Botswana Development Corporation

2019 ANNUAL REPORT

Providing Certainty Today, For our Tomorrow.

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CORPORATE PROFILE

Overview of BDC

- Established in 1970 as a private company
- Wholly owned by the Government of Botswana
- Provides debt and equity funding to investors (Local and foreign) for commercially viable projects
- Funding starts from P30 Million
- Has made a mandate to invest outside of Botswana's borders
- Promotes and facilitates economic development and diversification
- Investments across 10 industries including manufacturing, services, property, agriculture
- Group balance sheet of P4.8 Billion and a portfolio worth over P3.1 Billion

Our mandate

The Corporation derives its mandate from its incorporation documents such as the constitution. The Corporation's constitution, as per the Companies Act 2003, sets out its objectives, the issue and transfer of shares, declaration of dividends, powers reserved for the shareholder and meetings, and powers and duties of the directors including meetings and appointment provisions. As enshrined in its mandate, the Corporation's focus is to promote and facilitate the economic development of Botswana by identifying opportunities for development of new and existing industrial, commercial, and agricultural business undertakings as well as property development and the preparation, implementation and execution of plans for the establishment or improvement of such undertakings by whatever means appropriate.

This includes but not limited to direct financial investment in such undertakings, procurement of financial or management assistance, active participation therein with persons, local or externally based firms or companies.

Principal Objective and Development Outcomes

Funding provided to businesses is directed at driving the industrialisation of the country by providing financial assistance to investors with commercially viable projects.

Principal Objective

To become a leading innovative and sustainable development finance institution.

Development Outcomes

- Pioneer new industries
- Unlock value in existing industries
- Stimulate private sector growth and foster linkages with the local and foreign industry
- Drive diversification and exports
- Create significant employment
- Generate wealth from outside the country

BDC

Contacts

Botswana Development Corporation
Fairscape Precinct,
Plot 70667, Fairgrounds
P/Bag 160, Gaborone
Tel: (267) 365 1300
Fax: (267) 391 3539
Email: enquiries@bdc.bw
Website: www.bdc.bw

Mission

To provide, facilitate and support funding of commercially viable enterprises in order to contribute to the sustainable development and economic growth of the Botswana economy.

Values

- Enterprising
- Collaboration
- Integrity

Vision

To be an innovative and sustainable development finance institution.

Products

- Equity Funding
- Debt Funding

THE BDC BRAND

Our Brand Promise is by extension the mandate of our brand. The BDC Brand promise is:

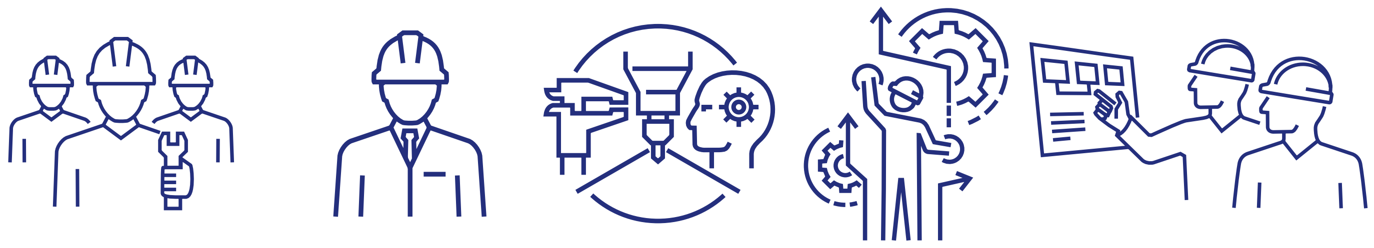
To promote and facilitate economic development for Botswana.

BDC has been in existence for 49 years. Our Corporate Brand values, Enterprising, Collaboration and Integrity, are a benchmark to measure the behaviour and performance of Botswana Development Corporation and its employees. They are a code by which employees pride themselves on and are known for. Our logo is the visual representation of who we are and what we do: a graphic representation of BDC and the important role which we play as a development finance institution.

The BDC logo represents four "pillars"of Botswana Development Corporation and a "round table". The "pillars"element represent the Corporation's continued support as local and foreign investors through providing financial support to commercially viable projects, for the benefit of Botswana's economic development. The pillars identify and reinforce Botswana Development Corporation as a commercial and industrial development agency that occupies a central and responsible position in Botswana. The "roundtable" depicts a discussion type atmosphere where viable partnerships are forged, cementing lasting relationships meant to improve the quality of life, and strengthen the Corporation's brand values and promise.

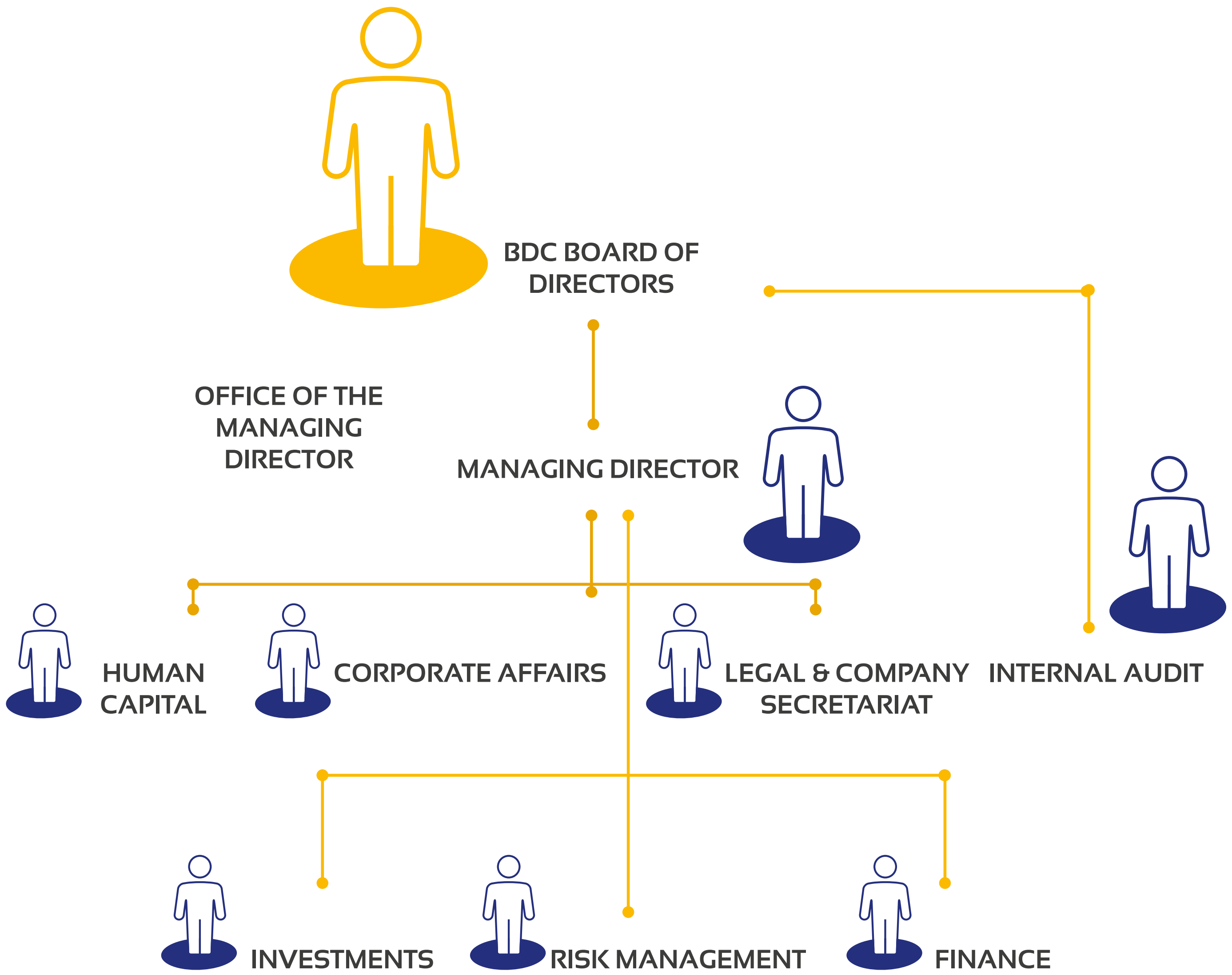
The Botswana Development Corporation Brand Differentiator, "Your Investment Partner", puts emphasis on the mutual cooperation and responsibility of both the Corporation and its stakeholders towards a sphere of common interest. It depicts Botswana Development Corporation as a leader in equity investments and as an agency that is worthy of its stakeholders' trust to improve their quality of life.

OUR BRAND PILLARS



COLLABORATION	INTERGRITY	ENTERPRISING	SUSTAINABILITY	COMMERCIAL FOCUS
teamwork synergy cooperation partnership concert	honesty fairness accountability equality decency transparency trustworthiness	resourceful innovative creative enthusiastic energetic imaginative	future-focused credibility coherence consistency	efficient profit-oriented cost-effecient productive professional reliable responsive

ORGANISATIONAL STRUCTURE



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FINANCIAL HIGHLIGHTS

Company Interest Income on Loans

93%

2019 P81 MIL
2018 P42 MIL

Group Asset Base

17%

2019 P4.8 BIL
2018 P4.1 BIL

Company Asset Base

35%

2019 P3.5 BIL
2018 P2.6 BIL

Company Networth

11%

2019 P2.1 BIL
2018 P1.9 BIL

Company Operating Profit

40%

2019 P277 MIL
2018 P197 MIL

Company Income from Trade

23%

2019 P216 MIL
2018 P175 MIL

OUR INVESTMENT APPRAISAL PROCESS

The investment appraisal process can be split into 5 stages as follows. This process applies for both new and existing opportunities.

STAGE I
Deal Origination

- Identification of investment opportunities (deals)
- Minimum deal size BWP30 million
- Sectors: all sectors of the economy except large scale mining
- Tenure: 5 to 15 years

STAGE II
All opportunities are reviewed on a weekly basis by the Investment team. Collation of data to conduct preliminary analysis and financial modelling.

- Initial project screening
- Preliminary due diligence and financial modelling
- High level term sheet and initial negotiations

STAGE III
Engagement with Risk and Legal team for their input.

- Preparation of a brief Memorandum and financial model to share with Risk for input
- Indicative term sheet preparation and negotiations for Risk and Legal input before sharing with client.

STAGE IV
In depth due diligence performed (financial, technical, tax, legal and environmental depending on the project) is outsourced.

- Full and comprehensive due diligence

STAGE V –
Analyses and collates all the gathered information from the above stages into an investment appraisal paper incorporating input from Risk and Legal for approval based on approval limits.

- Credit and Investment committee Approval (investments not exceeding BWP150 million)
- Board Risk and Investment Approval (investments not exceeding BWP500 million)
- Board Approval (investments exceeding BWP500 million)

OUR INVESTMENT PORTFOLIO

S
SUBSIDIARIES

Fairgrounds Holdings (Proprietary) Limited
LP Amusement Centre (Pty) Ltd
Malutu Enterprises (Proprietary) Limited
Export Credit Insurance and Guarantee Company (Botswana) (Proprietaty) Limited
Lobatse Clay Works (Proprietary) Limited
Commercial Holdings (Proprietary) Limited
Western Industrial Estate (Proprietary) Limited
Botswana Hotel Development Company (Proprietary) Limited
Talana Farms (Proprietary) Ltd
Phakalane Property Development (Proprietary) Limited
Residential Holdings (Proprietary) Limited
Milk Afric (Proprietary) Limited

N
NON- ASSOCIATES

Crates & Pallets Botswana (Pty) Ltd
Ba Isago University (Proprietary) Limited
Philisa Day Care Centre (Pty) Ltd
Sidilega Private Hospital
Gloryland Guest Lodge (Pty) Ltd
Thakadu & Kwena Hotels Co. (Proprietary) Limited
Pasdec Automotive Technologies (Botswana) (Proprietary) Limtied
Lacrose (Pty) Ltd
Oxford Holdings Limited
African Banking Corporation of Botswana Limited
Minergy Coal (Pty) Ltd

A
ASSOCIATES

Marekisetso A Morogo Wa Rona (Pty) Ltd
TransUnion (Proprietary) Limited
Peermont Global Botswana (Limited)
Nampak DivFood Botswana (Proprietary) limited
Transport Holdings Limited
Mashatu Nature Reserve (Proprietary) Limited
Investec Asset Management Botswana (Proprietary) Limited

Q
QUOTED INVESTMENTS

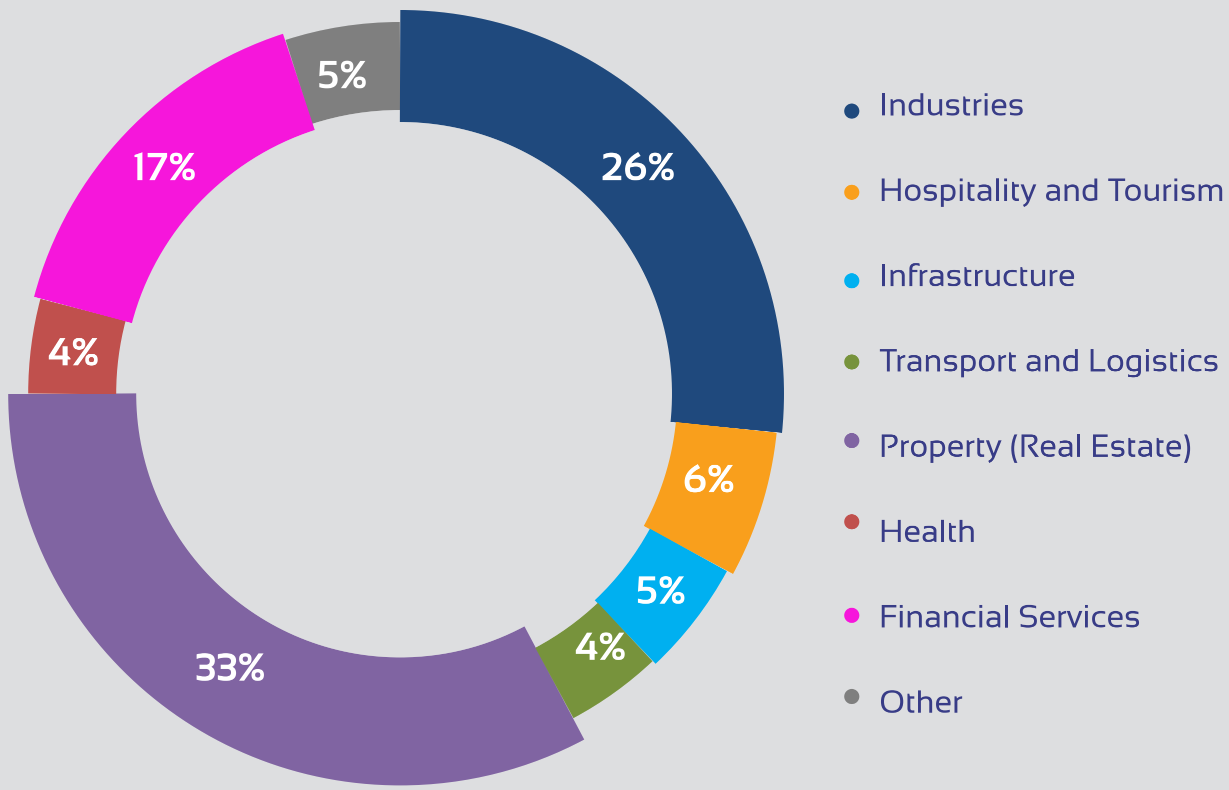
Cresta Marakanelo Limited
Sechaba Brewery Holdings Limited
Letlole La Rona Limited

EXECUTIVE SUMMARY

As the main arm of Government, BDC is continuously looking for opportunities for investment. Over the past five decades of its existence BDC has driven exceptional growth from just a mere R20 000.00 business in 1970. Recently in its just ended 5 year strategic period (2014-2019) the Corporation has successfully transformed and is now ready to expand into further funding avenues under its new strategic plan (2019-2025) namely ***"Beyond 2019"***.

- **BDC remains one of the biggest investors in Botswana**
- **Group assets worth over BWP 4.8 billion as of June 2019**
- **Forty-nine years of uninterrupted operations**
- **Fit-for-purpose business model with top talent in the industry**
- **Forty-four years of profitability**
- **Strong balance sheet, well diversified portfolio of investments**
- **Proven resilience during tough economic conditions**
- **Reaffirmed Moody's (Baa2/Prime-2) rating, underpinned by strong liquidity & capital buffers**
- **BDC's Strategic Plan centres on a Bold New Direction to maximize high returns & long-term value for the Shareholder whilst integrating Botswana into the global economy.**

ASSET SPLIT BY SECTOR - 2019



STRATEGIC
DIRECTION

2019-2025 STRATEGIC PERIOD

"Beyond 2019" is a Bold New Direction for the Corporation to maximise long-term value for the shareholder and create wealth for future generations by deeply integrating Botswana into the global economy through investments and partnerships.

