxation authorities in 2020 amounted to USD 167,811.

17. Cash

Balances with banks	27 902 403	11 275 264	26 728 234	10 858 195
Petty cash	8 144	4 966	8 144	4 966
	27 910 547	**11 280 230**	**26 736 378**	**10 863 161**

18. Financial Guarantees

Balances with banks	65 000	85 000	65 000	85 000
	65 000	**85 000**	**65 000**	**85 000**

Notes to the financial statements *(continued)*
for the year ended 31 December 2020

18. Financial Guarantees (continued)

The group had entered into a financial guarantee for a maximum of USD 65,000 (2019: USD 85,000) against bank balances held in its ABSA bank accounts, to provide security for costs in favour of third parties relating to legal fees in Zambia. The guarantee was renewed in 2020 for a further one year period, with the facility now expiring in June 2021. The guarantees are therefore all classed as current assets.

19. Cash held as investments

	Group 2020	Group 2019	Company 2020	Company 2019
Balances with banks	13 756 756	10 000 000	13 756 756	10 000 000
	13 756 756	**10 000 000**	**13 756 756**	**10 000 000**
Due within one year	2 513 459	3 115 792	2 513 459	3 115 792
Due between one and five years	11 243 297	6 884 208	11 243 297	6 884 208
	13 756 756	**10 000 000**	**13 756 756**	**10 000 000**

As at 31 December 2020 an amount of USD 11,243,297 from the above total was encumbered to ABSA and Stanbic as security on the debt facilities as highlighted in note 29. No cash investments were disposed of in 2020.

20. Loans and advances

	Group 2020	Group 2019	Company 2020	Company 2019
Loans and advances at amortised cost	122 767 541	117 168 898	111 496 418	106 496 180
Loans and advances at FVPL	17 377 513	15 653 284	17 377 513	15 653 284
Gross Loan Balance as at 31 December	140 145 054	132 822 182	128 873 931	122 149 464
Less specific allowance for impairment	(8 483 149)	(2 310 681)	(7 880 349)	(2 240 375)
Less fair value adjustment on FVPL assets	(1 678 171)	(348 720)	(1 678 171)	(348 720)
Net Loan Balance as at 31 December	**129 983 734**	**130 162 781**	**119 315 411**	**119 560 369**
Loan Control Account				
Balance transferred at 1 January	132 822 182	124 061 226	122 149 464	119 061 226
Loan disbursements	15 104 072	35 688 401	15 104 072	30 688 401
Interest adjustment	3 733 106	3 443 455	3 134 701	2 770 737
Repayment of loan principal	(10 544 830)	(9 534 460)	(10 544 830)	(9 534 460)
Foreign exchange (losses)/gains on loans	(969 476)	575 366	(969 476)	575 366
Write-offs against provisions	-	(21 411 806)	-	(21 411 806)
Gross Loan Balance as at 31 December	**140 145 054**	**132 822 182**	**128 873 931**	**122 149 464**
Maturity Analysis				
Due within one year	31 550 976	33 485 008	29 706 203	31 269 851
Due between one and five years	92 329 317	93 661 563	83 505 767	85 274 308
Due after five years	6 103 441	3 016 210	6 103 441	3 016 210
	129 983 734	**130 162 781**	**119 315 411**	**119 560 369**

	Group 2020	Group 2019	Company 2020	Company 2019
21. Loans and advances to subsidiaries				
Norsad Finance (Botswana) Limited	-	-	11 074 171	10 183 762
Norsad Finance (Pty) Limited	-	-	60 604	11 370
Net Loan Balance at 31 December	**-**	**-**	**11 134 775**	**10 195 132**
Control Account				
Opening balance at 1 January	-	-	10 195 132	4 868 019
Loans and advances disbursed to subsidiaries	-	-	939 643	6 041 113
Loans and advances repaid from subsidiaries	-	-	-	(714 000)
Gross balance at 31 December	-	-	11 134 775	10 195 239
Less specific allowance for impairment	-	-	-	-
Net Loan Balance at 31 December	**-**	**-**	**11 134 775**	**10 195 132**
Due within one year	-	-	1 844 773	1 367 268
Due between one and five years	-	-	9 290 002	8 827 864
	-	**-**	**11 134 775**	**10 195 132**

The company holds a 100% share of both subsidiary companies. The Directors of the holding company have indicated that they will not demand repayment of the loans to subsidiaries and will continue any necessary financial support. Having made an impairment assessment, no specific allowance for impairment is deemed necessary.

The loan given to Norsad Finance (Botswana) Limited and was used for on-lending to customers and is repayable in full by 30 September 2025. The loan is interest bearing, on commercial market related terms, with no security on the facility. The advance given to Norsad Finance (Pty) Limited is for operational cost purposes, is free from interest with no security deemed necessary.

	Group 2020	Group 2019	Company 2020	Company 2019
22. Investment in subsidiaries				
Norsad Finance (Botswana) Limited	-	-	100	100
Norsad Finance (Pty) Limited	-	-	7	7
Investment at 31 December	**-**	**-**	**107**	**107**

The company has invested in 100 authorised, issued and fully paid shares in both subsidiaries.

23. Investment securities

	Group 2020	Group 2019	Company 2020	Company 2019
Market value on 1 January	832 687	1 372 023	832 687	1 372 023
Equity investment disbursed	-	440 263	-	440 263
Movements in the year	134 467	(979 599)	134 467	(979 599)
Market value on 31 December	**967 154**	**832 687**	**967 154**	**832 687**
Due within one year	265 611	128 711	265 611	128 711
Due between one and five years	701 543	703 976	701 543	703 976
	967 154	**832 687**	**967 154**	**832 687**

Notes to the financial statements *(continued)*
for the year ended 31 December 2020

23. Investment securities (continued)

Norsad has subscribed to ordinary shares of a fund, initially at a value of USD 840,263. The investment is not self-liquidating, so the capital contribution plus other income and capital gains accruing during the life of the fund are payable at the end of the Fund's Life which is 10 years, subject to extension by 2 years. Hence, the value of the investment can rise or fall depending on the performance of the overall investment portfolio created by the Fund. The investment cannot be recalled with distributions being made after the Fund has exited from all investments made during its life and upon expiry of the Life of the Fund. In terms of valuation, this will be based on regular fund investor reports from the client, in line with normal practices.