Beyond 2019 moves us from economic development to **ECONOMIC TRANSFORMATION.**

BEYOND
2019

OUR APPROACH
BEYOND 2019

Investing with the main purpose of maximising long term returns.

Investing locally in large scale export-orientated businesses (Vision 2036)

Investing globally in high-return commercial and strategic projects

Integrating Botswana into the world economy through commercial investments and partnerships

Pioneering industries and unlocking value in untapped sectors across Botswana

From economic development to
ECONOMIC TRANSFORMATION

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CORPORATE GOVERNANCE

CHAPTER ONE

CHAIRMAN'S STATEMENT
for the Year ended 30 June 2019

I have the honour and privilege to report on the Corporation's performance for the year ended 30 June 2019 on behalf of its Board and management. This past year marks the final year of our business strategy. The Corporation has continued to prioritise high yielding projects for a good shareholder return and for ensuring maximum business sustainability.

In 2014, the Board undertook a major business remodelling programme with a view to address persistent challenges that the business was experiencing at the time. This transformation programme was designed to position BDC for sustainable growth and greater value creation for the shareholder. I am pleased to report as we mark the final year of the transformation strategy that the plan has delivered results.

Over the period, the business has realised Company cumulative profits of over P1 billion and a Company net worth growth of P700million to P2.1billion, accompanied by Group asset base growth to a record of P4.8billion.

Business in general, including subsidiaries and quoted investments, continued to experience notable challenges in the operating environment. We were, however, successful in driving strong growth across the Group and reorganising our investment portfolio to increase the share of industrial projects. We are confident that the business will continue to deliver sustainable growth and profitability from new investments in the next strategic period, whilst staying true to our mandate as Botswana Government's investment arm.

The Corporation continues to monitor trends and key financial indicators, such as impairment levels and takes the necessary pre-emptive actions to keep them within acceptable levels. Overall performance for the year was strong with a positive change in financial performance than prior year and achieved within budgeted cost. This was an expected outcome with on-going operations increasingly driving the business.

The fundamentals of the Botswana economy on which BDC business is largely anchored, remained stable with moderate and steady GDP growth. Both interest rates and inflation have been successfully kept well below 5%. This has generated sufficient liquidity for the company to fund its approved pipeline of projects. However, the overall cost of borrowing remained relatively high for projects showing low to medium returns.

Global economic activity is reported to have slowed down notably in the second half of last year, reflecting a combination of multiple factors affecting major economies. Global growth is forecast at 3.2 percent in 2019, picking up to 3.5 percent in 2020.

Global growth has remained subdued. There were positive surprises to growth in some advanced economies, but weaker-than-expected activity in emerging markets and developing economies. Global financial markets are increasingly becoming a potential source of long-term funding especially for projects with lower returns but high developmental impact. Overall, the cost of borrowing from this source also presents a challenge to the Corporation.

The Board continues to focus on safeguarding the strength of the Corporation's balance sheet to ensure that the Corporation remains financially sustainable whilst fulfilling its mandate as the Botswana Government's main investment arm. Additionally the Board is steadfast to ensure that the Corporation continues to apply the dexterity and foresight to significantly contribute towards the Vision 2036 ambition for Botswana to become a high income and export-led economy.

A successful future to be realised tomorrow rests upon the Corporation's approach made in the present whereby relationships and investments pursued make high returns over the long term.

The Corporation has successfully built a foundation on which future growth can be conceived. To this end, a process led by the Board has identified areas of focus in manufacturing, infrastructure development, energy, technology and agro-processing. The prioritization of individual projects will continue to be guided by expected returns, developmental impact and employment generation.

The Board remains committed to ensuring that the Corporation continues to proactively support the development of new and emerging industries that, from a Botswana perspective, exhibit significant potential for returns. With these returns, we foresee partnerships and projects with wider socioeconomic benefits including increased investment into the economy, employment creation and development.

All these will be underpinned by strict adherence to best practice and governance principles earning us viable and mutually beneficial relationships.

CHAIRMAN'S STATEMENT
for the Year ended 30 June 2019 (cont.)

We continue to emphasise our commitment to building and strengthening quality relationships with our stakeholders. I believe we have done exceptionally well with regards to earning their trust over the years, as our performance speaks to our diligence and successful transformation.

In this vein, BDC shall continue to be dexterous, strive for excellence and to keep creating value to deliver on its mandate.

We thank, most sincerely, the government of Botswana who is the sole shareholder of the Corporation for their general strategic direction under which the Corporation has been able to deliver satisfactory results in the last 5 years.

Our thanks also goes to our valued clients, partners and the nation of the Republic of Botswana for putting their trust and confidence in the Corporation to steer the agenda of economic transformation and diversification.

On behalf of the Board, I congratulate the Executive Management and Staff for delivering good performance and nurturing the strong relationships we have with our stakeholders who play a critical role in our success story.

As we conclude the present strategic period, we can confidently say that we are a fit-for-purpose enterprise that is ready to take on our new bold strategic direction that will progress the Botswana growth story.

Mr. B. Marole
Chairman of the Board

BOARD OF DIRECTORS

BLACKIE MAROLE
Board Chairman

An Economist by profession, Mr. Marole was previously the Managing Director of Debswana Diamond Company (Pty) Ltd. Prior to this, Mr. Marole spent 21 years in the civil service, rising to the position of Permanent Secretary at the Ministry of Energy, Water and Minerals Resources. Mr. Marole holds a Master of Arts Degree in Economics from the Williams College, Massachusetts, United States. He also attained a Bachelor of Arts Degree in Economics from the University of Botswana, and an Economic Institute Diploma from the University of Colorado.

MOATLHODI LEKAUKAU
Managing Director (Ag)

Being a meticulous and ambitious leading professional, Mr. Lekaukau holds a stellar professional career spanning over 20 years in leadership of among Africa's, and the world's, largest operations across a diverse array of industries including Financial Services, Hospitality, Marketing Communications and Broadcasting Communications. Prior to joining the Corporation, Mr. Lekaukau served as Chief Executive Officer of Standard Chartered Bank Botswana, the first Motswana in the bank's history to be appointed to the leading office. He is also the Executive Chairman of YMH Media Group, a diversified indigenous media holding company with a leading footprint in the Botswana market and market coverage in Zambia.

Mr. Lekaukau is a member of the South African Institute of Chartered Accountants, a fellow member of the Botswana Institute of Chartered Accountants and holds a Bachelor of Commerce Degree and Postgraduate Diploma in Accounting from the University of Cape Town.

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PEGGY SERAME
Board Member

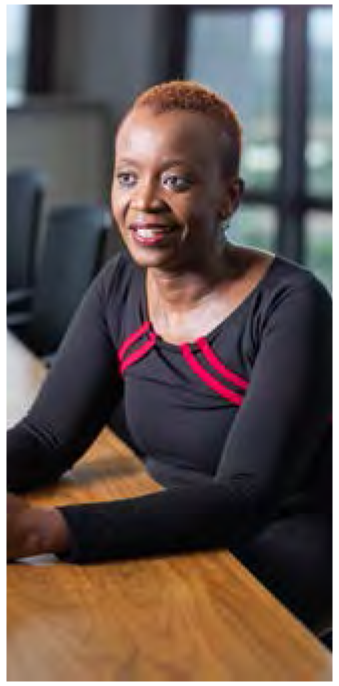
Ms. Peggy Onkutlwile Serame is the Permanent Secretary in the Ministry of Investment Trade and Industry (MITI) assisting the Minister in providing oversight of Parastatals under MITI. Amongst other duties she oversees the coordination of Cooperatives Development, Industrial Development and Trade Facilitation Laws, Policies, Strategies and Implementation thereof for wealth and employment creation, as well as economic diversification. Ms. Serame holds a Master of Arts Degree in Economics from the University of Botswana (Electives on International Trade; and Policy Analysis and Economic Management) and a Bachelor' of Arts degree in Economics and Statistics also from the University of Botswana.

SOLOMON M. SEKWAKWA
Board Member

Mr. Sekwakwa holds a Bachelor of Arts (Economics) degree from the University of Botswana, as well as a Post-Graduate Diploma (Economics) and a Master of Arts (Development Economics) degree from the University of Sussex (UK). He started his working career as an Industrial Planner at the then Bamangwato Concessions Limited (BCL) mine at Selibe Phikwe in 1979. Thereafter, he worked as Assistant Economist for the Southern District Council during the period 1983 – 1987, rising through the ranks to assume Economic Planner and Senior Economist roles between the period 1987 and 1994.

Mr. Sekwakwa has also held appointments as a member of the Vision 2016 Council and Board Member at the National Development Bank, Citizen Entrepreneurial Development Agency and Chairman of the University of Botswana Finance and Audit Committee.

BOARD OF DIRECTORS (cont.)



NEO BOGATSU
Board Member

Member of the Board Finance and Audit Committee and the Board Human Capital Committee Appointed 01 July 2016.

Ms Bogatsu is a business leader with 20 years working experience in the financial services industry not limited to auditing, accounting, taxation and compliance. She is currently employed by Botswana Insurance Fund Management (BIFM), as Chief Executive Officer. She joined BIFM in 2011 as Chief Finance Officer, in 2013 she became Chief Finance and Operations Officer. Ms Bogatsu holds an Executive MBA from the University of Chicago Booth School of Business, Association of Chartered Certified Accountant (ACCA) from Botswana Accountancy College and Bachelor of Commerce Degree, (Accounting Major) from the University of Botswana.

ODUETSE TEBOGO
Board Member

Ms. Tebogo has over 20 years of extensive experience in the Real Estate industry, cutting across diverse environments of Housing Development and Management; Telecommunications as well as Banking. She is currently running a progressively growing real estate enterprise of which she serves as Managing Director. Ms. Tebogo holds a BA in Planning and Sociology from the University of Botswana, an Masters of Science in Real Estate from the University of Reading, UK. She is a member of both the Botswana Institute of Development Professions, and the Real Estate Institute of Botswana.

THULAGANYO MOLEBATSI
Board Member

Mr Molebatsi has more than fourteen years of experience in the Financial Services Industry (Actuarial Consultancy, Life Insurance and Health Insurance). He is the Principal Officer at Botswana Public Officers Medical Aid Scheme (BPOMAS), a position he assumed in 2016. As the Executive Officer of the Scheme he is responsible for overall running of the Organisation, including development and implementation of the Organisation's Strategy; overseeing the financial performance of BPOMAS subsidiaries and Strategic Assets, contracting and providing oversight on contracted third parties (Scheme Administrators, Asset Consultants & Investment Managers, and Scheme Actuaries etc.). Mr. Molebatsi holds a Masters of Science and Bachelor of Science in Actuarial Science from the University of Kent at Canterbury (UK). He is competent in areas of Strategy Development and Implementation, Market & Product Development, Investment Analysis, Capital Project Appraisal, Contract Management and Project Management (Prince 2 Practitioner).

RICHARD CHILISA
Board Member

Mr. Chilisa is currently the Corporate Risk Manager at Water Utilities Corporation (WUC), assisting the Board of Directors and Management with oversight and management of enterprise risks.

°Mr. Chilisa holds a Masters of Science in Strategic Management from University of Derby (UK), Post Graduate Certificate in Enterprise Risk Management from Botswana Accountancy College and a Bachelor of Engineering from Carleton University (Canada).

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SEAN RASEBOTSA
Independent Board Member

Mr. Rasebotsa is the Chief Executive Officer of African Alliance. A seasoned former banker and risk manager, Mr. Rasebotsa has extensive experience in Risk Management Strategic Leadership, direction and guidance. Previously, he has held the position of General Manager at Continental Outdoor Media (Botswana). Prior to this appointment, he was the Managing Director of Coronation Fund Managers (Botswana). Mr. Rasebotsa has previously served as Chief Executive Officer at Glenrand MIB and has held various senior positions including Risk Director at Barclays Bank in Botswana, Country Credit Director for Barclays Bank of Zambia PLC and Associate Corporate Credit Director at Barclays regional office in South Africa. Mr. Rasebotsa holds a Bachelor of Commerce Degree.

MICHAEL LESOLLE
Independent Board Member

A Certified Chartered Accountant, Mr. Lesolle was the Executive Director of Botswana Accountancy College (BAC) and the former CEO of Botswana Savings Bank. He is a Fellow of the Association of Chartered Certified Accountants (ACCA) and has extensive experience in various aspects of business and the accountancy profession as well as in Business Leadership, Organisational Transformation, Strategy Formulation and its implementation, and managing change. Mr. Lesolle has an ACCA qualification and is also a Member of the Botswana Institute of Chartered Accountants.

MOSIMOLODI LEFHOKO
Independent Board Member

Mr. Lefhoko is a Project Manager/ Quantity Surveyor with the Department of Building and Engineering Services (DBES). Prior to his appointment at DBES, Mr. Lefhoko was employed as a Project Manager/Quantity Surveyor with Complant Botswana (Pty) Ltd, where he obtained extensive experience in construction tenders; pricing Bills of Quantities, checking for tender compliance prior to submission as well as business development through sourcing of tenders.

With over 20 years' experience, Mr Lefhoko's career began as an Assistant Quantity Surveyor, with the Department of Architecture and Building Services. Mr. Lefhoko has held several senior positions including Principal Quantity Surveyor at Botswana Housing Corporation; Divisional Manager and later Executive Director for Works, with the Public Procurement and Asset Disposal Board (PPADB); participating in the adjudication and award of works, supplies and services tenders.

ABEL MONNAKGOTLA
Board Member - RETIRED

Mr. Abel Monnakgotla is a prominent entrepreneur, especially in the transport, insurance and leisure/ tourism industries where he presides over a successful group of enterprises. As an entrepreneur, Mr. Monnakgotla has actively participated in Business Botswana activities (Formerly BOCCIM) as the Transport Sector Chairperson and is the founding chairperson of the Botswana Road Transport Society. He was a Board Member of the Bosetu Funeral Scheme and the immediate past Chairperson of Masiela Trust Fund. Mr. Monnakgotla is the chairperson of the Emmanuel Parish (Gaborone) of the Evangelical Lutheran Church in Southern Africa.

CHESHE DOW
Board Member - RETIRED

Ms. Dow has a proven track record in legal, compliance and operational risk management in the financial services sector including Banking, Insurance and Asset Management. Ms Dow holds a Bachelors degree in Economics from Kenyon College, US; a Juris Doctor (law) from the University of Cincinnati, US; and an LLM in Finance and Law from the Duisenberg School of Finance/ University of Amsterdam, The Netherlands. She is passionate about developing and nurturing emerging talent.

GOVERNANCE FRAMEWORK

1. The Board is dedicated to the implementation of effective structures, policies and practices that promote sound corporate governance principles and create sustainable value for the shareholder and stakeholders. High and sustainable performance cannot be achieved without sound governance. It is in this regard, that BDC continues to commit considerable resources to ensure effective governance, fairness, accountability, transparency and responsiveness. An Environmental Social and Management System has been put in place. The Board therefore takes shareholder rights and environmental and social factors into consideration in investment decisions.

2. The Board undertakes periodic reviews of the governance framework to ensure that all policies and procedures are relevant, streamlined, promote a strong, viable, and accountable Corporation with strong internal controls and an effectively monitored and measured performance.

3. Independence of the Board is also a high priority, with the Board consisting of a majority of non-Executive Directors and only one Executive Director. As the custodian of corporate governance, the Board is responsible for ensuring that the business of BDC is conducted along sound corporate governance principles, to promote and facilitate the economic development of Botswana. In addition, that business affairs are conducted on a commercial basis yielding high return, and in a prompt, efficient and economic manner.

CORPORATE VALUES

The Board ensures that in conducting its business and on interaction with stakeholders, there is conformance to the Corporation's Corporate Values, or as defined in the Corporation's Strategy. High and sustainable corporate performance is achieved in line with the business model and a governance framework, which includes a Governance Policy, Board Charter and Delegation of Authority Policy. In addition to the framework, BDC's strategic essence is to leverage good governance and partnerships to create and grow commercially viable businesses. The governance framework aims at ensuring the development of an environment wherein those charged with governance and assurance can perform their duties. In addition, the Board and Management continue to engage with the Shareholder, to ensure that there is alignment between the Shareholder's national vision and the corporate strategy.

Board Committee

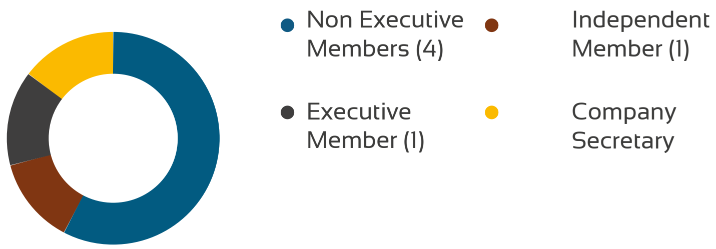
There are five standing committees that assist the Board in exercising its authority. Authority has been delegated to the Committees to improve effectiveness and efficiency of decisions. The Board however, retains accountability for the exercise of its delegated authority. The Chairperson of each Committee is a non-executive director.

These Committees are:

- Board Tender Committee (BTC)

The Committee was set up in terms of the Board Charter to adjudicate on procurement of works, services, supplies and disposal of assets and to address matters relating to these procedures.

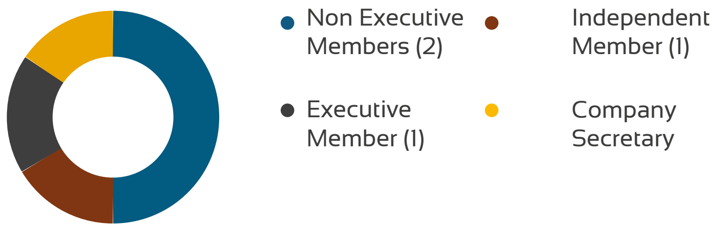
BTC Composition



- Finance and Audit Committee (FAC)

The mandate of the Committee is to establish a clear channel of communication between Management, Internal Auditors, External Auditors and the Board of Directors; to improve the ability of the Board as a whole to ensure that proper and effective control and ethical practices are preserved at every level of delegation.

FAC Composition

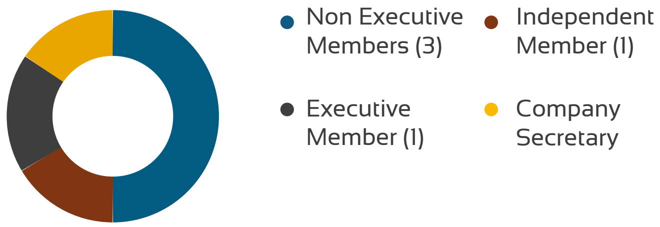


- Board Risk and Investment Committee (BRIC)

The mandate of the Committee is to review the Investment strategy of the Corporation and make relevant recommendations to the Board for approval; to ensure compliance with the Credit and Investment Policies and Investment Procedures in place; to review quarterly, the implementation and compliance of the Risk Management activities.

GOVERNANCE FRAMEWORK (CONT.)

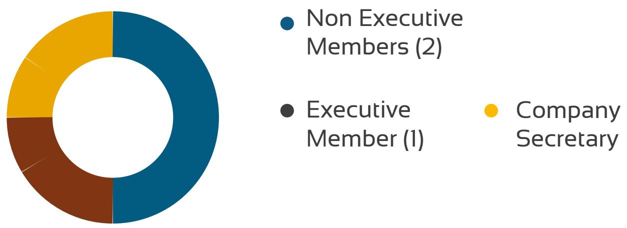
BRIC Composition



- Human Capital Committee (HCC)

The mandate of the Committee is to monitor and advise on the human capital of BDC, as well as the welfare of staff, to ensure adherence to the general conditions governing employees of the Corporation, in order to attain BDC objectives.

HCC Composition



- Credit and Investment Committee (CIC)

The Committee is made up of Management. The Committee ensures that all investment proposals are subjected to rigorous examination prior to recommendation to the Board Risk and Investment Committee and the Board, depending on the threshold.

CIC Composition

DIRECTOR EVALUATION

In line with the commitment made by the Board through the Board Charter, the Board and its independent Board Committee members are evaluated on their performance for the preceding year. The annual evaluation exercise is aimed at finding a balance between the increased demands for Boards to be accountable, effective leadership, and performance of the Board. The assessment focuses on fiduciary duties, risk management, strategic leadership and direction.

DIRECTOR DEVELOPMENT

BDC as a company, working within the highly competitive private sector, it is incumbent that the Board is continuously trained and upskilled on the nature of the business in particular, venture capital, private equity, development finance institutions funding, financial skills, as well as risk management. As such, BDC continues to put in place continuous development programmes aimed at empowering and upskilling the Board with current key trends.

INFORMATION TECHNOLOGY GOVERNANCE

In today's world the information systems of enterprises are now pervasive, no longer only used to enable a company to work more efficiently but are now the very fabric of the enterprise of today. It is with this that BDC has put in place information systems that are aligned with the long-term strategy of the Corporation.

Similarly, over and above the information Systems, critical to IT Governance is Information Management especially as it relates to Information Security. The Corporation continuously reviews its information and data security to ensure that critical information of both the Corporation and its clients is fully secured, in particular from external threats.

BDC GOVERNANCE CHECKLIST

Below is the governance checklist as well as the Board and Committee attendance matrix.

BDC GOVERNANCE CHECKLIST	ADHERANCE
BDC Constitution	YES√
Board Charter	YES√
BDC Corporate Strategy	YES√
Shareholder compact	YES√
BDC Risk Appetite Statement	YES√
Treasury Policy and Framework	YES√
BDC Processes Manual	YES√
Credit and Investment Policy	YES√
Credit Pricing Policy	YES√
Credit Risk and Portfolio Management Framework	YES√
IT Security Policy	YES√

GOVERNANCE FRAMEWORK (CONT.)

STATEMENT OF COMPLIANCE

The Board is satisfied that every effort is being made to comply in all material respects to all principles of good governance, as pronounced in King III Corporate Governance Code and the Companies Act Cap 42:01, as well as the principles as set out in the proposed corporate governance Code for Botswana, as issued by the Directors Institute of Botswana.

Below is an assessment of the Corporation's compliance with Botswana Corporate Governance Code and King III:

	Key
✓	Applied
★	Partially applied
♦	Not applied
×	In progress
◘	Not applicable
Ethical leadership and corporate citizenship	
✓	Effective leadership based on an ethical foundation
✓	Responsible corporate citizen
✓	Effective management of company's ethics
Board and Directors	
✓	The Board is the custodian of corporate governance
✓	Strategy, risk, performance and sustainability are inseparable
✓	Directors act in the best interests of the company
✓	The Chairman of the Board is an independent non-executive director
✓	Framework for the delegation of authority has been established
✓	The Board comprises a balance of power, with a majority of non-executive directors who are independent
♦	Directors are appointed through a formal process
✓	Formal induction and ongoing training of directors is conducted
✓	The Board is assisted by a competent, suitably qualified and experienced Company Secretary
★	Regular performance evaluations of the Board, its committees and the individual directors
✓	Appointment of well-structured committees and oversight of key functions
★	A governance framework is agreed between the Corporation and its subsidiaries
♦	Directors are fairly and responsibly remunerated
✓	Remuneration of directors is disclosed in the annual report
♦	The Corporation's remuneration policy is approved by its shareholders

GOVERNANCE FRAMEWORK (CONT.)

Internal Audit	
✓	Effective risk based Internal Audit
✓	Written assessment of the effectiveness of the company's system of internal controls and risk management
✓	Internal Audit is strategically positioned to achieve its objectives
Audit Committee	
✓	Effective and independent
✓	Suitably skilled and experienced independent non-executive directors
✓	Chaired by an independent non-executive director
✓	Oversees integrated reporting
✓	A combined assurance model is applied to improve efficiency in assurance activities
✓	Satisfies itself of the expertise, resources and experience of the company's finance function
✓	Oversees the external audit process
✓	Reports to the Board and shareholders on how it has discharged its duties

Compliance with laws, codes, rules and standards	
✓	The Board ensures the company complies with relevant laws
✓	The Board and its directors have a working understanding of the relevance and implications of non-compliance
♦	Compliance risk forms an integral part of the company's risk management process
✓	The Board has delegated to management the implementation of an effective compliance framework and process
Governing stakeholder relationships	
✓	Appreciation that stakeholders' perceptions affect a company's reputation
✓	Management actively deals with stakeholder relationships
✓	There is an appropriate balance between its various stakeholder groupings
✓	Transparent and effective communication to stakeholders
✓	Disputes are resolved effectively and timeously

GOVERNANCE FRAMEWORK (CONT.)

The governance of information technology	
✓	The Board is responsible for information technology (IT) governance
✓	IT is aligned with the performance and sustainability objectives of the Corporation
✓	Management is responsible for the implementation of an IT governance framework
✓	The Board monitors and evaluates significant IT investments and expenditure
✓	IT is an integral part of the Corporation's risk management
✓	Information assets are managed effectively
♦	The Risk Committee assists the Board in carrying out IT responsibilities
The governance of risk	
✓	The Board is responsible for the governance of risk and setting levels of risk tolerance
✓	The Board determines the levels of risk tolerance
✓	The Audit and Risk Committees assist the Board in carrying out its risk responsibilities
✓	The Board delegates the risk management plan to management
✓	The Board ensures that risk assessments and monitoring are performed on a continual basis
✓	Frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks
✓	Management implements appropriate risk responses
✓	The Board receives assurance on the effectiveness of the risk management process
✓	Sufficient risk disclosure to stakeholders
Integrated reporting and disclosure	
✓	Ensures the integrity of the Corporation's integrated report
✓	Sustainability reporting and disclosure is integrated with the Corporation's financial reporting
✓	Sustainability reporting and disclosure is independently assured

GOVERNANCE FRAMEWORK (CONT.)

BOARD ATTENDANCE

DIRECTOR	SPECIAL BOARD - 12/07/18	ORDINARY BOARD - 13/09/18	SPECIAL BOARD - 06/12/18	AGM - 06/12/18	SPECIAL BOARD - 18/12/18	ORDINARY BOARD - 25/03/19	ORDINARY BOARD - 29/05/19	SPECIAL BOARD -22/07/19	215TH ORDINARY BOARD - 19/09/2019
B. Marole	PRESENT	PRESENT	APOLOGY	PRESENT	PRESENT	PRESENT	PRESENT	PRESENT	PRESENT
P. O. Serame	APOLOGY	PRESENT	APOLOGY	APOLOGY	PRESENT	PRESENT	PRESENT	PRESENT	APOLOGY
S. M. Sekwakwa	APOLOGY	APOLOGY	PRESENT	PRESENT	APOLOGY	APOLOGY	PRESENT	PRESENT	APOLOGY
N. Bogatsu	PRESENT	APOLOGY	PRESENT	PRESENT	APOLOGY	PRESENT	PRESENT	APOLOGY	PRESENT
O. V. Tebogo	APOLOGY	PRESENT	PRESENT	APOLOGY	PRESENT	PRESENT	PRESENT	PRESENT	PRESENT
R. Chilisa	PRESENT	APOLOGY	PRESENT	PRESENT	APOLOGY	PRESENT	PRESENT	PRESENT	PRESENT
T. A.W Molebatsi	PRESENT	PRESENT	APOLOGY	PRESENT	PRESENT	APOLOGY	PRESENT	APOLOGY	PRESENT
C. Dow	PRESENT	PRESENT	APOLOGY	PRESENT	PRESENT	APOLOGY	PRESENT	RESIGNED - 29/05/19	
A. T Monnakgotla	PRESENT	PRESENT	PRESENT	PRESENT	APOLOGY	RESIGNED - 29/01/19			

PRESENT
APOLOGY
RESIGNED

MANAGING DIRECTOR'S REPORT

for the Year ended 30 June 2019

Having driven exceptional growth and a successful transformation of the Business, we are happy and confident to say we have indeed come full circle within our just ended five-year strategic period which commenced in 2014. BDC is now ready to expand into further funding avenues under its next strategic period, namely "Beyond 2019".

This financial year marked the concluding phase of our bold transformation programme under the #DTB5 strategy. To finish off strong, our focus in 2019 rested upon 4 precise goals:

- Increased deal conversion;
- Protecting our gains in revenue and profit;
- Executing our regional (Africa) investments;
- Increasing contribution to the Shareholder.

BDC has continued to grow from strength to strength, effectively progressing from business transformation to a refined and robust capital standing. We identified FY19 as the year of transitioning the business from the conclusion of our transformation programme and setting the steppingstone in place for the business to enter its next strategic period.

During the final year of the strategic period we deliberately pursued an investment led growth after building the necessary capital from divestments in the initial year's investments.

Our plan to re-balance our portfolio to reflect less equity investments is bearing fruit with a 93% growth in interest income.

We believe the current results, marks an era of sustainable growth that will carry the business beyond 2019.

Financial Performance

BDC Company

The Company's revenue from trade amounted to P216 million against prior year P175 million. This 23% increase is on the back of a deliberate strategy to accelerate the conversion of debt transactions which resulted in a 93% growth of interest on loans issued by the Company.

The Corporation pushed for improved cost efficiencies resulting in overall administrative expenses reducing to P93 million against the prior year P109 million.

At P277 million, operating profit was 40% higher than 2018 driven by the revenue increase and cost containment noted above as well as recoveries on previously impaired assets due to targeted portfolio management of key assets to unlock latent value.

The Corporation's net worth stands at P2.1 billion, an 11% year on-year growth due to growth in investment assets that saw total assets growing by 35% to P3.5 billion.

BDC Group

Group revenue closed the year at P151 million, 23% higher than prior year of P123 million mainly on the back of growth in interest on loans issued by the Company. Operating income at P172 million is 15% higher than 2018 due to higher interest on loans issued by the Company, improved rental income from increased occupancies, lower impairments and cost efficiencies.

Notwithstanding, the adoption of IFRS 9 Financial Instruments impairments reduced significantly by 71% reflecting the continued strong portfolio management across the Group.

An increase in investment asset values showed a 17% year-on-year growth of Group assets to a historic high of P4.8 billion.

Delivering Value and Building Efficiencies

Amidst the continued toughened environment in the local and global markets, we were successful in achieving several significant milestones including our portfolio clean-up which released resources tied up in sub-optimal assets, resulting in recoveries on some fully impaired assets.

Nonetheless, the overall challenging operating environment which our debt and equity investments operate in, including the slowed economic growth which has lingered over the decade; the Group has remained resilient with its approach to doing business. We have continued to drive considerable profitability and retained our pledge to the shareholder through declaring dividends.

We are confident to remain profitable into FY20 where growth will largely be driven by increase in new business. We remain committed to our mandate that is focused on investing in commercially viable projects that make high returns to our shareholder and supports the growth of the private sector through pioneering industries; and unlocking value in untapped markets, thus enhancing the Botswana development narrative.

MANAGING DIRECTOR'S REPORT
for the Year ended June 2019 (cont.)

Our mature investment approach remained sustained throughout the financial year. The Corporation during the year disbursed P742 million to new transactions to fund projects intended to strategically bolster local production and increase the export of Botswana goods and services into the SADC region as well as to international markets.

Conclusions

Our zest to reach higher and go further has only continued to increase as we conclude our historic 5-Year Strategic Plan. We have learnt important lessons over the years and embraced them through incorporating change into our priorities and approaches in this final year.

What gives us confidence is that the business is well grounded. We have a fit-for-purpose team and culture, a quality pipeline and a strong direction for the years ahead.

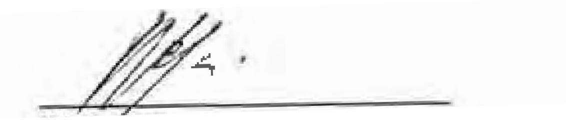
Our investment fund remains at adequate levels, with commitments continuing to be fully funded. Our pipeline processes have been re-evaluated and made more agile without overlooking risk. Thus, we start FY20 poised for growth, and energised by our bold ambition to disburse P1 billion in the next financial year.

We are also determined to continue to add value to the shareholder and are pleased to report a P20 million dividend declaration to the shareholder – our fourth dividend pay-out in four consecutive years. This reflects our commitment to delivering consistent growth. BDC is a people business and we must recognise the unique talents and skills that are required to keep BDC running profitably and sustainably.

Our most prized assets are our people and I thank our Board and our Shareholder in supporting our endeavours to recruit and retain the best talent to execute in this dynamic investment space. The conclusion of FY19 marks the last year in our current 5-year plan.