24. Plant and equipment

Company	Motor vehicles	Computer equipment	Office Equipment	Total
Cost				
Balance as at 31 December 2018	**138 700**	**79 937**	**196 501**	**415 138**
Additions	39 052	60 903	13 664	113 619
Disposals	-	(11 492)	(560)	(12 052)
Balance as at 31 December 2019	**177 752**	**129 348**	**209 605**	**516 705**
Additions	-	14 106	-	14 106
Disposals	(45 345)	-	-	(45 345)
Balance as at 31 December 2020	**132 407**	**143 454**	**209 605**	**485 466**
Accumulated depreciation				
Balance as at 31 December 2018	96 125	63 224	63 540	222 889
Charge for the period	20 407	33 976	37 680	92 063
Disposals	-	(8 742)	(420)	(9 162)
Balance as at 31 December 2019	**116 532**	**88 458**	**100 800**	**305 790**
Charge for the period	13 792	23 978	37 076	74 846
Disposals	(39 292)	-	-	(39 292)
Balance as at 31 December 2020	**91 032**	**112 436**	**137 876**	**341 344**
Carrying amounts				
As at 31 December 2020	**41 375**	**31 018**	**71 729**	**144 122**
As at 31 December 2019	61 220	40 890	108 805	210 915

Plant and equipment was disposed of in 2020 at a value of USD 13,554 with a gain on disposal of USD 7,501.

NORSAD FINANCE LIMITED

24. Plant and equipment

Group	Motor vehicles	Computer equipment	Office Equipment	Total
Cost				
Balance as at 31 December 2018	138 700	79 937	196 501	415 138
Additions	39 052	60 903	20 129	120 084
Disposals	-	(11 492)	(560)	(12 052)
Balance as at 31 December 2019	**177 752**	**129 348**	**216 070**	**523 170**
Additions	-	14 106	1 704	15 810
Disposals	(45 345)	-	-	(45 345)
Balance as at 31 December 2020	**132 407**	**143 454**	**217 774**	**493 635**
Accumulated depreciation				
Balance as at 31 December 2018	96 125	63 224	63 540	222 889
Charge for the period	20 407	33 976	38 973	93 356
Disposals	-	(8 742)	(420)	(9 162)
Balance as at 31 December 2019	**116 532**	**88 458**	**102 093**	**307 083**
Charge for the period	13 792	23 978	38 690	76 460
Disposals	(39 292)	-	-	(39 292)
Balance as at 31 December 2020	**91 032**	**112 436**	**102 093**	**344 251**
Carrying amounts				
As at 31 December 2020	**41 375**	**31 018**	**76 991**	**149 384**
As at 31 December 2019	61 220	40 890	113 977	216 087

25. Right of use assets

	Group		Company	
	2020	**2019**	**2020**	**2019**
Balance as at 1 January 2019	**448 776**	**594 051**	**447 368**	**581 124**
New Leases entered	167 702	-	88 416	-
Amortisation of leases	(145 376)	(145 275)	(131 071)	(133 756)
Exchange Difference	(8 625)	-	(7 964)	-
Balance as at 31 December 2020	**462 477**	**448 776**	**396 749**	**447 368**
Buildings	455 166	436 784	389 438	435 376
Equipment	7 311	11 992	7 311	11 992
Balance as at 31 December 2020	**462 477**	**448 776**	**396 749**	**447 368**

The expense total in 2020 for low value assets was USD 19,200 (2019: USD 18,800)

26. Current tax assets

Income Tax	45 313	5 615	-	-
Asset at end of year	**45 313**	**5 615**		

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Notes to the financial statements *(continued)*
for the year ended 31 December 2020

	Group		Company	
	2020	2019	2020	2019

27. Deferred taxation

Movement in deferred taxation				
Asset / (liability) at beginning of year	2 942	29 791	2 942	19 038
Movement per profit or loss	5 148	(26 849)	3 632	(16 096)
Movement per other comprehensive income	-	-	-	-
Asset at end of year	**8 090**	**2 942**	**6 574**	**2 942**
Analysis of deferred taxation				
Accelerated allowances on property, plant & equipment	(71 349)	(63 354)	(53 226)	(63 354)
Fair value adjustments on financial assets and liabilities	79 439	66 296	59 800	66 296
Asset at end of year	**8 090**	**2 942**	**6 574**	**2 942**
Current Assets	2 471	1 028	1 940	1 028
Non-current assets	5 619	1 914	4 634	1 914
Asset at end of year	**8 090**	**2 942**	**6 574**	**2 942**

28. Other assets

Accrued interest from bank deposits	762 500	462 500	762 500	462 500
Accrued interest from loans and advances	597 567	254 229	417 283	156 279
Loans and advances to employees	44 620	89 032	44 620	89 032
Prepayments and deposits	476 678	197 569	470 421	189 266
Balance as at 31 December 2020	**1 881 365**	**1 003 330**	**1 694 824**	**897 077**
Current Assets	1 102 644	518 070	916 123	411 817
Non-current assets	778 701	485 260	778 701	485 260
Asset at end of year	**1 881 365**	**1 003 330**	**1 694 824**	**897 077**

An impairment assessment totalling USD 22,165 was carried out on accrued interest from loans and advances. The total was deemed not material and no provision was accrued.

29. Unsecured debt

Opening balance as at 1 January	5 104 541	-	5 104 541	-
Borrowing advanced	-	5 104 541	-	5 104 541
Borrowing repaid	(5 104 541)	-	(5 104 541)	-
Closing balance as at 31 December	**-**	**5 104 541**	**-**	**5 104 541**

The facility was with FNB Botswana and was used for on-lending to customers and was a one year facility repaid in 2020. The loan was interest bearing, on commercial market related terms and is unsecured.

Notes to the financial statements *(continued)*
for the year ended 31 December 2020

30. Secured debt

	Group 2020	Group 2019	Company 2020	Company 2019
Opening balance as at 1 January	20 652 623	6 938 855	20 652 623	6 938 855
Borrowing advanced	29 061 370	12 995 846	29 061 370	12 995 846
Borrowing repaid	(3 636 916)	-	(3 636 916)	-
Foreign exchange (gain) / loss	(617 235)	717 922	(617 235)	717 922
Closing balance as at 31 December	**45 459 842**	**20 652 623**	**45 459 842**	**20 652 623**
ABSA, Botswana	22 459 623	20 652 623	22 459 623	20 652 623
Stanbic Bank, Botswana	23 000 219	-	23 000 219	-
Closing balance as at 31 December	**45 459 842**	**20 652 623**	**45 459 842**	**20 652 623**
Due within one year	9 783 034	5 163 156	9 783 034	5 163 156
Due between one and five years	35 676 808	15 489 467	35 676 808	15 489 467
	45 459 842	**20 652 623**	**45 459 842**	**20 652 623**

The facility with ABSA is for the equivalent of ZAR 328,463,000 and was used for on-lending to customers and is repayable in sixteen equal instalments by 30 June 2024. The loan is interest bearing, on commercial market related terms. As security for the facility there is a deed of hypothecation in place in favour of Barclays to the value of USD 40,000,000 against the loan & advances portfolio. In addition, an amount of USD 7,486,541 held in a fixed deposit account was encumbered to ABSA as security on the facility.

The facility with Stanbic comprises the equivalent of ZAR 117,000,000 and USD 15,000,000 and was used for on-lending to customers and is repayable in sixteen equal instalments by 31 December 2025. The loan is interest bearing, on commercial market related terms. Security for the facility was given against the loan & advances portfolio ranking pari passu with ABSA. In addition, an amount of USD 3,756,756 held in a fixed deposit account was encumbered to Stanbic as security on the facility.