We continue to prioritise aligning project ventures to the Ministry of Investment, Trade and Industry Strategy to strengthen our value-add and returns. Alignment to the Government agenda is a critical performance objective in our investment strategy in order to stay focused on delivering significant contributions towards shaping the economy to become export-led, in line with Vision 2036.

My team and I are eager to embrace the Beyond 2019 journey and all that it may bring. We are proud of our mandate and our brand as Botswana's Investment Partner of choice. We are also profoundly grateful to the Board and the Shareholder for their support of our ambitions and driving the completion of our transformation programme.



Mr. Moatlhodi Kefentse Lekaukau
Managing Director (A.g)

EXECUTIVE MANAGEMENT

MR. MOATLHODI LEKAUKAU
Managing Director (Ag)

MS. BENEDICTA ABOSI
Chief Financial Officer

MR. MODISE MOKONE
Chief Investment Officer (Ag)

MR. GILBERT OFETOTSE
Head - Legal & Board Secretariat

MS. BOITSHWARELO LEBANG
Head - Corporate Affairs & Strategy

MS. THABILE MOIPOLAI
Head - Human Capital

MR. BOTSHELO MOKOTEDI
Head - Risk

BOITUMELO BANABOTLHE
Chief Audit Executive (Ag)

EXECUTIVE MANAGEMENT
Profiles

MR. MOATLHODI LEKAUKAU
Managing Director (Ag)

Mr. Moatlhodi Lekaukau is the Acting Managing Director of Botswana Development Corporation, a position he assumed 22nd of February 2019.

A meticulous and ambitious leading professional, Mr. Lekaukau has a stellar professional career of over 20 years in leadership of among Africa's and the world's largest and renowned operations to date. Prior to joining the Corporation, Mr. Lekaukau served as Chief Executive Officer of Standard Chartered Bank Botswana, the first Motswana in the bank's history to be appointed to the leading office. He is also the Executive Chairman of YMH Media Group, a diversified indigenous media holding company with interests in Botswana and Zambia. Mr. Lekaukau also served as a Partner for Deloitte and Touche South Africa. In his leadership roles he has led many large transactions and strategic operations across Southern Africa. Mr. Lekaukau is also the Non-Executive Chairperson of Cresta Marakanelo Limited, Botswana's largest hotel chain group, a Director of African Banking Corporation (BancABC) Zambia Limited and is a Director on a number of other private company boards.

Mr. Lekaukau is a member of the South African Institute of Chartered Accountants, a fellow member of the Botswana Institute of Chartered Accountants and holds a Bachelor of Commerce Degree and Postgraduate Diploma in Accounting from the University of Cape Town.

MS. BENEDICTA ABOSI
Chief Financial Officer

Benedicta Abosi is currently Chief Financial Officer at the Botswana Development Corporation. A position she assumed March 4, 2019. Ms. Abosi is a seasoned professional with over 15 years of diverse experience in financial markets across Botswana, South Africa and the United States of America.

She is primarily responsible for managing the Corporation's finances, reporting and investor relations. In her capacity she is also responsible for the execution of the overall strategy of the Corporation whilst ensuring sound Risk Management practices are adhered to.

Ms. Abosi holds a Bachelor of Accountancy Degree from the University of Botswana. She is an Associate Member of the Institute of Chartered Accountants of England and Wales (ICAEW), a Fellow Member of the Association of Chartered Certified Accountants (ACCA), a Certified Internal Auditor of the Institute of Internal Auditors (IIA) and a fellow member of the Botswana Institute of Chartered Accountants.

MS. BOITSHWARELO LEBANG
Head - Corporate Affairs & Strategy

A driven, focused and results-oriented Strategy and Corporate Affairs professional with a passion for connecting concepts and people; Ms. Lebang is currently Head - Corporate Affairs & Strategy at Botswana Development Corporation (BDC). She is tasked with participating in business environment analysis, evaluation of business strategies and execution alignment across the Corporation. She is also tasked with being the custodian of the BDC brand. This includes effective development and implementation of various Marketing, Image and Branding, Communications and Public Relations concepts which contributes to building the BDC brand. She provides strategic leadership in the development and implementation of Communications and Corporate Social Responsibility (CSR) strategies, policies, and programmes for the Corporation. Ms. Lebang holds 15 years of experience in Communications and Strategy combined, 8 of which have been executed through a variety of leadership roles. Her in-depth strategic background allows her to provide competitive advisory while leveraging Corporate Affairs among other disciplines to achieve business strategic goals. Ms. Lebang relishes a challenge and holds a resounding passion for people development and mentorship.

She is the Chairperson of the Lion Park Amusement Park Board, Director of Transport Holdings Pty Ltd and Director of the Residential Holdings Board. She is a member of the International Association of Business Communicators (IABC) body. Ms. Lebang holds an MSc. Strategic Management from the University of Derby in the UK (2007) and a BSc. Computer Science - Business Information Systems and Management from the University of Botswana (2001).

MS. THABILE MOIPOLAI
Head - Human Capital

Ms. Thabile Faith Moipolai is the Head of Human Capital, having joined the Corporation in July 2015. She was previously with De Beers Group of Companies where she held various HR roles, most recently that of Human Resources Business Partner. During her stay at De Beers, her key achievement included successfully driving the 'future world of work' project which was aimed at looking at the business using an innovative and future focused lense in order to ensure business sustainability through efficient talent management and people development including across the SADC Region.

Ms. Moipolai has served in leadership roles at other prominent organisations locally and internationally, including at Botswana Insurance Fund Management as HR Business Partner. Ms. Moipolai has accumulated extensive experience in driving people-first operational agendas to assist with business strategy implementation and service delivery, and is passionate about Talent Acquisition and interrogating the readiness of leaders to meet the current and future needs of the business and its strategy.

She holds a BSBA (Bachelor of Science in Business Administration) with a Major in Human Resources Management from the University of Nebraska, Omaha USA.

MR. GILBERT OFETOTSE
Head - Legal & Board Secretariat

Mr. Ofetotse is the Head of Legal and Board Secretariat, a role he assumed in September 2018. Prior to his assumption to head the division, Mr. Ofetotse had been serving in acting capacity since April 2017. In his capacity at BDC, Mr. Ofetotse's mandate is to provide Legal and Company Secretarial services to the Corporation, the Board and its Constituent Sub-Committees, and monitor adherence to international standards of Corporate Governance in order to protect the integrity of BDC. He has brought to the Corporation a wealth of expertise on the back of extensive legal practice in previous roles as a senior attorney and legal advisor in both public and private institutions over the span of his impressive career journey. As a distinguished practitioner, his expertise includes straddling Litigation, Statutory Regulation, Taxation and Compliance, and Commercial Law.

Among his previous achievements included his leadership of the drafting of the new Civil Aviation Regulations for the Republic of Botswana and service as the major legal advisor on the country's bi-lateral air services agreements with international capacity and diversity.

Mr. Ofetotse attained a Bachelors Degree in Law from the University of Botswana and also holds an additional qualification in International Air Law.

MR. BOTSHELO MOKOTEDI
Head - Risk

Mr. Botshelo Mokotedi assumed the role of Head of Risk effective 01 July 2018.

A forward-thinking, highly motivated and results-driven leader, Mr. Mokotedi has served over (10) ten years in the financial services sector. Mr. Mokotedi has served in a variety of senior roles including in Business Development, Credit Analysis, Portfolio and Risk Management at among Botswana's most renowned financial organisations including National Development Bank (NDB) and Citizen Entrepreneurial Development Agency (CEDA). Mr. Mokotedi has acquired a wealth of experience in the financial and Risk management fields including Budget Development, Credit control, NPL Monitoring, Risk Analysis on investments, Fiduciary and Governance Framework Development.

As leader of the Risk Management Division at BDC, Mr. Mokotedi's mandate entails leading in the management of BDC's overall credit and operational risk management framework. His duties include managing the Corporation's investment portfolio on a continual basis. His department ensures that timeous action is taken through various interventions including work-out and restructuring to protect the Corporation's interests, manage financial risk and ensure business sustainability.

Mr. Mokotedi holds a Bachelors of Commerce Degree specialising in Risk Management from the University of South Africa (UNISA) (2008).

MR. MODISE MOKONE
Chief Investment Officer (Ag)

Mr. Mokone is the Acting Chief Investment Officer, a role he assumed 26 February 2019. He heads Business development operations within BDC. He previously was the Head of Structured Finance at the Citizen Entrepreneurial Development Agency (CEDA) responsible for the implementation of the Agency's venture capital and private equity mandate. Prior to this, Modise served as a Portfolio Executive and Investment Analyst in the same area. Prior to his involvement with CEDA, Modise worked at Stanbic (now Stanlib) Investment Management Services (SIMS) where he worked as a Portfolio Manager and Investment Analyst responsible for the management of several assets including Pension Funds, Balance Funds and Money Market Funds.

Modise holds a Bachelor of Commerce degree in Banking, Finance and Risk Management from Griffith University (Australia), is pursuing the Chartered Financial Analyst (CFA) professional qualification and has completed other investment related professional qualifications. Modise has over 10 years working experience in the private equity and venture capital industry as well as in Asset Management.

BOITUMELO BANABOTLHE
Chief Audit Executive (Ag)

Boitumelo Banabotlhe is Chief Audit Executive (Ag) appointed 17 June 2019.

Mr. Boitumelo Banabotlhe is a professional Auditor with 10 years of experience in his field. As Chief Audit Executive, he is responsible for the entire Internal Audit function within the BDC group of companies. He joined BDC in January 2017 as Manager, Internal Audit where he was responsible for managing comprehensive BDC Group financial and operational audits in accordance with approved internal audit plans and methodology. The role identifies any weaknesses in internal controls and makes recommendations to enhance controls and operational efficiency, reduce potential risk and safeguard the assets of the Corporation and its subsidiary companies.

Prior to joining BDC, Boitumelo served in senior roles at leading organisations including the Ministry of Investment, Trade and Industry and Motor Vehicle Accident Fund Botswana (MVA Fund).

Mr. Banabotlhe is a member of ACCA, Botswana Institute of Chartered Accountants, and Institute of Internal Auditors. He holds a bachelor's degree in Accounting from University of Botswana (2005), he also did a Management Development Programme (MDP) at the University of Stellenbosch (2010). Currently pursuing to be a Certified Internal Auditor.

INTERGRATED
REPORT

CHAPTER
TWO

INVESTMENT REPORT

This year marks the end of BDC's five year #DTB5 strategy. BDC's fifth year of the #DTB5 strategic plan has seen BDC build on the strong forward momentum created in FY18. The financial year to June 2019 was a very positive period for the Corporation with the Investments Division experiencing significantly improved performance. The Division's efforts to improve deal conversion and disbursements over the period yielded improved results with targets set out over the period achieved and outperformed. The last quarter of FY2019 was increasingly positive with transactions that the Division had been finalising due diligences and related activities on reaching financial close.

A strategic imperative throughout the #DTB5 period was understanding the unique market conditions that the African continent holds. A range of factors makes investing in Africa challenging: hard currency shortages and volatility; exchange controls; fiscal deficits; over-regulation; enforceability of contracts; political instability; and other macroeconomic challenges. Nevertheless, in the face of these challenges, BDC was able to successfully reach financial close on their first regional transaction during the financial year. This was only made possible by the team's deliberate decision to spend the first few years of the strategic plan understanding the market dynamics and devising mitigation strategies to these inherent risks.

The Division was also able to enable improved returns from the portfolio through increased portfolio management and engagement over the period.

Deliberate refocus in origination efforts in FY18 delivered an improved pipeline conversion of 31% against 12% registered in FY18 as a result of the team's prioritisation of strategic fit investments. The team spent less time on appraisal of transactions across the funding spectrum focusing more on mature businesses looking for growth capital. This refocus changed the pipeline makeup, weighting towards regional transactions representing the majority of the pipeline, with less than a third coming from the Botswana market which is characterised mostly by Small Medium Enterprises ("SMEs") which normally require small ticket sizes.

The Corporation's dividend income has tracked inflation over the strategic plan period, registering a compounded annual growth rate of 3%. For the year under review; BWP134 million

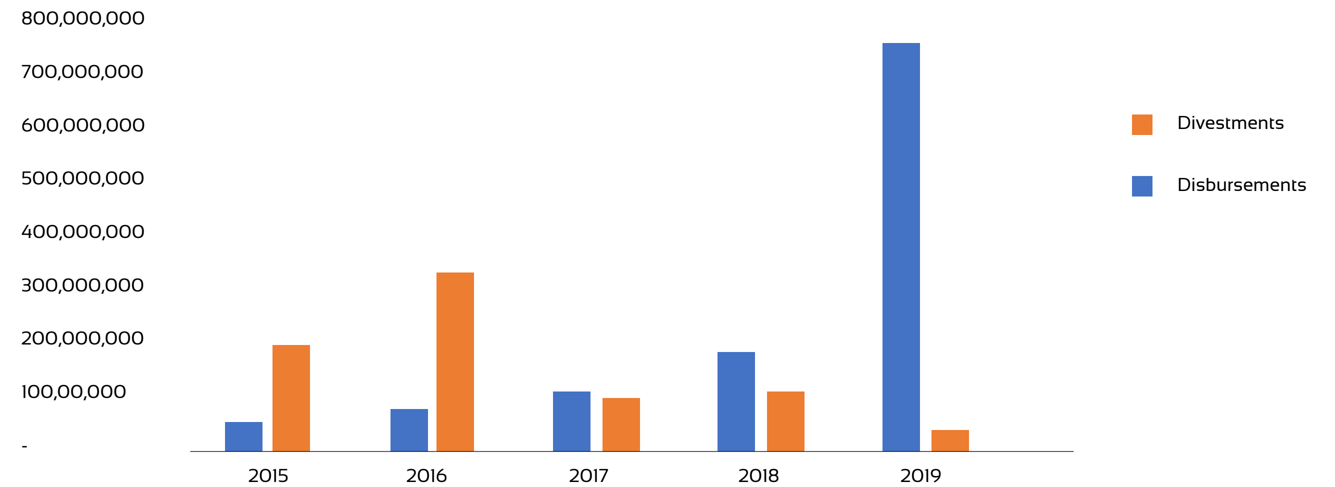
INVESTMENT REPORT (CONT.)

in dividend income was registered compared to BWP133 million received in FY18. The dividend quantum has remained flat over the strategic plan period even though supported by different companies from time to time, indicating a robust and well diversified portfolio that is able to insulate against any market shocks experienced in different sectors.

Divestments continue to be a key process in the Corporation's strategy and investment processes and the Corporation continues to review its portfolio to identify when any investment has reached its life cycle within the Corporation or return based approach. Exits from portfolio companies will continue to be considered where the Corporation has an asset where the Corporation has generated sufficient returns, or a commercially attractive offer is received.

The divestment drive experienced in the earlier years of the strategic plan unlocked cash for investment into new businesses which brought back the BDC portfolio to over the BWP3 billion mark at the end of June 2019. From a balance of BWP3.2 billion in June 2015, the portfolio reached its all time low in June 2018 at BWP2.1 billion before coming back up to BWP3.1 billion. This swing for the period under review was a result of new investments coupled with recoveries in capital markets as the quoted investments registered improved market capitalizations.

BDC Investments Activity: FY15 - FY19



New Business Update

The corporation approved BWP1.49 billion towards new investments throughout the #DTB5 strategic period. 79% of this commitment was fully disbursed at the end of June 2019.

BWP742 million was disbursed during FY19, of which BWP384 million was used to fund BDC's first regional transaction.

Financial Services Sector

- An investment of BWP150 million was disbursed towards one of the leading commercial banks in Botswana to form part of their Tier II Capital.
- Another investment of BWP384 million was made into a leading investment firm with a strong and diverse portfolio in insurance, hospitality, IT and property in Southern Africa. The Jersey Domiciled company has interests in Botswana and Zimbabwe.

Mining Services

- An Investment of BWP40 million was disbursed towards a coal mining and trading company incorporated in Botswana and listed on the Botswana Stock Exchange. The company is committed to becoming the supplier of choice to industrial customers and power utilities across southern Africa.

Healthcare

- An Investment of BWP124m was disbursed, with BWP 150 million committed, towards the establishment of a leading international healthcare provider. The 110 beds hospital located in Block 7 Gaborone, provides multi-specialty tertiary care services.

Existing Portfolio Companies

- Follow-on capital of BWP44 million was made towards existing portfolio companies to support working capital and growth initiatives.