31. Current tax liabilities

	Group 2020	Group 2019	Company 2020	Company 2019
Income Tax	7 866	104 627	7 866	-
VAT	65 463	39 737	5 825	39 737
Balance as at 31 December 2020	**73 329**	**144 364**	**13 691**	**39 737**

32. Lease liabilities

	Group 2020	Group 2019	Company 2020	Company 2019
Balance as at 1 January 2019	479 208	597 091	477 937	581 333
New Leases entered	167 702	-	88 416	-
Lease payments relief from profit & loss	(166 087)	(159 379)	(149 708)	(144 120)
Interest charged to profit & loss	51 136	41 496	36 831	40 724
Exchange Difference	(15 575)	-	(7 230)	-
Balance as at 31 December 2020	**516 384**	**479 208**	**446 246**	**477 937**

Maturity analysis of group lease liabilities	**Carrying Amount**	**Within 1 Month**	**Within 1 Year**	**1 to 5 Years**
Balance as at 31 December 2020	**516 384**	**11 839**	**137 222**	**367 323**
Balance as at 31 December 2019	479 208	9 193	91 214	378 801

Notes to the financial statements *(continued)*

for the year ended 31 December 2020

	Group		Company	
	2020	2019	2020	2019

33. Other liabilities and provisions

	2020	2019	2020	2019
Accruals	639 302	860 285	554 456	838 350
Employee and payroll liabilities	209 191	289 760	209 191	289 760
Balance as at 31 December 2020	**848 493**	**1 150 045**	**763 647**	**1 128 110**
Current Assets	712 015	1 082 359	627 169	1 060 424
Non-current assets	136 478	67 686	136 478	67 686
Balance as at 31 December 2020	**848 493**	**1 150 045**	**763 647**	**1 128 110**

34. Cash generated by operations before taxation and working capital changes

	2020	2019	2020	2019
Profit (Loss) before taxation	2 242 628	7 673 555	2 259 648	6 950 728
Adjusted for:				
Depreciation	76 460	93 356	74 846	92 063
Amortisation	145 376	145 275	131 071	133 756
(Gain) on disposal of assets	(7 501)	(3 520)	(7 501)	(3 520)
Withholding Tax Deducted	(1 385 698)	(1 177 673)	(1 385 698)	(1 177 673)
Foreign exchange differences on loans	964 506	(576 051)	964 506	(576 051)
Foreign exchange differences on borrowings	(617 235)	717 922	(617 235)	717 922
Credit impairment losses	6 172 468	2 710 017	5 639 974	2 691 404
Fair value adjustment on FVPL assets	1 329 451	(307 145)	1 329 451	(307 145)
Interest income	(15 436 146)	(15 098 013)	(14 555 885)	(14 221 391)
Interest on debt leverage	2 484 039	1 551 035	2 484 039	1 551 035
Interest on lease liabilities	51 136	41 496	36 831	40 724
Net cashflow from operating activities	**(3 980 516)**	**(4 229 746)**	**(3 645 953)**	**(4 108 148)**

35. Stated capital

	2020	2019	2020	2019
Ordinary shares				
2019: 8 800 shares	73 071 690	73 071 690	73 071 690	73 071 690
318 shares authorised and issued	2 702 080	-	2 702 080	-
2020: 9 118 shares issued and fully paid	**75 773 770**	**73 071 690**	**75 773 770**	**73 071 690**
Preference shares				
5 545 shares at USD 8 279 per share issued and fully paid	**45 907 055**	**45 907 055**	**45 907 055**	**45 907 055**
Total share capital	**121 680 825**	**118 978 745**	**121 680 825**	**118 978 745**

For both class of shares being ordinary and preference, there were no issued shares that were not fully paid in 2020 or 2019. The holders of ordinary and preference shares are entitled to one vote per share at meetings of the group. The distribution of any dividends declared from time to time shall ensure that the amount paid to a preference share shall be twice the amount paid as dividend to an ordinary share. Preference shares rank in priority over ordinary shares with regard to the group's residual assets.

Notes to the financial statements *(continued)*
for the year ended 31 December 2020

35. Stated capital (continued)

		31 December 2020	
		Number of shares	
Shareholder name	**Domicile**	**Ordinary**	**Preference**
Banco de Desenvolvimento de Angola	Angola	419	400
Citizen Entrepreneurial Development Agency	Botswana	411	128
National Industrial Development Cooperation of Eswatini	Eswatini	406	-
Development Bank of Namibia	Namibia	419	400
Development Bank of Zambia	Zambia	419	400
Export Development Fund	Malawi	406	-
Finnish Fund for Industrial Cooperation Ltd	Finland	1 013	906
Infrastructure Development Bank of Zimbabwe	Zimbabwe	406	-
Instituto de Gestão das Participações de Estado	Mozambique	406	-
Investment Fund for Developing Countries	Denmark	1 021	1 161
Lesotho Postbank Limited	Lesotho	406	-
Norwegian Investment Fund for Developing Countries	Norway	1 020	1 123
Swedfund International AB	Sweden	1 549	894
TIB Development Bank Ltd	Tanzania	411	133
The State Investment Corporation Ltd	Mauritius	406	-
		9 118	**5 545**

On 24 March 2020 a dividend of USD 136 for each 8,800 ordinary shares and USD 272 for each preference share was declared by shareholders, relating to 2019. This equated to a total of USD 2,702,080 and was settled by the authorisation and issue of 318 shares to the shareholders in lieu of a dividend payment.

36. Related party transactions

Norsad Finance Limited holds a 100% share in Norsad Finance (Botswana) Ltd and a 100% share in Norsad Finance (Pty) Ltd. Details of transactions and year end balances are reflected in note 21. There have been no other related party transactions during 2019 or 2020.

37. Key personnel

Members of the Board of Directors were paid USD 36,000 (2019: USD 29,400) for attending Board meetings during 2020 and USD 11,700 (2019: 11,100) for attending Board Committee meetings.

Total short-term benefits paid to Management staff during 2020 was USD 989,149 (2019: USD 935,521) comprising salary of USD 645,336 (2019: USD 632,676) and other employee benefits of USD 343,813 (2019: USD 302,845).

38. Financial Risk Management

(a) Introduction and overview

The group has exposure to various risks from financial instruments, the most significant of which are the following:
- credit risk
- liquidity risk
- market risks
- operational risks

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the group's risk management framework. The group's risk management systems are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management systems are reviewed regularly to reflect changes in market conditions and the group's activities. The group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit and Risk Committee of the Board oversees how management monitors compliance with the group's risk management systems and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the group.

(b) Credit risk

Credit risk is the risk of suffering financial loss, should any of the Group’s customers fail to fulfil their contractual obligations to the Group and arises principally from the group's loans and advances to customers and other financial institutions. For risk management reporting purposes the group considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk). Credit risk is the single largest risk for the Group’s business, management therefore carefully manages its exposure to credit risk. The credit risk management and control are centralised in an ALCO team which reports regularly to Audit and Risk Committee of the Board of Directors on matters of credit risk including:
- Formulating investment policies covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities.
- The measurement of ECL under IFRS 9 uses the information and approaches that the Group uses to manage credit risk, though certain adjustments are made in order to comply with the requirements of IFRS 9. The approach taken for IFRS 9 measurement purposes is outlined below.
- Limiting concentrations of loan portfolio exposure as follows:
    - ◊ Unhedged foreign currency facilities, limited to 5% of equity total.
    - ◊ Hedged foreign currency facilities, limited to 50% of equity total.
    - ◊ Single company or corporate group facilities, limited to 15% of equity total.
    - ◊ Aggregate facilities per country, limited from 10% to a maximum of 30% of equity total.
    - ◊ Aggregate loans to a single sector other than financial, limited to 30% of equity total.

38. Financial Risk Management (continued)

(b) Credit risk (continued)

- Developing and maintaining the group's risk grading's in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. A risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of four grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with the Board of Directors and are subject to regular reviews.
- Reviewing compliance with agreed exposure limits. Quarterly reports on the credit quality of portfolios are provided to Directors who may require corrective action to be taken.

The Investment team undertake the entire facility proposal process for potential customers including input from an internal screening committee, before they can be submitted to the Board of Directors for approval. On a continual basis the Portfolio team monitor the operations of the customers to assess their ability to make repayments.

(i) Loans and advances

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and time.

The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

(ii) Credit Risk Grading

The Group uses internal credit risk gradings that reflect its assessment of the probability of default of individual customer. The Group use internal grading models tailored to the various categories of customer. Borrower and loan specific information collected at the time of application is fed into this grading model. This may be supplemented with external data such as credit bureau scoring information on individual borrowers. In addition, the models enable expert judgement from the Portfolio and Risk team to be fed into the final internal credit grading for each investment. This allows for considerations which may not be captured as part of the other data inputs into the model.

The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade. For example, this means that the difference in the PD between higher rating grade is lower than the difference in the PD between a lower rating grade. The major investment related risks associated with Norsad facilities and incorporated into its risk grading model include:

Political Risk: High levels of potential political risk may be mitigated through structuring and/or the acquisition of political risk insurance from the commercial or multilateral market. The political risk factors are fundamental to working in developing economies and are considered manageable.

Foreign Exchange Risk: Norsad favours export-oriented businesses and those with some earnings linked to convertible/ hard currencies. This risk is considered manageable and Norsad is currently not extending any further unhedged local currency facilities.

38. Financial Risk Management (continued)

(b) Credit risk, credit risk grading (continued)

- **Reputational Risk:** Current worldwide attention to international best practice on sustainability issues and assessing and monitoring portfolio compliance with anti-money laundering and "know your client" (KYC) policies are undertaken at the time of due diligence and monitored through regular portfolio reviews and strengthened through "Social and Environmental" (S&E) plans.
- **Interest Rate Risk:** Norsad is currently not directly exposed to significant interest rate risk as the Company is not extending fixed rates and the current pricing has a minimum margin. In addition, leverage levels in the Company are currently not significant. There is currently an indirect risk that higher rates could impact the asset quality of the Norsad portfolio. This risk is considered manageable and will be monitored more closely with increased leverage and/or interest rate increases.
- **Commercial Risk:** Other market risks. It is anticipated that through rigorous due diligence and regular monitoring other systematic risks (inflation, recessions, commodity risk etc.) will be managed. These day-to-day risks receive major attention from the Norsad Investment team.
- **Conflicts of Interest Risk**: The role of the Board and Screening Committee in assessing conflicts of interest as part of the investment process, combined with the corporate governance of Norsad should minimize any potential conflict of interest risk.

The following are the risk grading criteria for the two main investment types held by the Company:

Financial Institutions (FI)

To rate an FI investment, the risk grading model assesses a combined score relating to Financial Condition & Performance, Management & HR, External Conditions, Institutional & Sector Conditions and One-Time Items. Each of these factors is scored, with 1 being the best score possible and 4 being the worst score possible. As a policy, Norsad will not undertake an FI investment with a total score greater than 14. The overall risk grading of the investments is classified as follows:

Risk Classification	Overall Grading Score
Favourable	4 - 6
Good	7 - 10
Average	11 - 14
Poor	15 - 19

Direct Investments (DI)

To rate an DI investment, the risk grading model assesses a combined score relating to Financial Condition & Performance, Management & Corporate Structure, Institutional Conditions, Sector Conditions, External Conditions and One-Time Items. Each of these factors is scored, with 1 being the best score possible and 4 being the worst score possible. As a policy, Norsad will not undertake an DI investment with a total score greater than 16. The overall risk grading of the investments is classified as follows:

Risk Classification	Overall Grading Score
Favourable	5 - 8
Good	9 - 12
Average	13 - 16
Poor	17 – 23

Notes to the financial statements *(continued)*
for the year ended 31 December 2020

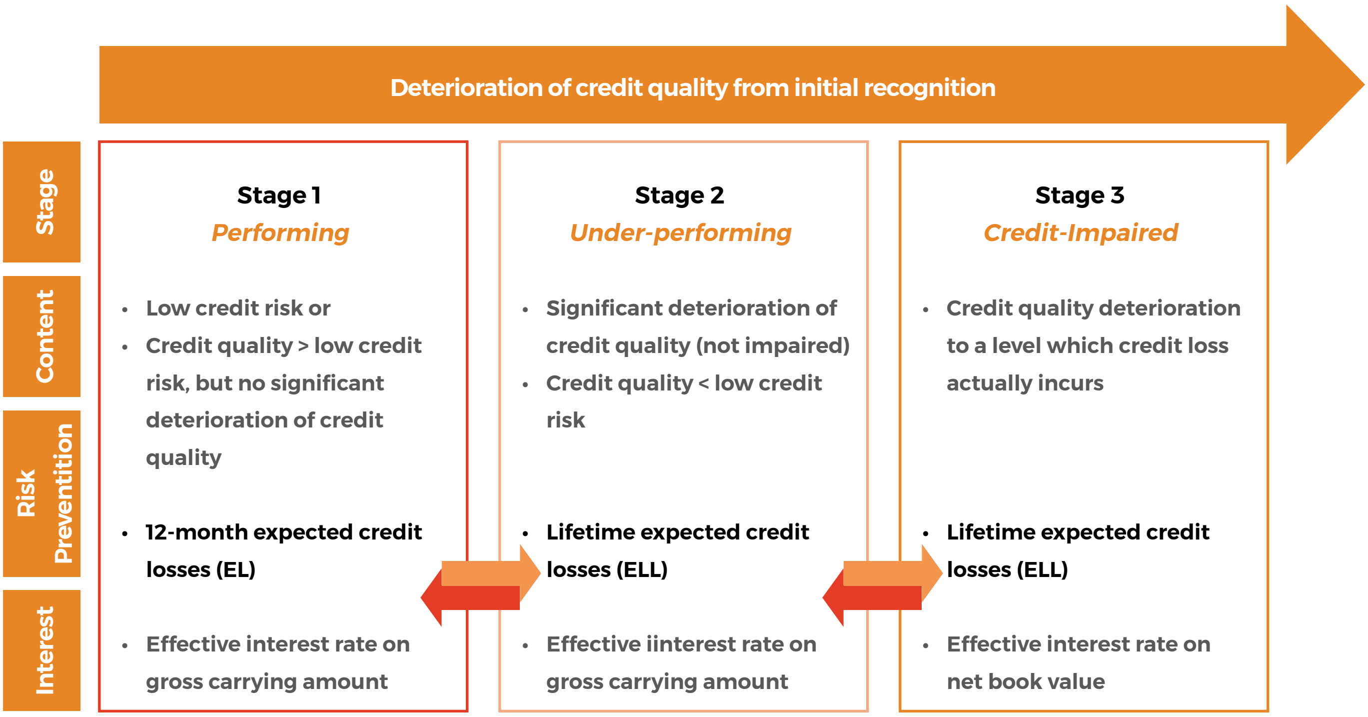
38. Financial Risk Management (continued)
(b) Credit risk (continued)