HUMAN CAPITAL REPORT

Following a review of our operations in 2013/2014, BDC developed a transformation strategy that resulted in a refined focus, geared towards effectively delivering on its mandate in a commercially viable manner. As a result, the Corporation developed a strategy to "double the business in five years", known as ***#DTB5***. This prompted Human Capital to relook and realign its people management solutions to the new strategic objectives which has remained unchanged, in driving and fostering a culture change that will deliver results for BDC. Through our deliberate intent to embrace the future world of work as well as align to the global trends, that shapes the new workplace, Human Capital continues to build a high-performance environment, create a thrilling employee experience, increase employee satisfaction, and drive innovation through strong partnerships with its leaders. We continue to employ innovative solutions to our talent strategies across all stages of the employee life cycle while vying for top talent in a highly competitive yet uncertain world.

During the five-year strategic roadmap, our Human Capital offering was based on two themes, resourcing the business and organizing for success and through these targeted solutions the Corporation was able to reposition its employee brand, built a strong Corporate culture, infused new skills and developed within, to ensure relevance and fit for purpose now and in the future.

How we Build Strong Corporate Culture Around Here…

During the strategic period, the Corporation transitioned from a 'them and us' culture to the sort of people that 'Gets' things done, "around here". This cultural change is attributed to a strong leadership involvement in driving the people agenda, and championing Human Capital initiatives, including actively and visibly modelling the desired behaviors across the Corporation by living our Positive Unwritten Ground Rules- UGRs. The UGRs, describe the behaviors that influences the way we do things around here. This culture change initiative ensures that the Corporations' values and beliefs are actively translated in our day to day policies, processes and activities to create a common performance language across the business, thus securing a sustainable future success for BDC.

How we Build Capacity now and, in the Future…

In responding to the fourth Industrial Revolution, which will fundamentally alter the way we live, work, and relate to one another, BDC through its Human Capital, adopted new ways of delivering continuous employee learning and development, leveraging the increased need for technology driven solutions for our millennial generation. Key to this reality, has been the P3 million Technical Assistant grant by the African Development Bank, to capacitate and strengthen BDC's institutional capacity in areas critical to its operations and enhance leadership skills to deliver quality and value, make impact, build strong continental relations and operate in a challenging business environment.

In offering different learning platforms, used interchangeably to build a bespoke BDC employee, Human Capital, embraces a paradigm shift in learning, by providing learning opportunities to employees with more emphasis on self-driven learning, through our inhouse Academy which offers an array of courses through video distribution and interactive content, which is easily accessible and encourages flexibility around learning and development at their fingertips.

We continue to review our competency-based learning, in order to re-affirm the skills required by the business now and in the future. These platforms will also help BDC produce future leaders that are agile and progressive through robust leadership programmes.

How we attract, retain, and build self-sufficiency…

During the transformation roadmap, Human Capital identified strategic re-organization imperatives, a new organization structure as well as resources needed to realize the mandate.
This included building from within and infusing new skills into the business, required to enable the Corporation to achieve its new strategic direction. The overhaul of the strategy included review of our operational structures, and assessment of leadership ability to deliver value for the Corporation and ensuring that BDC remains self-sufficient.

This brought about a need to build a talent pipeline through the graduate development program which offers experiential learning and in turn ensure that BDC has the relevant skills to achieve its strategic objectives.

Human Capital throughout the strategic period, pursued innovative strategies to source and retain talent, cognizant of the age dynamics and alignment to what the business requires, hence we remain resolute in our efforts to continuously improve our talent management strategies and enhance our Employee Value Proposition. Fundamental to the success of our value proposition, is the implementation of our innovative and targeted health and wellness strategies, that not only benefit the Corporation but also enhances employee wellbeing. These strategies emphasize the importance of a fulfilling work-life integration as well as

HUMAN CAPITAL REPORT (CONT.)

provide a thrilling employee experience in a supportive and family-like environment.

How we create Value for the business…

Our approach to building highly empowered teams focuses on a creating meaning roles and robust performance management, linked to reward, and periodic timely feedback conversations throughout the year. The performance management process focuses more on maximising career experience to achieve both business and personal goals and encourages a growth mindset.

This is depicted by the inculcation of career conversations in to the performance management process. A purposeful and clear intention is made, to ensure that our performance management process becomes more personalised, more real time, and more progressive in terms of updating goals that align to the rate of change in the Corporation.

The Future outlook of Human Capital at BDC is to continue driving a strong corporate culture through our innovative solutions driven by alignment to the everchanging practices globally as well as BDC's strategy, while creating a thrilling experience to our employees, which prompts employees to want to come to work as opposed to have to come to work.

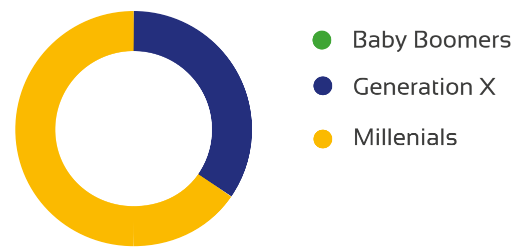
We strive to continually improve our people agenda and processes to best align with the ever-changing practices and create an environment that fulfill employees' need to belong and make them feel they are part of something greater.

BDC Management Diversity

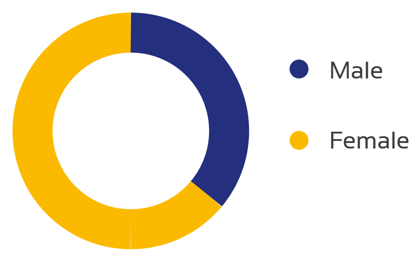
BDC gender diversity represents a fair balance of the workforce which allow the Corporation to serve an increasingly diverse customer base.

Percentage Balance at Management **50%**

Generational Analysis



General BDC Gender Diversity



BDC Management Diversity

BDC has successfully appointed of Trainees/Interns into substantive roles **53%**

GROUP INTERNAL AUDIT

GOVERNANCE ASSURANCE AND INTERNAL AUDIT FUNCTION OVERVIEW

Purpose and Mission

The purpose of BDC's Group Internal Audit (GIA) is to provide independent, objective assurance and consulting services designed to add value and improve the operations of BDC Group. The mission of the division is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. GIA helps the Corporation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes of BDC Group.

Organisational status

To enhance independence and objectivity and ensure accomplishment of audit objectives, the Chief Audit Executive reports functionally to the Board of Directors through the Finance and Audit Committee "the Committee" and administratively to the Managing Director. To establish, maintain, and assure that the internal audit department has sufficient authority to fulfill its duties, the Committee:

- Approves the internal audit department's charter;
- Approves the risk-based internal audit plan;
- Approves the internal audit budget and resource plan;
- Receive communications from the Chief Audit Executive on the internal audit department's performance relative to its plan and other matters;
- Approves decisions regarding the appointment, performance evaluation and removal of the Chief Audit Executive;

Control Environment

During FY19, the Board, through the Finance and Audit Committee, External and Internal auditors continued to provide assurance on the status of governance and the internal control system within BDC Group. The Board has ensured that risk identification is an ongoing process and has ensured that adequate resources are in place to identify, evaluate and mitigate risks in place. The Group Internal Audit work plan is risk based and adequately covers the Group audit universe. The Board and management have ensured that adequate policies and procedures are in place to guide Group operations, safeguard assets as well as ensuring completeness of management information, accounting records and reliability of financial statements. Work done by assurance providers has indicated that the corporation's system of internal control is adequate and effective.

Combined Assurance Overview

Our combined assurance model brings together the business lines of assurance to most effectively and efficiently identify, manage and monitor key business risks, while aligning to strategy; resulting in risk informed business decision making. The table below summarises the Corporation's combined assurance methodology.

<table>
<tr><th colspan="5">BDC COMBINED ASSURANCE MODEL</th></tr>
<tr><td colspan="5"><u>Objective</u>
Co-ordinated approach to the Corporation's assurance activities.</td></tr>
<tr><td rowspan="6">Examples of the Applicable Governance Frameworks:
• The Companies Act, King IV Code on Corporate Governance
• External governance frameworks and legislation
• Board Charters
• BDC policies and procedures</td><td rowspan="6">Assurance providers are increasingly engaged and meet more frequently.</td><td><u>LEVEL</u></td><td><u>Role</u></td><td rowspan="6">Assurance providers are increasingly independent.</td></tr>
<tr><td>1. BDC Management</td><td>Line Management is responsible for managing, measuring and mitigating operational risk.</td></tr>
<tr><td>2. Governance functions (e.g. Risk, IT and Legal)</td><td>BDC has specialized Risk and Legal functions to assist guide management in executing its duties and provide assurance through monitoring. The Board provides oversight to these functions.</td></tr>
<tr><td>3. Group Internal Audit</td><td>Group Internal Audit operates independently from management with oversight by the Finance and Audit Committee.</td></tr>
<tr><td>4. External accreditation, credit grading and assurance providers</td><td>BDC appoints independent external assurance providers as and when required on an ad hoc basis. The external Auditors are appointed by the independent Board of Directors.</td></tr>
<tr><td>5. BDC Board of Directors</td><td>The Board of Directors has an overall oversight role.</td></tr>
</table>

GROUP INTERNAL AUDIT (CONT.)

Tip-Off Anonymous

Internal audit oversees and provides liaison between the Corporation's structures and an independent 24 hours Anonymous tip-off Service.

The service forms part of the mechanisms that assist the Corporation in fraud and corruption deterrence as well as detection.

The Corporation in turn has a whistle-blowers' protection policy to support the service by ensuring that both the whistle-blowers are protected and the whistle-blowees are afforded fair treatment in dealing with any alleged reports. Internal Audit performs investigations arising from whistle blowing reports made and provides the Executive management and the Board with updates on issues arising from the investigations as well as any trends identified.

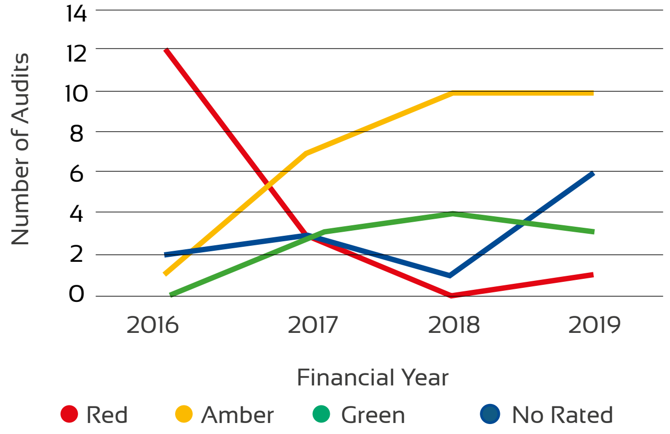
2014- 2019 Strategic Period

The Department achieved great milestones over the 2014-2019 strategic period which improved its value-add. Amongst this, the introduction of a robust audit methodology which significantly changed the audit landscape within the Corporation.

The methodology acts as a guide to the auditors on the audit process, from risk assessment, audit planning, conducting fieldwork, reporting and issue tracking. The methodology also helped the Department clearly define the Corporation's audit universe which included risk ratings and audit cycles.

Following business transformation, the Corporation experienced periods of weak control environment, these was evidenced by the high number of "Red" report ratings. This however changed over the strategic period where we saw the number of "Amber" and "Green" reports far superseding the Red audits. Below is an analysis of the report ratings issued during the 4-year period ended 30 June 2019.

Audit Report ratings for the years 2016 to 2019



RISK MANAGEMENT AND SUSTAINABILITY

RISK MANAGEMENT

Overview

This year marks the end of BDC five (5) year strategy. The significance of the period thus brings a much-desired opportunity to reflect and review the adopted risk management policies and frameworks over this five-year horizon. In order to guarantee the maintenance of cohesiveness, consistent and interlinked Risk Management practices across the Corporation, Management and Board of Directors have taken a position to review and test the relevance of BDC policies and frameworks including those sitting under the Risk Management Division which are:

- Credit Risk and Portfolio Management Policy;
- Credit Pricing Policy;
- Capital Management Policy and
- Credit and Investment Policy.

Over the last 5 years these approved policies and frameworks underwent a vigorous test as the Corporation strived to position itself appropriately to seize any form of opportunity and in parallel exiting some of its matured investments. This was done to raise funds as well as accelerate quality investments into its investment asset pool, to create value within acceptable risk parameters.

During the strategic period, Risk Management has been performing both First Line functions emanating from the Investment and Credit positions within the credit process, as well as Second line functions from the Enterprise Wide Risk Management front.

That being said, observed from an enhancement and compliance point of view, the Corporation is at the final leg of implementing its Environmental and Social Management System (ESMS) as well as finalising Anti-Money Laundering and Counter Terrorism Financing (AML&CTF) policies.

Over the period, BDC adopted the use of Internal Ratings-Based approach (IRB) in which it was permitted to use its key credit drivers as the basis of input to support its grading of prospective investments and as a primary input variable towards capital calculation (Risk Adjusted Return on Capital RAROC) computations.

Of note is the adoption of IFRS9 which by nature will ensure that all onboarded credit investments are assessed for their quality and that the possibility of loss is realised from inception of the investment.

Overview Performance - 2014-2019 Strategic Period

- Non-Performing Loans (NPLs) moved positively and within limit of 20%.

- Currently, the NPLs are at 17% (June 2019) from 63% (June 2015).

- Other matrices geared towards managing of portfolio risk have also been positive. These levels of NPLs are synonymous with most Sub Saharan Development Finance Institutions some of which are regarded as best performing.

RISK MANAGEMENT AND SUSTAINABILITY (CONT.)

For the year under review, Management and Board set several risk objectives which are to:

- Facilitate and support quality portfolio growth;
- Consolidate the approval and implementation of AML&CTF and ESMS programmes;
- Improve collections and account monitoring as well as
- Invest on risk resources - systems/models, process and people, to effectively carry out the mandate of the function.

The Corporation's Risk Management systems performed reasonably well, under the enhancement mode by anchoring the growth of its investment asset through the writing on of quality investments, reduction of impairments and pushing down portfolio losses.

BDC RISK UNIVERSE

An overview of the inter-relationships between the principle components of the risk management framework within an organisation is outlined in the diagram below:

The BDC risk approach is based but not limited to the following core principles;

- The risk management process supports the pursuit of BDC strategy and is validated on a periodical basis;
- The identified types of risks are appropriately managed;
- The risk management is integrated with the planning and controlling systems; and
- The risk level is monitored on a current basis.

RISK GOVERNANCE

Board of Directors

The Corporation's Board of Directors has oversight of Risk Management with a special focus on the most pertinant risks facing the Corporation, emanating from strategic, operational, financial, legal and compliance fronts . Throughout the year, the Board and the committees to which it has delegated responsibility, dedicate a portion of their meetings to review and discuss specific risk topics in greater detail. Strategic, Operational and Reputational risks are presented and discussed in more details within the context of the Managing Director's report.

Risk governance across the business is maintained through effective delegation of authority from the Board through its Risk and Investment committee right through to management levels. The delegation of risk management responsibilities across the Corporation is structured to ensure decisions are taken at the most appropriate level consistent with business objectives.

Strategic business decisions are taken within the Board's-authorised risk appetite in tandem to the executive and risk committees closely monitoring risk profiles against permitted appetite levels.

RISK MANAGEMENT AND SUSTAINABILITY (CONT.)

The Board with the assistance of Risk & Investment Committee, continuously monitors the top risks to ensure timeous mitigation and the processes ensures value is created and preserved for the shareholder.

The residual risk facing the Corporation are reflected as follows;

Risk Type	Possible Impact	Strategic Response in Mitigation
Capital and Funding Risk Having enough capital and funding to honour obligations as they become due.	· Liquidity concerns. · Opportunity cost of capital. · In ability to absorb losses from exposure and remain a going concern.	· Sourcing of stable funding sources. · Capital & cash planning and forecasting. · Tracking capital & funding trajectory.
Credit Risk Loss of Economic Capital	The Corporation's loss of risk capital from non-performing assets.	· The Corporation's NPL and arrears level ratios have been within approved risk appetite. · Robust credit policies and processes.
Concentration Risk Being overly concentrated in certain economic sectors, asset type and counterparties.	· Increased volatility within the portfolio (Systematic risk). · Limit the ceding of new opportunities.	· Systematic portfolio reviews. · Diversification of the portfolio. · Strategic and tactical asset allocation

Anti-Money Laundering and Counter Terrorism Financing (AML&CTF) Policy
Over the last year, BDC has been developing its AML&CTF policy which is geared towards not only complying with regulations but also enhancing its Risk Management landscape within its operations.

The primary objectives of this policy are to set out the framework adopted by BDC in terms of the Financial Intelligence Agency (FIA) regulatory requirements and global standards, namely the Financial Action Task Force (FAFT) recommendations, in respect of the identification, assessment and management of money maundering, terrorist funding and sanctions risks. Furthermore, the policy serves as the primary input into the establishment of control measures in order to mitigate money laundering/terrorist funding and sanctions risk and to comply with related legislation.