(iii) Expected Credit Loss Measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition on disbursement, as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit impaired. Please refer to the note below for a description of how the Group determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to the note below for a description of how the Group defines credit-impaired and default. Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to the note below for a description of inputs, assumptions and estimation techniques used in measuring the ECL.

The following diagram summarises the impairment requirements under IFRS9:



38. Financial Risk Management (continued)

(b) Credit risk (continued)

(iv) Significant Increase in Credit Risk

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative or qualitative criteria have been met:

Quantitative criteria: its credit risk score moves 3 or more notches downwards. The facility may remain in stage 1 if its overall risk score is classified as average (FI: 11-14), (Dir: 13-16) and there is other evidence that its overall risk classifies it as a stage 1.

Qualitative criteria: there is other evidence that its overall risk classifies it as a stage 2.

(v) Credit Impaired and Default Definition

The Group considers a financial instrument to be credit impaired and in default when one or more of the following quantitative or qualitative criteria have been met:
Quantitative criteria: it has payments in arrears for 90 days and over. Its credit risk score moves 3 or more notches downwards and there is other evidence of significant credit impairment.
Qualitative criteria: there is other evidence that its overall risk classifies it as a stage 3.

(vi) Expected Credit Loss (ECL) – Inputs, Assumptions and Estimates

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- **Probability of Default (PD)** - represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12m PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- **Exposure at Default (EAD)** - is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12m EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current facility limit by the time of default.
- **Loss Given Default (LGD)** - represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of customer, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the facility.

38. Financial Risk Management (continued)

(b) Credit risk, expected credit loss (continued)

The ECL is determined by projecting the PD, LGD and EAD for each future quarter and for each individual facility exposure. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier quarter). This effectively calculates an ECL for each future quarter, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is developed by applying a maturity profile to the current 12m PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loan facilities. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment/refinance assumptions are also incorporated into the calculation.
- For revolving products, the exposure at default is predicted by taking current drawn balance and adding a ”credit conversion factor“ which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Group's recent default data.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured products, LGD's are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD’s are influenced by collection strategies.

Forward-looking information is incorporated in the ECL models. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Forecasts of these economic variables are provided by the Risk & Portfolio department and provide the best estimate view of the economy over the next five years. Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors.

Notes to the financial statements *(continued)*

for the year ended 31 December 2020

38. Financial Risk Management (continued)

(b) Credit risk, expected credit loss (continued)

The tables below set out information about the credit quality of financial assets held by the group.

Group Exposure to credit risk

Risk Grading and ECL Staging

31 December 2020	*Notes*	**Financial Institutions**	**Direct Investments**	**Total**
Per risk grading:				
Risk Grade 1 : **Favourable**		-	-	
Risk Grade 2 : **Good**		-	-	
Risk Grade 3 : **Average**		46 662 205	25 569 070	72 231 275
Risk Grade 4 : **Poor**		32 472 980	35 440 800	67 913 780
Gross amount		79 135 185	61 009 870	140 145 055
Loss allowance	21	(4 864 999)	(5 296 322)	(10 161 321)
Carrying amount 2020	21	**74 270 186**	**55 713 548**	**129 983 734**
Per ECL staging:				
Stage 1		46 662 205	25 569 070	72 231 275
Stage 2		32 472 980	25 996 647	58 469 627
Stage 3		-	9 444 153	9 444 153
Gross amount		79 135 185	61 009 870	140 145 055
Loss allowance	21	(4 864 999)	(5 296 322)	(10 161 321)
Carrying amount 2020	21	**74 270 186**	**55 713 548**	**129 983 734**

Risk Grading and ECL Staging

31 December 2019	*Notes*	**Financial Institutions**	**Direct Investments**	**Total**
Per risk grading:				
Risk Grade 1 : **Favourable**	-	-		
Risk Grade 2 : **Good**		10 242 835	2 686 693	12 929 528
Risk Grade 3 : **Average**		60 792 139	37 707 162	98 499 301
Risk Grade 4 : **Poor**		4 850 149	16 543 204	21 393 353
Gross amount		75 885 123	56 937 059	132 822 182
Loss allowance	21	(1 797 438)	(864 963)	(2 659 401)
Carrying amount 2019	21	**74 087 685**	**56 075 096**	**130 162 781**
Per ECL staging:				
Stage 1		60 609 591	37 149 564	97 759 155
Stage 2		15 275 532	14 209 428	29 484 960
Stage 3		-	5 578 067	5 578 067
Gross amount		75 885 123	56 937 059	132 822 182
Loss allowance	21	(1 797 438)	(864 963)	(2 659 401)
Carrying amount 2019	21	**74 087 685**	**56 075 096**	**130 162 781**

Company analysis relating to pages 46 and 47 has not been reported separately as the vast majority of the investment totals for 2020 and 2019 relate to the Company itself, except for a total of USD 10,668,323 (2019: USD 10,602,412) which relate to subsidiaries.

Notes to the financial statements *(continued)*
for the year ended 31 December 2020

38. Financial Risk Management (continued)
(b) Credit risk (continued)

(vii)Concentration of credit risk

An analysis of concentrations of credit risk from investments is shown below:

Group concentration exposure

31 December 2020	Total	Investments to Financial Institutions	Direct Investments	Investment securities
By location:				
Angola	**9 432 316**	5 480 032	3 250 741	701 543
Botswana	**19 945 906**	14 293 856	5 652 050	-
Eswatini	**12 591 454**	12 591 454	-	-
Kenya	**5 070 694**	-	5 070 694	-
Malawi	**7 499 436**	-	7 499 436	-
Mauritius	**11 760 606**	11 760 606	-	-
Mozambique	**8 712 571**	-	8 712 571	-
Namibia	**9 846 374**	9 846 374	-	-
South Africa	**14 791 239**	9 723 314	5 067 925	-
Zambia	**15 660 478**	-	15 660 478	-
Zimbabwe	**15 639 814**	10 574 550	4 799 653	265 611
	130 950 888	**74 270 186**	**55 713 548**	**967 154**

Group concentration exposure

31 December 2019	Total	Investments to Financial Institutions	Direct Investments	Investment securities
By location:	**Total:**			
Angola	**12 319 657**	8 375 632	3 240 049	703 976
Botswana	**20 226 180**	14 830 043	5 396 137	-
Eswatini	**17 641 940**	17 641 940	-	-
Malawi	**7 217 494**	-	7 217 494	-
Mauritius	**12 356 946**	12 356 946	-	-
Mozambique	**8 476 152**	-	8 476 152	-
Namibia	**9 695 592**	9 695 592	-	-
South Africa	**5 111 028**	-	5 111 028	
Zambia	**20 280 827**	-	20 280 827	-
Zimbabwe	**17 669 652**	11 187 532	6 353 409	128 711
	130 995 468	**74 087 685**	**56 075 096**	**832 687**

The group monitors concentrations of credit risk by sector and geographic location. The group has extended five credit facilities in Zimbabwe, a country experiencing a restriction in terms of remittances of foreign currency. Whilst three of the clients with a gross value of USD 12,791,667 (2019: USD 13,249,749) have not been affected adversely in terms of remittances, two clients have been unable to remit to Botswana, but instead fully placed the principal repayments and interest in local accounts. The gross value of such facilities was USD 4,799,292 (2019: USD 4,799,292).

38. Financial Risk Management (continued)

(b) Credit risk, concentration of credit risk (continued)

There has been no significant increase in credit risk relating to these two facilities since disbursement and therefore they have been classified as stage 1 under IFRS 9. The risk in now repatriation of monies to Botswana. The Reserve Bank of Zimbabwe have confirmed that both debts have been approved with legacy debt status. Although these funds are fully expected to be remitted, a specific loss allowance in the form of a time value of money adjustment has been made in the 2020 financial statements, valued at USD 1,982,654. (2019: USD 394,403)

(viii) Collateral and other credit enhancements

The Group employs a range of policies and practices to mitigate credit risk. The group's loans and advances to corporate customers are subject to individual credit appraisal and impairment testing. The general credit worthiness of a corporate customer tends to be the most relevant indicator of credit quality of a loan extended to it. In addition, the group secures collateral for facilities advanced. The Group has internal policies on the acceptability of specific classes of collateral or credit risk mitigation.

The Group prepares a valuation of the collateral obtained as part of the loan facility origination process. This assessment is reviewed periodically. The principal collateral types for loan facilities are:

- charge over real estate;
- floating charges over all corporate assets;
- other liens and guarantees.

The Group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Group since the prior period.

Types of credit exposure	**Percentage collateralisation coverage arrangements over loan value**			
Principal type of collateral held for secured lending Guarantees	**Group**		**Company**	
	2020	**2019**	**2020**	**2019**
Direct Investments				
Charge over real estate	58%	55%	59%	56%
Guarantees	40%	37%	47%	44%
Notarial Bonds & Floating Charges	43%	41%	42%	40%
Total Coverage	**141%**	**133%**	**148%**	**140%**
Investments to financial institutions				
Cash	16%	18%	18%	19%
Guarantees	52%	51%	50%	49%
Notarial Bonds & Floating Charges	13%	12%	14%	12%
Total Coverage	**81%**	**81%**	**82%**	**80%**

38. Financial Risk Management (continued)

(b) Credit risk, collateral and other credit enhancements (continued)

The group does not hold collateral against investment securities, and as such no collateral was held as at 31 December 2020.

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group will take possession of collateral to mitigate potential credit losses. The realization of security held by Norsad is in accordance with the client facility agreement and is also subject to the prevailing country laws. For the purpose of calculation of loss allowance, the value placed on the collateral shall be an estimate of the realizable value at the end of the collections process, after taken historic haircuts and recovery costs into account. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

Group credit impaired assets 31 December 2020	**Gross Exposure**	**Impairment Allowance**	**Carrying Amount**	**Fair Value of Collateral Held**
Investments to financial institutions				
Stage 2	32 472 980	(3 386 345)	29 086 635	8 000 000
Stage 3	-	-	-	-
Direct investments				
Stage 2	25 996 647	(1 761 071)	24 235 576	23 823 481
Stage 3	9 444 153	(2 115 291)	7 328 862	6 840 000
Total credit impaired assets	**67 913 780**	**(7 262 707)**	**60 651 073**	**38 663 481**

Investments held by subsidiary companies with a carrying amount of USD 10,668,323 (2019: USD 10,602,412) had a fair value of Collateral held totalling USD 7,750,000 (2019: USD 10,000,000).

Group credit impaired assets 31 December 2019	**Gross Exposure**	**Impairment Allowance**	**Carrying Amount**	**Fair Value of Collateral Held**
Investments to financial institutions				
Stage 2	15 275 532	(750 616)	14 524 916	4 500 000
Stage 3	-	-	-	-
Direct investments				
Stage 2	14 209 428	(355 281)	13 854 147	22 858 480
Stage 3	5 578 067	(32 813)	5 545 254	6 651 000
Total credit impaired assets	**35 063 027**	**(1 138 710)**	**33 924 317**	**34 009 480**

(ix) Loss Allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent “step up" (or “step down”) between 12-month and Lifetime ECL;

38. Financial Risk Management (continued)

(b) Credit risk, loss allowance (continued)

- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and

Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

Loss Allowance	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
2020				
As at 1 January 2020	1 520 691	1 105 897	32 813	2 659 401
New Assets Originated	540 268	-	-	540 268
Changes in PD's/LGD's/EAD's	837 654	4 041 519	2 082 479	6 961 652
Assets derecognised	-	-	-	-
As at 31 December 2020	**2 898 613**	**5 147 416**	**2 115 292**	**10 161 321**

Loss Allowance	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
2019				
As at 1 January 2019	1 389 536	1 406 888	18 871 911	21 668 335
New Assets Originated	209 601	-	-	209 601
Changes in PD's/LGD's/EAD's	(78 446)	(300 991)	2 572 708	2 193 271
Assets derecognised	-	-	(21 411 806)	(21 411 806)
As at 31 December 2019	**1 520 691**	**1 105 897**	**32 813**	**2 659 401**

Company analysis has not been reported separately as the vast majority of the loss allowance totals for 2020 and 2019 relate to the Company itself, except for an allowance total of USD 602,800 (2019: USD 70,306) which relate to subsidiaries.

38. Financial Risk Management (continued)

(b) Credit risk (continued)

x) Write off policy

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.
The Group may write-off financial assets that are still subject to enforcement activity. The Group still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

(xi)Modification of financial assets

The Group sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery.