Other aspects of this policy are to:

- Safeguard BDC, its resources and employees from being misused for purposes of conducting illegal activities.
- establish the framework with which compliance with legislation is managed;
- establish the internal rules and procedures for the awareness, detection, prevention and reporting of money laundering, terrorist funding risks and sanctions violations; and
- to ensure that BDC's AML&CTF and Sanctions program is aligned to the FATF recommendations and its interpretive notes.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

As BDC, we aspire to be the leading development and investment financier that makes a significant contribution to the sustainable development of the communities in which we operate and invest. As a responsible corporate company, we continue to drive growth and create returns for our shareholder without forgetting the social needs surrounding our communities. The BDC Corporate Social Responsibility [CSR] Programme was established for the purpose of setting up a Grants and Donations Fund through which the Corporation will deliver on its Corporate Social Responsibility objective of extending financial and non-financial assistance to deserving organizations. The main objectives of our CSR initiative are to: Build Sustainable Community Relationships and Investments; and to Contribute towards citizen development and empowerment. For the past 5 years under the 2014-2019 strategic period, the Corporation supported deserving entities with a total value of P2 158 800.

- Our Corporate Social Investment (CSI) programme is more pro-active and long term where the Corporation pro-actively identifies one or two community initiatives/ projects within its current geographic area of operations.
- Our Donations programme is more reactive and short term, where the Corporation responds to requests for funding or donations most of which are once off.
- Our Sponsorships programme is also more on short term and driven primarily at improving our strategic partnerships that offer opportunities for further appreciating BDC's mandate.

OUR CRITERIA FOR DONATIONS, SPONSORSHIPS AND CSI

The Corporation may make donations or sponsorships or financial investments to deserving CSR initiatives, organisations, programmes, projects, publications or causes. The Corporation will NOT take part in any religious or political requests for financial, human resource or any other support.

Persons qualifying for such support should meet the following criteria:

a) Organisations which provide skills development, employment opportunities, and services to national communities at large,

b) Organisations must be registered, in good standing and compliant in terms of all legislation relevant and applicable to them.

c) Where a request is from a non-registered entity or an individual, whose case in the opinion of the CSR Committee deserves assistance, it will be reviewed and recommended to the Managing Director for request approval.

d) They should perform services that directly contribute to potential and actual benefit to the community and are non-discriminatory, including but not limited to the following:

I. The conservation of the environment including natural resources.

II. Creation of Employment Opportunities in Communities throughout the Country.

III. The care, rehabilitation and training of the handicapped, socially disadvantaged and ill.

IV. Research and public education on the history, culture, people and economy of Botswana.

V. The provision of recreational and sporting activities representing the country at National level.

VI. The promotion of Botswana as an investment and tourist destination

CORPORATE SOCIAL RESPONSIBILITY (CSR) (CONT.)

VII. The promotion and development of business and entrepreneurial skills for self-employment opportunities.

VIII. Support sustainable community based small developmental projects giving priority to youth and women.

IX. Promotion of talent through sports, music, arts and cultural activities.

The Corporation remains committed to its CSR policy as it remains at the core of who BDC is as a financial institution.

Driving sustainability and longevity, especially for programmes which support vulnerable communities, shall continue to be a priority for our action. Highlights of the initiative supported for the past 5 years.

Botswana Development Corporation Limited

FINANCIAL STATEMENTS FOR THE YEAR ENDED

30 JUNE 2019

CHAPTER THREE

CHAPTER 3

GENERAL INFORMATION

Country of incorporation and domicile	Botswana
Nature of business and principal activities	Investment arm of Government to promote and facilitate economic development of Botswana.
Directors	B Marole (Chairman) M Lekaukau (Managing Director (Ag)) N Bogatsu R Chilisa T Molebatsi P Serame O Tebogo S M Sekwakwa
Registered office	Fairscape Precinct Plot 70667 Fairgrounds Office Park
Postal address	Private Bag 160 Gaborone
Bankers	Barclays Bank of Botswana Limited Stanbic Bank Botswana Limited First National Bank of Botswana Limited Standard Chartered Bank Botswana Limited
Auditor	KPMG
Group Company Secretary	G Ofetotse

BOTSWANA DEVELOPMENT CORPORATION LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

DIRECTORS' RESPONSIBILITY STATEMENT AND APPROVAL OF THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation and fair presentation of the group and company financial statements of Botswana Development Corporation Limited ("the Group"), comprising the statements of financial position as at 30 June 2019 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards ("IFRS").

The Directors are required by the Companies Act of Botswana (Companies Act, 2003) to maintain adequate accounting records and are responsible for the content and integrity of the financial information included in this report. It is their responsibility to ensure that the consolidated and separate financial statements fairly present the state of affairs of the Group and Company as at 30 June 2019 and the results of their operations and cash flows for the year then ended, in conformity with IFRS. The external auditors are engaged to express an independent opinion on the group and company financial statements and their report is presented on page 59.

The Directors' are responsible for such internal controls 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.

The group and company financial statements are prepared in accordance with IFRS and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates. The Directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

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

The Directors have made an assessment of the Company's ability to continue as a going concern and there is no reason to believe the business will not be a going concern in the year ahead. The Directors are of the opinion, based on the information and explanations given by Management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

Disclosure of audit information

Each of the directors at the date of approval of this report confirms that:

- in so far as the director is aware, there is no relevant audit information of which the Group's and Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Group's and Company's auditor is aware of that information.

Directors' approval of the financial statements

The group and company financial statements set out on pages 68 to 166 which have been prepared on the going concern basis, were approved by the Board on 04 December 2019 and are signed on its behalf on 20 February 2020 by:

N Bogatsu
Director

M Lekaukau
Director

DIRECTORS' REPORT

The directors have pleasure in submitting their report on the financial statements of Botswana Development Corporation Limited and the group for the year ended 30 June, 2019.

1. Review of financial results and activities

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act 2003. The accounting policies have been applied consistently compared to the prior year with the exception of the adoption of new standards and interpretations as outlined in note 43.

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

2. Stated capital

The total number of ordinary shares issued and fully paid is P541,769,462 (2018: 541,769,462).

3. Directorate

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

Directors	Office	Designation	Nationality	Changes
B Marole	Chairperson	Non-executive	Motswana	
M Lekaukau	Managing Director (Ag)	Executive	Motswana	Appointed 22 February 2019
N Bogatsu	Other	Non-executive	Motswana	
R Chilisa	Other	Non-executive	Motswana	
T Molebatsi	Other	Non-executive	Motswana	
P Serame	Other	Non-executive	Motswana	
O Tebogo	Other	Non-executive	Motswana	
S M Sekwakwa	Other	Non-executive	Motswana	
B Gaetsaloe	Other	Executive	Motswana	Resigned 16 January 2019
C Dow	Other	Non-executive	Motswana	Resigned 29 May 2019
A T Monnakgotla	Other	Non-executive	Motswana	Resigned 29 January 2019

4. Events after the reporting period

Material events after the reporting date up to the date of this report are included in note 39. Other than these, the directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

5. Directors fees and expenses

It is recommended that the directors fees, expenses of P 125 100 and directors emoluments of P2 804 982 (2018:Fees P202 500, Emoluments P2 838 244) for the year to 30 June 2019 be ratified.

6. Dividends declaration

Dividends of P20 million (2018: P25 million) have been declared for the year 30 June 2019 to be ratified.

By Order of the Board

G. Ofetotse
Group Company Secretary

KPMG, Chartered Accountants
Audit
Plot 67977, Off Tlokweng Road,
Fairgrounds Office Park
PO Box 1519, Gaborone, Botswana
Telephone +267 391 2400
Fax +267 397 5281
Web http://www.kpmg.com/

Independent Auditors' Report

To the shareholder of Botswana Development Corporation Limited

Opinion

We have audited the group and company financial statements of Botswana Development Corporation Limited (the Group and Company), which comprise the statements of financial position at 30 June 2019, the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, significant accounting policies and the notes to the financial statements, as set out on pages *68 to *166.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Botswana Development Corporation Limited at 30 June 2019, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Group and Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the 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.

**page numbers updated to align with numbering of annual report.*

KPMG

Valuation of investment properties

This key audit matter is applicable to the consolidated financial statements.

Refer to the accounting policy for investment properties in note 1.6 the critical judgements in applying accounting policies in determining the valuation of investment properties in note 1.5 and note 7 to the financial statements.

The key audit matter	How the matter was addressed in our audit

The Group owns a portfolio of investment properties comprising office buildings, residential property, industrial property and mixed use properties. The carrying values of the investment properties amounted to P2.064 billion as at 30 June 2019 (2018: P2.208 billion). This accounts for 51% of the Group's total non-current assets and is the largest asset of the Group.
 	
The Group's investment properties are measured at fair value based on valuations carried out by independent qualified professional valuers (the valuers). The valuations are dependent on inputs which are generally applied by valuers and involve judgement.
 	
The valuation model considers the present value of net cash flows to be generated from the property, taking into account the expected rental growth rate, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates.
 	
Due to the significance of the value of investment properties and the significant estimates and judgments involved in determining the fair values of the investment properties, the valuation of investment properties was considered to be a key audit matter.
	Our audit procedures included the following:
	- We evaluated the competence, capabilities and objectivity of the valuers, including an evaluation of controls in place for the appointment and assessment of these experts by management. This was achieved through conducting background checks, reviewing details of the experts' qualifications and experience and verifying their membership to professional bodies.
	- We evaluated the appropriateness of valuation methodologies used against those applied by other valuers for similar property types.
	- We obtained an understanding of the valuation process used by the valuers, including the significant assumptions and critical judgments applied in the valuation methodologies and whether these methodologies met the requirements of IFRS 13 *Fair Value Measurement*.
	- We assessed and challenged the key inputs and assumptions in the valuation models to ensure that the significant inputs are within a reasonable range for the respective market sector and asset. This included the following procedures:
	  - We traced cash flows (rental incomes) to underlying lease contracts on a sample basis;
	  - We compared expected market rental growth and discount rates to industry data; and
	  - We compared occupancy rates and rent free or void periods to historical data. In addition, we considered whether the historical data was an appropriate indication for future inputs in line with current market conditions.
	- We traced the values of the Group's investment properties to the independent valuers' reports on a sample basis.
	- We tested controls over management's process for reviewing the inputs and results obtained from these valuation reports on a sample basis, in assessing whether any impairments should be recognised on the value of the Group's investment properties.
	- We considered the adequacy of the disclosures made in the financial statements related to the valuation of investment properties in relation to the requirements of IAS 40 *Investment Property* and IFRS 13 *Fair Value Measurement*.

KPMG

Impairment assessment of investments in subsidiaries and equity accounted investees

This key audit matter is applicable to the Company's separate financial statements.

Refer to the accounting policies on investments in subsidiaries in note 1.3 and equity accounted investees in note 1.4. The critical accounting estimates and judgements in applying accounting policies in determining the impairment of investments in subsidiaries and equity accounted investees in note 1.5, notes 11 and 12 relating to subsidiaries and equity accounted investees respectively.

The key audit matter	How the matter was addressed in our audit

The carrying value of the Company's investments in subsidiaries and equity accounted investees amounted to P1. 266 billion (2018: P962 million) at the reporting date. This constitutes 41% of the Company's total non-current assets. The accumulated impairment balance on investments in subsidiaries and equity accounted investees amounted to P272 million (2018: P410 million).
 	
Investment in subsidiaries and equity accounted investees are measured at cost less accumulated impairment losses.
 	
Management compares the carrying values of the investments in subsidiaries and equity accounted investees with their respective net asset values per the financial statements.
 	
The Company assesses its investment in subsidiaries and equity accounted investees whenever circumstances may indicate the presence of impairment indicators. Management also takes into consideration information available at the reporting date which may have contributed to the current performance or which is expected to improve future performance of the subsidiaries and equity accounted investees.
 	
The assessment of these investments for impairment therefore requires the application of significant judgment and the use of significant assumptions, which include revenue growth rates, and other cash flow projections. Significant judgements and assumptions are also applied in determining the current market value of non-current assets held by the subsidiaries and equity accounted investees based on valuations carried out by independent qualified professional valuers (the valuers).
 	
Given the significance of carrying values of the investment in subsidiaries and equity accounted investees and the significant judgements made by management, we considered the impairment of these assets to be a key audit matter to the Company's separate financial statements.
	Our audit procedures performed included the following:
	- We compared the carrying values of the investment in subsidiaries and equity accounted investees with the respective net asset values per the subsidiaries and equity accounted investees' financial statements.
	
	Where the comparison of the Company's investment in subsidiaries and equity accounted investees to the net book value of the subsidiaries or equity accounted investees indicated a possible impairment, we assessed the adequacy of the impairment loss determined by management through the following procedures:
	- Reviewed and critically evaluated the future performance and growth rates applied by management in their cash flow projections, based on information available at the reporting date which included comparing expected revenue growth rates to the investees' historical performance and relevant market growth data.
	- For the valuation of non-current assets held by the subsidiaries and equity accounted investees:
	  - we evaluated the competence, capabilities and objectivity of the valuers, including an evaluation of controls in place for the appointment and assessment of these experts by management. This was achieved through conducting background checks, reviewing details of the experts' qualifications and experience and verifying their membership to profession bodies.
	  - we evaluated the appropriateness of valuation methodologies used against those applied by other valuers for similar asset types.
	  - we obtained an understanding of the valuation process used by the valuers, including the significant assumptions and critical judgments applied in the valuation methodologies and whether these methodologies meet the requirements of IFRS 13 Fair Value Measurement.
	  - we assessed and challenged the inputs and assumptions in the valuation models to ensure that the significant inputs are within a reasonable range for the respective market sector and asset.
	- We assessed the adequacy of disclosures in the financial statements related to investments in subsidiaries and equity accounted investees in accordance with the requirements of IAS 36 *Impairment of Assets and* IFRS 13 *Fair Value measurement*.

KPMG

Impairment assessment of financial assets measured at amortised cost

This key audit matter is applicable to the consolidated and separate financial statements.

Refer to the accounting policies on financial instruments in note 1.11. The critical accounting estimates and judgements in applying accounting policies in determining the impairment of loans to subsidiaries, associates and non-affiliates in note 1.5, and 13 relating to financial assets measured at amortised cost.

The key audit matter	How the matter was addressed in our audit

The financial assets measured at amortised cost have been included under the other investments financial statements caption and amount to P1.307 billion and P1.116 billion at the reporting date for the Group and Company respectively. This constitutes 27% and 32% of the Group and Company's total assets respectively. The financial assets measured at amortised cost consist of loans disbursed to subsidiaries, equity accounted investees and non-affiliated entities.
 	
Loans to subsidiaries, equity accounted investees and non-affiliated entities are initially recognised at fair value and subsequently measured at amortised cost less impairment. The impairment of these loans is considered based on the Exposure at Default, the Probability of Default, the Loss Given Default, the internally determined credit risk rating of each obligor and the staging of each loan.
 	
The assessment of these loans for impairment therefore requires the application of judgment and the use of significant assumptions in determining certain inputs used in the expected credit loss computation.
 	
Given the significance of the financial assets measured at amortised costs and the significance and subjectivity of the judgements made by management in evaluating these assets for possible impairment, we considered the valuation of these assets to be a key audit matter.
	Our audit procedures performed included the following:
	- We tested management's controls in respect of determining the impact of implementing IFRS 9 *Financial Instruments* on the financial statements.
	- We reconciled the input parameters applied in the expected credit loss calculation to underlying records.
	- We engaged our valuation specialists to review management's expected credit loss computation on the financial assets measured at amortised cost based on the requirements applicable to IFRS 9 for both the transition adjustment and year-end balance. This included critically evaluating management's judgements and assumptions in determining the expected credit loss on loans to subsidiaries, associates and non-affiliates through performance of the following procedures:
	  - Re-calculating the Exposure at Default based on the remaining term of each loan.
	  - Re-rating the obligors using approaches deemed appropriate to derive reasonable credit risk ratings for each obligor.
	  - Comparing the unsecured Loss Given Default to global market practice.
	  - Assessing the appropriateness of the staging of the loans as well as the probability of default on each loan.
	- We considered the adequacy of the disclosures made in the financial statements in accordance with IFRS 9 *Financial Instruments.*

KPMG

Other Information

The directors are responsible for the other information. The other information comprises General information, the Director's report and the Directors' responsibilities statement and approval of the financial statements which we obtained prior to the date of this report, and the Annual Report which is expected to be made available to us after that date. 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate 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 which 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 and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

KPMG

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 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 and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- 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 and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 and/or the Company 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 a true a true and fair view.