Such restructuring activities include extended payment term arrangements and payment holidays. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The Group monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more.

The Group continues to monitor if there is a subsequent significant increase in credit risk in relation to such assets through the use of specific models for modified assets.

(xii) Cash and cash equivalents

At the year end the group held cash and cash equivalents of USD 27,910,547 (2019 USD 11,280,230). The cash and cash equivalents with banks are held with financial institution counterparties which are rated Baa3 (above non-investment grade) per Moody's ratings or which is approved by the Audit Committee.

(c) Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

38. Financial Risk Management (continued)

(c) Liquidity risk (continued)

(i) Management of liquidity risk

The Board of Directors sets the group's strategy for managing liquidity risk and is responsible for the implementation of this policy. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The key elements of the group's liquidity strategy are as follows:

- carrying a portfolio of highly liquid assets, diversified by currency and maturity; and
- monitoring liquidity ratios, maturity mismatches, behavioural characteristics of the group's financial assets and liabilities, and the extent to which the group's assets are encumbered and so not available as potential collateral for obtaining funding.

(ii) Maturity analysis for financial assets and financial liabilities

The table below sets out the remaining contractual maturities of the group’s financial assets and financial liabilities for 2020.

Exposure to liquidity risk

Group **31 December 2020**	*Note*	**Carrying amount**	**Less than 1 month**	**Within 1 year**	**1 to 5 years**	**More than 5 years**
Asset by type						
Cash	17	**27 910 547**	27 910 547	-	-	-
Cash held as investments	19	**13 756 756**	2 513 459	-	11 243 297	-
Loans and advances	20	**129 983 734**	2 203 055	49 347 921	72 329 317	6 103 441
Investment securities	23	**967 154**	265 611	-	701 543	-
Total assets by maturity		**172 618 191**	**32 892 672**	**49 347 921**	**84 274 157**	**6 103 441**
Liability by type						
Secured debt	30	**45 459 842**	-	9 783 034	35 676 808	-
Lease liabilities	32	**516 384**	11 839	137 222	367 323	-
Other liabilities	33	**848 493**	77 331	651 242	119 920	-
Total liabilities by maturity		**46 824 719**	**89 170**	**10 571 498**	**36 164 051**	**-**
Maturity surplus		**125 793 472**	**32 803 502**	**38 776 423**	**48 110 106**	**6 103 441**

Company analysis has not been reported separately as the vast majority of the totals for 2020 and 2019 relate to the Company itself, except for Cash of USD 1,020,817 (2019: USD 391,768) and Loans and Advances of USD 10,668,323 (2019: USD 10,602,412)

38. Financial Risk Management (continued)

(c) Liquidity risk (continued)

Group 31 December 2019	*Note*	Carrying amount	Less than 1 month	Within 1 year	1 to 5 years	More than 5 years
Asset by type						
Cash	17	**11 280 230**	11 280 230	-	-	-
Cash held as investments	19	**10 000 000**	3 115 792	-	6 884 208	-
Loans and advances	20	**130 162 781**	3 122 867	30 362 141	93 661 563	3 016 210
Investment securities	23	**832 687**	128 711	-	703 976	-
Total assets by maturity		**152 275 698**	**17 647 600**	**30 362 141**	**101 249 747**	**3 016 210**
Liability by type						
Unsecured debt	29	**5 104 541**	-	5 104 541	-	-
Secured debt	30	**20 652 623**	-	5 163 156	15 489 467	-
Lease liabilities	32	**479 208**	9 193	91 214	378 801	
Other liabilities	33	**1 150 045**	82 364	930 939	136 742	
Total liabilities by maturity		**27 386 417**	**91 557**	**11 289 850**	**16 005 010**	**-**
Maturity surplus		**124 889 281**	**17 556 043**	**19 072 291**	**85 244 737**	**3 016 210**

The above tables show the undiscounted cash flows on the group's non-derivative financial assets and liabilities on the basis of their earliest possible contractual maturity. As part of the management of its liquidity risk arising from financial liabilities, the group holds liquid assets comprising cash and cash equivalents for which there is an active and liquid market so that they can be readily sold to meet liquidity requirements.

(iii) Commitments

At the year end the group had five approved projects to the value of USD 24,897,980 (2018 Five projects, USD 33,976,626), that were awaiting disbursement to clients, upon the conditions precedent of the loan facilities, being met.

The group had entered into a financial guarantee for a maximum of USD 65,000 (2019 USD 85,000) against bank balances held in its ABSA accounts, to provide security of costs in favour of third parties in Zambia.

(d) Market risks

Market risk is the risk that changes in market prices, such as interest rates, equity prices and foreign exchange rates will affect the group's income or the value of its holdings of financial instruments. The objective of the group's market risk management is to manage and control market risk exposures within acceptable parameters in order to ensure the group's solvency while optimising the return on risk.

(i) Exposure to interest rate risk

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates.

Notes to the financial statements *(continued)*
for the year ended 31 December 2020

38. Financial Risk Management (continued)

(d) Market risks (continued)

(i) Exposure to interest rate risk (continued)

Interest rate movements affect reported equity in the following ways:

- retained earnings arising from increases or decreases in net interest income and the fair value changes reported in profit or loss; and
- fair value reserves arising from increases or decreases in fair values of available-for-sale financial instruments reported directly in equity

Interest rate sensitivity analysis

		31 December 2020	31 December 2019
Floating rate assets (loans and advances)		130 724 758	127 244 115
Floating rate liabilities (secured debt)		45 459 842	25 757 164
Interest sensitivity gap		**85 264 916**	**101 486 951**
Increase in profit due to increase in annual average interest rates:	1%	852 649	1 014 870
	2%	1 705 298	2 029 739
Decrease in profit due to decrease in annual average interest rates:	1%	(852 649)	(1 014 870)
	2%	(1 705 298)	(2 029 739)

Company analysis has not been reported separately as the vast majority of the totals for 2020 and 2019 relate to the Company itself Loans and Advances of USD 10,668,323 (2019: USD 10,602,412)

(ii) Exposure to price risk

The group's exposure to equity securities price risk arises from investments held by the group and classified in the balance sheet as fair value through other comprehensive income. Of the total held in the balance sheet at USD 967,154 the total exposed to price risk is USD 265,611.

In terms of sensitivity, should the market price move 5%, the other comprehensive income total will either increase or decrease by USD 13,281. A 10% price move would result in the other comprehensive income total increasing or decreasing by USD 26,562.

(iii) Exposure to foreign currency risk

Both the company's and group's exposure to foreign currency risk at the end of the reporting period, expressed in USD was as follows:

	31 December 2020			31 December 2019		
	ZAR	EUR	BWP	ZAR	EUR	BWP
Cash	5 207 832	2 127 753	160 233	376 419	182 718	290 178
Loans & advances	27 382 693	-	-	20 752 967	-	-
Current tax assets	-	-	48 520	-	-	-
Other assets	-	-	68 129	-	-	45 863
Secured debt	(25 459 842)	-	-	(20 652 623)	-	-
Current tax liabilities	-	-	(65 232)	-	-	(144 364)
Total net exposure	**7 130 683**	**2 127 753**	**211 650**	**476 763**	**182 718**	**191 677**

Notes to the financial statements *(continued)*

for the year ended 31 December 2020

38. Financial Risk Management (continued)

d. Market risk, exposure to price risk (continued)

(iii) Exposure to foreign currency risk (continued)

Exchange rate sensitivity analysis

		31 December 2020	31 December 2019
Increase in profit due to increase in annual average interest rates:	5%	473 504	42 408
	10%	947 009	84 816
Decrease in profit due to foreign exchange devaluation against the USD:	5%	(450 956)	(40 388)
	10%	(860 917)	(77 105)

The foreign currency exposure of these assets and liabilities has not been hedged.

Aggregate net foreign exchange gains and losses recognised in the Profit and loss account were:

	2020	2019
Foreign exchange gain / (loss) on foreign currency borrowings	617 235	(717 922)
Foreign exchange gain / (loss) on foreign currency loans and advances	(964 506)	576 051
Foreign exchange gain on foreign currency bank accounts	621 276	162 853
Total Foreign exchange gains	**274 005**	**20 982**

(iv) Capital risk management

The group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and maintain an optimal capital structure to reduce the cost of capital. Consistent with others in the industry, the group monitors capital on the basis of the following gearing ratio: Total Leverage debt divided by Total equity, both as recorded in the balance sheet.

During 2020, the group's policy which was unchanged from 2019 was to maintain a maximum gearing ratio of 100%.

Group & Company	**2020**	**2019**
Secured & Unsecured debt	45 459 842	25 757 164
Total Equity	128 308 145	126 506 667
Debt to Equity ratio	**35%**	**20%**

(e) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the group's processes, personnel, technology and infrastructure, and from other external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the group's operations.

The group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the group's reputation with overall cost effectiveness and innovation. In all cases, the group policy requires compliance with all applicable legal and regulatory requirements.

39. New Accounting Pronouncements

At the date of authorisation of the Company annual financial statement and annual financial statements of Norsad Finance Limited for the year ended 31 December 2020, the following standards, amendments to standards and interpretations that apply to the Company, were in issue and effective:

Standards/interpretations		Effective date
Amendment to IFRS 3	Business combinations	Annual periods beginning on or after 1 January 2020
Amendments to IAS 1 and IAS 8	Presentation of financial statements and Accounting policies, changes in accounting estimates and errors' on the definition of material.	Annual periods beginning on or after 1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7.	Financial Instruments, Financial Instruments: Recognition and Measurement' and Financial Instruments: Disclosure' – Interest rate benchmark reform (Phase 1)	Annual periods beginning on or after 1 January 2020

i) IFRS 3 – Business Combinations

This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. More acquisitions are likely to be accounted for as asset acquisitions.
To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs). To be a business without outputs, there will now need to be an organised workforce.

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

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

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

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

iii) IFRS9, IAS 39 and IFRS 7 - Financial Instruments, Financial Instruments: Recognition and Measurement' and Financial Instruments: Disclosure' – Interest rate benchmark reform (Phase 1)

39. New Accounting Pronouncements (continued)

These amendments provide certain reliefs in connection with interest rate benchmark reform (IBOR). The reliefs relate to hedge accounting and have the effect that IBOR should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement.

At the date of authorisation of the Company annual financial statement and annual financial statements of Norsad Finance Limited for the year ended 31 December 2020, the following standards, amendments to standards and interpretations that apply to the Group and company, were in issue but not yet effective for 31 December 2020. The Company does not plan to adopt these standards early, but in the period that they become mandatory:

Standards/interpretations		Effective date
Amendments to IFRS 16	Leases: COVID-19-Related Rent Concessions Amendment	Annual periods beginning on or after 1 June 2020
Amendments to IFRS 9, IAS 39 and IFRS 7.	Financial Instruments, Financial Instruments: Recognition and Measurement' and Financial Instruments: Disclosure' – Interest rate benchmark reform (Phase 2)	Annual periods beginning on or after 1 January 2021
Amendment to IAS 1	Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current	Annual periods beginning on or after 1 January 2022
Amendment to IFRS 3	Business combinations	Annual periods beginning on or after 1 January 2022
Amendments to IAS 16	Property, Plant and Equipment	Annual periods beginning on or after 1 January 2022
Amendments to IAS 37	Provisions, Contingent Liabilities and Contingent Assets' on Onerous Contracts—Cost of Fulfilling a Contract	Annual periods beginning on or after 1 January 2022
Annual improvements	Cycle 2018 - 2020	Annual periods beginning on or after 1 January 2022

i) IFRS 16 – Leases, COVID-19-Related Rent Concessions Amendment

The IASB has provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification, provided that the concession meets certain conditions. Lessees can elect to account for qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment.

ii) IFRS9, IAS 39 and IFRS 7 - Financial Instruments, Financial Instruments: Recognition and Measurement' and Financial Instruments: Disclosure' – Interest rate benchmark reform (Phase 2)

The Phase 2 amendments address issues that arise from the implementation of the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one.

39. New Accounting Pronouncements (continued)

iii) IAS 1 - Presentation of Financial Statements on Classification of Liabilities as Current or Non-current

The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date.

iv) IFRS3 - Business combinations

The Board has updated IFRS 3, 'Business combinations', to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination.

In addition, the Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', or IFRIC 21, 'Levies', rather than the 2018 Conceptual Framework.

The Board has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

v) IAS 16 - Property, Plant and Equipment, on Proceeds before Intended Use

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss.

vi) IAS 37 - Provisions, Contingent Liabilities and Contingent Assets' on Onerous Contracts—Cost of Fulfilling a Contract

The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.

vii) Annual Improvements Cycle 2018-2020

These amendments include minor changes to:

- IFRS 1, 'First time adoption of IFRS' has been amended for a subsidiary that becomes a first-time adopter after its parent. The subsidiary may elect to measure cumulative translation differences for foreign operations using the amounts reported by the parent at the date of the parent's transition to IFRS.

39. New Accounting Pronouncements (continued)

- IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation.
- IFRS 16, 'Leases', amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives.
- IAS 41, 'Agriculture' has been amended to align the requirements for measuring fair value with those of IFRS 13. The amendment removes the requirement for entities to exclude cash flows for taxation when measuring fair value.

The group has assessed the possible impact of these standards, amendments to standards and interpretations that were in issue but not yet effective for 31 December 2020. In the periods of initial application, no material effect on the financial statements is anticipated.

40. Events after the reporting date

Dividends

On 24 March 2021 a dividend of USD 24 (2019: 136) for each 9,118 ordinary share and USD 48 (2019: 272) for each 5,545 preference share was approved by the Board of Directors for the year ended 31 December 2020, for recommendation to the Shareholders at the Annual General Meeting.

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