KPMG

- 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 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 identify 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.

Kpmg

KPMG
Certified Auditors
Practicing member: AG Devlin 19960060
21 February 2020
Gaborone

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Figures in Pula thousand	Notes	Group 2019	Group 2018	Company 2019	Company 2018
Continuing operations					
Income from trade	2	151,397	122,761	215,554	175,050
Cost of sales		(43,332)	(55,573)	-	-
Gross profit		**108,065**	**67,188**	**215,554**	**175,050**
Rental income	7	167,620	146,566	-	-
- Contract rental		157,100	137,917	-	-
- Straight line lease rental adjustment		10,520	8,649	-	-
		275,685	213,754	215,554	175,050
Finance income	3	13,574	18,489	48,458	39,187
Other operating income	4	33,812	87,491	12,709	72,386
Fair value gain on investment properties	7	38,217	44,522	-	-
- As per valuation		48,737	53,171	-	-
- Straight line lease rental adjustment		(10,520)	(8,649)	-	-
Share of profits of equity accounted investees	12	20,374	23,859	-	-
Marketing expenses		(6,218)	(2,460)	(4,168)	(964)
Occupancy expenses		(34,247)	(46,328)	-	(14,744)
Expected credit Losses (2018: (Impairments)/Reversals)		(15,613)	(54,236)	93,021	19,708
Other operating expenses		(153,368)	(135,250)	(88,917)	(93,369)
Operating profit		**172,216**	**149,841**	**276,657**	**197,254**
Finance costs	3	(75,167)	(54,683)	(69,542)	(45,740)
Available-for-sale investments reclassified to profit or loss	20	-	92,053	-	92,053
Profit before taxation	5	**97,049**	**187,211**	**207,115**	**243,567**
Income tax expense	6	(21,929)	(38,978)	(8,382)	(16,262)
Profit from continuing operations		**75,120**	**148,233**	**198,733**	**227,305**
Loss for the year from discontinued operations, net of tax		(24,178)	-	-	-
Profit for the year		**50,942**	**148,233**	**198,733**	**227,305**
Other comprehensive income:					
Items that will not be subsequently reclassified to profit or loss					
Gain on revaluation of land and buildings		-	1,798	-	-
Gains on valuation of investments in equity instruments		30,107	-	30,107	-
Share of other comprehensive income of associates	12	(20)	20	-	-
Total items that will not be reclassified to profit or loss		**30,087**	**1,818**	**30,107**	**-**
Items that may be reclassified to profit or loss:					
Net (loss)/gain on available-for-sale investments*	20	-	(19,612)	-	(19,612)
Other comprehensive income for the year, net of taxation		**30,087**	**(17,794)**	**30,107**	**(19,612)**
Total comprehensive income for the year		**81,029**	**130,439**	**228,840**	**207,693**
Profit attributable to:					
Owners of the Company		30,607	117,639	198,733	227,305
Non-controlling interest		20,335	30,594	-	-
		50,942	**148,233**	**198,733**	**227,305**
Total comprehensive income attributable to:					
Owners of the Company		30,087	(17,794)	30,107	(19,612)
		30,087	**(17,794)**	**30,107**	**(19,612)**

The accounting policies on pages 75 to 105 and the notes on pages 106 to 166 form an integral part of the financial statements.

*This refers to the old IAS 39 treatment and cannot be recycled to profit or loss.

BOTSWANA DEVELOPMENT CORPORATION LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE, 2019

Figures in Pula thousand	Notes	Group 2019	Group 2018	Company 2019	Company 2018
Assets					
Non-Current Assets					
Investment property	7	2,063,660	2,208,051	-	-
Property, plant and equipment	8	210,833	179,842	4,451	5,984
Intangible assets	9	2,827	3,266	2,639	2,639
Right-of-use assets	10	2,523	-	136,938	-
Investment in subsidiaries	11	-	-	1,217,856	913,455
Equity accounted investees	12	240,759	211,589	48,246	48,247
Other investments	13	1,562,937	847,911	1,618,290	1,012,274
Due from group companies	14	-	-	136,107	143,724
Rental straight-line adjustment	7	60,907	65,496	-	-
Deferred taxation	28	6,140	10,789	-	-
		4,150,586	**3,526,944**	**3,164,527**	**2,126,323**
Current Assets					
Inventories	15	6,891	7,577	-	-
Trade and other receivables	16	86,459	75,046	112,370	102,066
Other investments	13	156,675	80,560	173,696	86,594
Other assets	17	3,154	11,368	-	-
Cash and cash equivalents	18	380,571	360,970	50,803	287,070
Current tax receivable		26,267	25,124	4,974	4,119
		660,017	560,645	341,843	479,849
Non- current assets classified as held for sale	38	11,750	42,250	-	-
Total Assets		**4,822,353**	**4,129,839**	**3,506,370**	**2,606,172**
Equity and Liabilities					
Capital and reserves					
Stated capital	19	888,269	888,269	888,269	888,269
Fair value reserve	20	477,137	447,030	477,137	447,030
Other reserves	21	282,981	293,285	135,169	101,238
Claims equalisation reserve	22	1,207	4,207	-	-
Retained earnings		915,805	905,721	588,092	450,210
Equity attributable to owners of the Company		**2,565,399**	**2,538,512**	**2,088,667**	**1,886,747**
Non-controlling interests	23	365,841	366,260	-	-
Total equity		**2,931,240**	**2,904,772**	**2,088,667**	**1,886,747**
Liabilities					
Non-Current Liabilities					
Borrowings	24	921,895	549,296	558,386	205,250
Government grants	25	10,699	11,054	-	-
Bonds outstanding	26	345,504	344,015	345,504	344,015
Finance lease liabilities	10	2,522	-	178,496	-
Provisions for restoration costs	27	13,495	12,069	-	-
Deferred taxation	28	143,693	141,364	-	-
		1,437,808	**1,057,798**	**1,082,386**	**549,265**
Current Liabilities					
Borrowings	24	170,838	18,802	148,678	601
Government grants	25	356	356	-	-
Current tax payable		757	2,056	757	756
Trade and other payables	29	171,360	133,327	86,275	165,267
Bank overdraft	18	99,695	5,969	99,607	3,536
Dividend payable		10,299	6,759	-	-
		453,305	167,269	335,317	170,160
Total Liabilities		**1,891,113**	**1,225,067**	**1,417,703**	**719,425**
Total Equity and Liabilities		**4,822,353**	**4,129,839**	**3,506,370**	**2,606,172**

BOTSWANA DEVELOPMENT CORPORATION LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

STATEMENTS OF CHANGES IN EQUITY

Figures in Pula thousand	Stated capital	Fair value reserve	Claims equalisation reserve	Other reserves	Retained earnings	Total attributable to members	Non-controlling interest	Total equity
Group								
Balance at 1 July, 2017	**888,269**	**558,695**	**4,207**	**235,413**	**858,762**	**2,545,346**	**345,713**	**2,891,059**
Profit for the year	-	-	-	-	117,639	117,639	30,594	148,233
Other comprehensive income	-	(19,612)	-	1,818	-	(17,794)	-	(17,794)
Total comprehensive income for the year	**-**	**(19,612)**	**-**	**1,818**	**117,639**	**99,845**	**30,594**	**130,439**
Transfer between reserves-restated	-	(92,053)	-	56,054	(56,054)	(92,053)	-	(92,053)
Other Movements	-	-	-	-	5,374	5,374	2,805	8,179
Debenture interest declared during the year	-	-	-	-	-	-	(12,757)	(12,757)
Dividend paid	-	-	-	-	(20,000)	(20,000)	(95)	(20,095)
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**(92,053)**	**-**	**56,054**	**(70,680)**	**(106,679)**	**(10,047)**	**(116,726)**
Opening balance as previously reported	888,269	447,030	4,207	293,285	905,721	2,538,512	366,260	2,904,772
Adjustments								
Adjustment on initial apllication of IFRS 9	-	-	-	-	(3,311)	(3,311)	-	(3,311)
Other movements	-	-	-	-	(5,496)	(5,496)	-	(5,496)
Balance at 1 July, 2018 as restated	**888,269**	**447,030**	**4,207**	**293,285**	**896,914**	**2,529,705**	**366,260**	**2,895,965**
Profit for the year	-	-	-	-	30,607	30,607	20,335	50,942
Other comprehensive income	-	30,107	-	(20)	-	30,087	-	30,087
Total comprehensive income for the year	**-**	**30,107**	**-**	**(20)**	**30,607**	**60,694**	**20,335**	**81,029**
Transfer between reserves	-	-	(3,000)	(3,246)	6,246	-	-	-
Other movements	-	-	-	(7,038)	7,038	-	-	-
Debenture interest declared during the year	-	-	-	-	-	-	(19,392)	(19,392)
Dividend paid	-	-	-	-	(25,000)	(25,000)	(1,362)	(26,362)
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**-**	**(3,000)**	**(10,284)**	**(11,716)**	**(25,000)**	**(20,754)**	**(45,754)**
Balance at 30 June, 2019	**888,269**	**477,137**	**1,207**	**282,981**	**915,805**	**2,565,399**	**365,841**	**2,931,240**
Note(s)	19	20	22	21			23	

BOTSWANA DEVELOPMENT CORPORATION LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

STATEMENTS OF CHANGES IN EQUITY

Figures in Pula thousand	Stated capital	Fair value reserve	Claims equalisation reserve	Other reserves	Retained earnings	Total attributable to members	Non-controlling interest	Total equity
Company								
Balance at 1 July, 2017	**888,269**	**558,695**	**-**	**36,442**	**307,701**	**1,791,107**	**-**	**1,791,107**
Profit for the year	-	-	-	-	227,305	227,305	-	227,305
Other comprehensive income	-	(19,612)	-	-	-	(19,612)	-	(19,612)
Total comprehensive income for the year	**-**	**(19,612)**	**-**	**-**	**227,305**	**207,693**	**-**	**207,693**
Transfer between reserves	-	(92,053)	-	64,796	(64,796)	(92,053)	-	(92,053)
Dividend paid	-	-	-	-	(20,000)	(20,000)	-	(20,000)
Total transactions with owner of the Company	**-**	**(92,053)**	**-**	**64,796**	**(84,796)**	**(112,053)**	**-**	**(112,053)**
Balance as at 30 June 2018, as previously reported	888,269	447,030	-	101,238	450,210	1,886,747	-	1,886,747
Adjustments								
Adjustment on initial application of IFRS 9	-	-	-	-	(1,920)	(1,920)	-	(1,920)
Balance at 1 July, 2018 as restated	**888,269**	**447,030**	**-**	**101,238**	**448,290**	**1,884,827**	**-**	**1,884,827**
Profit for the year	-	-	-	-	198,733	198,733	-	198,733
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**198,733**	**198,733**	**-**	**198,733**
Transfer between reserves	-	30,107	-	33,931	(33,931)	30,107	-	30,107
Dividend paid	-	-	-	-	(25,000)	(25,000)	-	(25,000)
Total transactions with owners of the company	**-**	**30,107**	**-**	**33,931**	**(58,931)**	**5,107**	**-**	**5,107**
Balance at 30 June, 2019	**888,269**	**477,137**	**-**	**135,169**	**588,092**	**2,088,667**	**-**	**2,088,667**
Note(s)	19	20		21			23	

STATEMENTS OF CASH FLOWS

Figures in Pula thousand	Notes	Group 2019	Group 2018	Company 2019	Company 2018
Cash flows from operating activities					
Cash generated from/ (used in) operations	35	137,287	142,640	(92,746)	(18,265)
Tax paid		(20,961)	(4,862)	(1,619)	(14,732)
Net cash from operating activities		**116,326**	**137,778**	**(94,365)**	**(32,997)**
Cash flows from investing activities					
Purchase of property, plant and equipment	8	(23,118)	(8,134)	(1,180)	(1,166)
Purchase of shares in subsidiary		-	-	(39,330)	(488)
Purchase of intangible assets	9	(195)	(2,786)	-	(2,639)
Loans disbursed to subsidiaries		-	-	(67,023)	(2,542)
Purchase of shares in associates		(33,959)	(11,021)	-	(11,021)
Purchase of financial assets		(104,315)	-	(104,315)	-
Proceeds on disposal of investments		-	112,695	-	112,094
Loans repaid by other investment companies		37,477	9,534	37,477	9,534
Loans disbursed to associated companies		-	(92,878)	-	(90,501)
Loans repaid by subsidiaries		-	-	19,782	10,326
Loans repaid by associated companies		4,041	2,643	-	2,643
Loans disbursed to unquoted investment companies		(717,312)	(74,297)	(704,396)	(74,297)
Proceeds from disposal of investment properties and assets held for sale		290,500	20,310	-	-
Proceeds from disposal of property, plant and equipment		2	80	-	-
Purchase of investment properties	7	(90,362)	(205,229)	-	-
Interest Income		13,574	18,489	81,117	39,187
Dividends received		29,503	23,618	134,437	132,995
Net cash from investing activities		**(594,164)**	**(206,976)**	**(643,430)**	**124,125**
Cash flows from financing activities					
Long term borrowings raised		540,545	208,749	500,000	57,173
Long term borrowings repaid		(15,910)	(19,086)	-	(3,777)
Dividends paid to group shareholder		(25,000)	-	(25,000)	-
Proceeds from issued bonds		-	130,800	-	130,800
Debenture interest and dividends paid to minority interest		(20,754)	(12,852)	-	-
Finance costs		(75,167)	(54,683)	(69,542)	(45,740)
Net cash from financing activities		**403,713**	**252,928**	**405,457**	**138,456**
Net movement in cash and cash equivalents for the year		**(74,125)**	**183,730**	**(332,338)**	**229,584**
Cash at the beginning of the year		355,001	171,271	283,534	53,950
Total cash at end of the year	18	**280,876**	**355,001**	**(48,804)**	**283,534**

SIGNIFICANT ACCOUNTING POLICIES

Corporate information

Botswana Development Corporation Limited is a public limited company incorporated and domiciled in Botswana.

The group and company financial statements for the year ended 30 June, 2019 were authorised for issue on 20 February, 2020.

1. Significant accounting policies

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

1.1 Basis of preparation

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

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

These accounting policies are consistent with the previous period, except for the changes set out in note 43.

1.2 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating-decision maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee that makes strategic decisions.

The basis of segmental reporting has been set out in note 41.

1.3 Consolidation

Basis of consolidation

The group and company financial statements incorporate the group and company financial statements of the company and all subsidiaries. Subsidiaries are entities (including structured entities) which are controlled by the group.

The group has control of an entity when it is exposed to or has rights to variable returns from involvement with the entity and it has the ability to affect those returns through use of its power over the entity.

The results of subsidiaries are included in the group and company financial statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary to the group and company financial statements of subsidiaries to bring their accounting policies in line with those of the group.

All inter-company transactions, balances, and unrealised gains on transactions between group companies are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the group's interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions and are recognised directly in the Statements of Changes in Equity.

SIGNIFICANT ACCOUNTING POLICIES (cont.)

1.3 Consolidation (continued)

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the company.

Where a subsidiary is disposed of and a non-controlling shareholding is retained, the remaining investment is measured to fair value with the adjustment to fair value recognised in profit or loss as part of the gain or loss on disposal of the controlling interest. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Investments in subsidiaries in the separate financial statements

In the company's separate financial statements, investments in subsidiaries are carried at cost less any accumulated impairment losses. This excludes investments which are held for sale and are consequently accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Business combinations

The group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

Any contingent consideration is included in the cost of the business combination at fair value as at the date of acquisition. Subsequent changes to the assets, liability or equity which arise as a result of the contingent consideration are not affected against goodwill, unless they are valid measurement period adjustments. Otherwise, all subsequent changes to the fair value of contingent consideration that is deemed to be an asset or liability is recognised in either profit or loss or in other comprehensive income, in accordance with relevant IFRS's. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3 Business combinations are recognised at their fair values at acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current assets Held For Sale and Discontinued Operations, which are recognised at fair value less costs to sell.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

On acquisition, the acquiree's assets and liabilities are reassessed in terms of classification and are reclassified where the classification is inappropriate for group purposes. This excludes lease agreements and insurance contracts, whose classification remains as per their inception date.

Non-controlling interests in the acquiree are measured on an acquisition-by-acquisition basis either at fair value or at the non-controlling interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This treatment applies to non-controlling interests which are present ownership interests, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other components of non-controlling interests are measured at their acquisition date fair values, unless another measurement basis is required by IFRS's.

In cases where the group held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value as at acquisition date. The measurement to fair value is included in profit or loss for the year. Where the existing shareholding was classified as an available-for-sale financial asset, the cumulative fair value adjustments recognised previously to other comprehensive income and accumulated in equity are recognised in profit or loss as a reclassification adjustment. Under IFRS 9, the consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Any contingent consideration is measured at fair value at the date of acquisition.

SIGNIFICANT ACCOUNTING POLICIES (cont.)

1.3 Consolidation (continued)

If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree. If, in the case of a bargain purchase, the result of this formula is negative, then the difference is recognised directly in profit or loss.

Goodwill is not amortised but is tested on an annual basis for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

Goodwill arising on acquisition of foreign entities is considered an asset of the foreign entity. In such cases the goodwill is translated to the functional currency of the group at the end of each reporting period with the adjustment recognised in equity through to other comprehensive income.

1.4 Equity accounted investees

An associate is an entity over which the group has significant influence and which is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. It generally accompanies a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method, except when the investment is classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the Statement of Financial Position at cost adjusted for post-acquisition changes in the group's share of net assets of the associate, less any impairment losses.

The group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. Losses in an associate in excess of the group's interest in that associate, including any other unsecured receivables, are recognised only to the extent that the group has incurred a legal or constructive obligation to make payments on behalf of the associate.

Any goodwill on acquisition of an associate is included in the carrying amount of the investment, however, a gain on acquisition is recognised immediately in profit or loss.

Profits or losses on transactions between the group and an associate are eliminated to the extent of the group's interest therein. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

When the group reduces its level of significant influence or loses significant influence, the group proportionately reclassifies the related items which were previously accumulated in equity through other comprehensive income to profit or loss as a reclassification adjustment. In such cases, if an investment remains, that investment is measured to fair value, with the fair value adjustment being recognised in profit or loss as part of the gain or loss on disposal.

1.5 Significant judgements and sources of estimation uncertainty

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

SIGNIFICANT ACCOUNTING POLICIES (cont.)

1.5 Significant judgements and sources of estimation uncertainty (continued)

Critical judgements in applying accounting policies

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

Valuation of investment properties

The Group owns a portfolio of investment properties comprising office buildings, residential property, industrial and mixed use properties located primarily in Gaborone, Selibe-Phikwe and Lobatse. The carrying values of the investment properties amounted to P2.064 billion as at 30 June 2019 (2018: P2.208 billion). This accounts for 51% of the group's total non-current assets.

The Group's investment properties are included in the consolidated statement of financial position at fair value based on valuations carried out by independent qualified professional valuers ("the valuers"). The valuations are dependent on unobservable inputs which are generally applied by valuers. These unobservable inputs involve judgement.

The valuation model considers the present value of the net cash flows to be generated from property, taking into account the expected rental growth rate, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimations considers the quality of a building and its location (prime vs secondary) tenant credit worthiness and lease terms.

Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

These valuations are reviewed annually by the directors. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

Fairscape building

Consistent with the group's accounting policy, plot 70667 is carried at fair value. Its cost of P446 million has been taken as its fair value as opposed to its market value of P566 million performed by the independent valuers. Since recognition of the building in financial year 2015, independent valuers have predominantly used the income approach (for open market value). There are significant limitations with respect to the market approach mainly that the building is the only one of its type in the country, the development is the only one of its size within a reasonable radius from its location and the property market is generally going through significant turbulence. Directors are of the prudent view that the P566 million, determined through the income approach, with inferences from the market approach may not yet be very reflective as the market is still moving, and the concept of this property is yet to be fully placed within the commercial market space.

Land Block 5

Property previously transferred from the Government to the group is also carried at cost. The group has not yet fulfilled its duties per the agreement of developing the land (building housing and a golf course to the value of P16 million) within two years as agreed with Government in 2003. There is uncertainty whether the property will revert back to the Government, as such the property is recorded at a value of P33 million whilst the current valuation amount is P234 million. In the event that the property reverts to Government, the group would be entitled to the cost incurred.

Impairment of investments in subsidiaries and associates

The carrying value of the company's investments in subsidiaries and associates amounted to P1,266 million (2018: P962 million) at the reporting date. This constitutes 41% (2018: 45%) of the company's total non-current assets. The company assesses its investment in subsidiaries and associates whenever circumstances may indicate the presence of impairment indicators. The value of the investments is determined using generally accepted valuation methods that are based on overall strategic business models and the current financial position and past performance of these subsidiaries and associated companies.

SIGNIFICANT ACCOUNTING POLICIES (cont.)

1.5 Significant judgements and sources of estimation uncertainty (continued)

Impairment of investments in subsidiaries and associate (continued)

Management compares the carrying values of the investments in subsidiaries and associates with the respective net asset values per the financial statements. Management also takes into consideration information available at the reporting date which may have contributed to the current performance or which is expected to improve future performance of the subsidiaries and associated companies. The assessment of these investments for impairment therefore requires the application of judgment and the use of significant assumptions in determining future profitability and the current value of assets held by the subsidiaries and associated companies.

Taxation

The group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

Impairment loss on debtors

The directors reviews its debtors to assess impairment on a monthly basis. In determining whether an impairment loss should be recorded in profit or loss, the directors make judgments as to whether there is any observable data indicating that there is a measurable decrease in estimated cash flows from a portfolio of debtors. Directors use estimates based on historical loss experience of receivables under IAS 39 and default rate together with forward looking information in terms of the simplified approach under IFRS 9 (refer note 1.11). The assumptions used for estimating the amount and timing of cash flows are reviewed regularly to reduce any difference between loss estimates and actual loss experience.

Loans to subsidiaries, associates and non-affiliates

Loans to subsidiaries, associates and non affliates are initially recognised at fair value and subsequently measured at amortised cost less impairment. Under IAS 39 the impairment of these loans are considered based on historic default rates, security held, the current financial position of the subsidiaries,associates and non-affliates as well as evaluating the events subsequent to the reporting date which may have an impact on the value of the company's investment in loans to subsidiaries, associates and non-affiliates. The valuation of the loans is determined by assessing the financial strength (equity) of the subsidiaries, associates and non-affliated companies. Under IFRS 9 the expected credit loss is estimated as the difference between all contractual cash flows that are due to the group in accordance with the cash characteristics test and all cash flows that the group expects to receive, discounted at the original effective interest rate. The impairment of loans from subsidiaries, associates and non-affliates is computed on a loan by loan basis using a formula **ECL = PD*LGD*EAD**. Significant judgement is applied in determing the Probability Default (PD) and Loss Given Default (LGD).

Probability of Default (PD) – Estimate of the likelihood of default over a given time horizon.

Loss Given Default (LGD) – Estimate of the loss arising in case a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

Exposure at Default (EAD) – Estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payment.

The amount of ECLs recognised as a loss allowance or provision depends on the extent of credit deterioration since initial recognition. Under the general approach, there are two measurement bases:

12-month ECLs (stage 1), which apply to all items as long as there is no significant deterioration in credit risk

Lifetime ECLs (stages 2 and 3), which apply when a significant increase in credit risk has occurred on an individual or collective basis.

SIGNIFICANT ACCOUNTING POLICIES (cont.)

1.6 Investment property

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the group, and the cost of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

In certain circumstances it is difficult to distinguish investment property from owner occupied property or inventory. In those circumstances the criteria used to distinguish investment property are where the owner occupied section is insignificant.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

A gain or loss arising from a change in fair value is included in net profit or loss for the period in which it arises.

There are no property interests held under operating leases which are recognised as investment property.

Reclassification to investment property
When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on this remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in OCI and presented in the revaluation reserve. Any loss is recognised in profit or loss. However, to the extent that an amount is included in the revaluation surplus for that property, the loss is recognised in other comprehensive income and reduces the revaluation surplus within equity.

Derecognition of investment property

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

The disposal of an investment property may be achieved by sale or by entering into a finance lease. .

1.7 Property, plant and equipment

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

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

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

When investment property is transferred to property, plant and equipment, the cost is the fair value on the date of transfer.

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

SIGNIFICANT ACCOUNTING POLICIES (cont.)

1.7 Property, plant and equipment (continued)

Subsequent to initial recognition, property, plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses, except for land and buildings which are stated at revalued amounts. The revalued amount is the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting year.

When an item of property, plant and equipment is revalued, the gross carrying amount is adjusted consistently with the revaluation of the carrying amount. The accumulated depreciation at that date is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is recognised in other comprehensive income and accumulated in the revaluation reserve in equity. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in profit or loss in the current year.

The decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in the revaluation reserve in equity.

The revaluation reserve related to a specific item of property, plant and equipment is transferred directly to retained income when the asset is derecognised.

The revaluation reserve related to a specific item of property, plant and equipment is transferred directly to retained income as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset, net of deferred tax.

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

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

Item	Depreciation method	Average useful life
Buildings	Straight line	25-50 years
Plant and machinery	Straight line	14-25 years
Furniture, fixtures and equipment	Straight line	4-10 years
Motor vehicles	Straight line	3-5 years
Computer equipment	Straight line	3-5 years

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

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

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

SIGNIFICANT ACCOUNTING POLICIES (cont.)

1.7 Property, plant and equipment (continued)

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

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

1.8 Site restoration and dismantling cost

The group has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period
b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in profit or loss
c) if the adjustment results in an addition to the cost of an asset, the entity considers whether this is an indication that new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in profit or loss.

If the related asset is measured using the revaluation model:

a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
   - a decrease in the liability (subject to (b)) is credited in other comprehensive income and accumulated in the revaluation reserve in equity, except that it is recognised in profit or loss to the extent that it reverses a revaluation deficit on the asset that was previously recognised in profit or loss
   - an increase in the liability is recognised in profit or loss, except that it is debited to other comprehensive income as a decrease to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in profit or loss.
c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to profit or loss and to other comprehensive income under (a). If a revaluation is necessary, all assets of that class are revalued.

1.9 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

SIGNIFICANT ACCOUNTING POLICIES (cont.)

1.9 Intangible assets (continued)

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Intangible assets acquired in a business combination

Intangible assets that are acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are aquired separately.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software, other	Straight line	3 years

1.10 Financial instruments

Financial instruments held by the group are classified in accordance with IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the group as applicable, are as follows:

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

Financial assets which are debt instruments:
- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or
- Fair value through other comprehensive income. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments); or
- Mandatorily at fair value through profit or loss. (This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income); or
- Designated at fair value through profit or loss. (This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch).

Financial liabilities:
- Amortised cost; or
- Mandatorily at fair value through profit or loss. (This applies to contingent consideration in a business combination or to liabilities which are held for trading); or

SIGNIFICANT ACCOUNTING POLICIES (cont.)

1.10 Financial instruments (continued)

- Designated at fair value through profit or loss. (This classification option can be applied when it eliminates or significantly reduces an accounting mismatch; the liability forms part of a group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss).

Note 40 Financial instruments and risk management presents the financial instruments held by the group based on their specific classifications.

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

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

Loans receivable at amortised cost

Classification

Due from group companies and loans receivable are classified as financial assets subsequently measured at amortised cost.

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

Recognition and measurement

Loans receivable are recognised when the group becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

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

Application of the effective interest method

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

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

Loans denominated in foreign currencies

When a loan receivable is denominated in a foreign currency, the carrying amount of the loan is determined in the foreign currency. The carrying amount is then translated to the Pula equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in the other operating gains (losses) (note 5).

SIGNIFICANT ACCOUNTING POLICIES (cont.)

1.10 Financial instruments (continued)

Details of foreign currency risk exposure and the management thereof are provided in the financial instruments and risk management (note 40).

Impairment

The group recognises a loss allowance for expected credit losses on all loans receivable measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective loans.

The group measures the loss allowance at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition. If the credit risk on a loan has not increased significantly since initial recognition, then the loss allowance for that loan is measured at 12 month expected credit losses (12 month ECL).

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a loan. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a loan that are possible within 12 months after the reporting date.

In order to assess whether to apply lifetime ECL or 12 month ECL, in other words, whether or not there has been a significant increase in credit risk since initial recognition, the group considers whether there has been a significant increase in the risk of a default occurring since initial recognition rather than at evidence of a loan being credit impaired at the reporting date or of an actual default occurring.

Significant increase in credit risk

In assessing whether the credit risk on a loan has increased significantly since initial recognition, the group compares the risk of a default occurring on the loan as at the reporting date with the risk of a default occurring as at the date of initial recognition.

The group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information.

Irrespective of the outcome of the above assessment, the credit risk on a loan is always presumed to have increased significantly since initial recognition if the contractual payments are more than 30 days past due, unless the group has reasonable and supportable information that demonstrates otherwise.

By contrast, if a loan is assessed to have a low credit risk at the reporting date, then it is assumed that the credit risk on the loan has not increased significantly since initial recognition.

The group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increases in credit risk before the amount becomes past due.

Definition of default

For purposes of internal credit risk management purposes, the group consider that a default event has occurred if there is either a breach of financial covenants by the counterparty, or if internal or external information indicates that the counterparty is unlikely to pay its creditors in full (without taking collateral into account).

Irrespective of the above analysis, the group considers that default has occurred when a loan instalment is more than 90 days past due unless there is reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

SIGNIFICANT ACCOUNTING POLICIES (cont.)

1.10 Financial instruments (continued)

Write off policy

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

Credit risk

Details of credit risk related to loans receivable are included in the specific notes and the financial instruments and risk management (note 40).

Derecognition

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

Any gains or losses arising on the derecognition of a loan receivable is included in profit or loss in derecognition gains (losses) on financial assets at amortised cost (note 5).

Trade and other receivables

Application of the effective interest method

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

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

Impairment

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

Measurement and recognition of expected credit losses

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality.

Investments in equity instruments

Classification

Investments in equity instruments are presented in note 13. They are classified as mandatorily at fair value through profit or loss. As an exception to this classification, the group may make an irrevocable election, on an instrument by instrument basis, and on initial recognition, to designate certain investments in equity instruments as at fair value through other comprehensive income.

SIGNIFICANT ACCOUNTING POLICIES (cont.)

1.10 Financial instruments (continued)

Investments in equity instruments (continued)

The designation as at fair value through other comprehensive income is never made on investments which are either held for trading or contingent consideration in a business combination.

Recognition and measurement

Investments in equity instruments are recognised when the group becomes a party to the contractual provisions of the instrument. The investments are measured, at initial recognition, at fair value. Transaction costs are added to the initial carrying amount for those investments which have been designated as at fair value through other comprehensive income. All other transaction costs are recognised in profit or loss.

Dividends received on equity investments are recognised in profit or loss when the group's right to received the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in finance income and finance cost (note 3).

Derecognition

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

The gains or losses which accumulated in equity in the reserve for valuation of investments for equity investments at fair value are not reclassified to profit or loss on derecognition. Instead, the cumulative amount is transferred directly to retained earnings.

Trade and other payables

Classification

Trade and other payables (note 29), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

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

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

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note 3).

Trade and other payables expose the group to liquidity risk and possibly to interest rate risk. Refer to note 40 for details of risk exposure and management thereof.

Trade and other payables denominated in foreign currencies

When trade payables are denominated in a foreign currency, the carrying amount of the payables are determined in the foreign currency. The carrying amount is then translated to the Pula equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in the other operating gains (losses) (note 5).

Details of foreign currency risk exposure and the management thereof are provided in the financial instruments and risk management note (note 40).

SIGNIFICANT ACCOUNTING POLICIES (cont.)

1.10 Financial instruments (continued)

Derecognition

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. They are measured at amortised cost and stated at carrying amount which is deemed to be fair value.

Bank overdrafts, bonds and borrowings

Bank overdrafts, bonds and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of bank overdrafts, bonds and borrowings is recognised over the term of the bank overdrafts, bonds and borrowings in accordance with the group's accounting policy for finance costs.

Other assets

Other assets comprise short term fixed income securities placed in the capital markets with various fund managers. Due to the short term nature of these placements, the carrying value of the assets equals their fair value.

Derecognition

Financial assets

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

Financial liabilities

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

Reclassification

Financial assets

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

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

Financial liabilities

Financial liabilities are not reclassified.

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SIGNIFICANT ACCOUNTING POLICIES (cont.)

1.11 Financial instruments: IAS 39 comparatives

A financial asset classified as available-for-sale that would have met the definition of loans and receivables may be reclassified to loans and receivables if the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

SIGNIFICANT ACCOUNTING POLICIES (cont.)

1.11 Financial instruments: IAS 39 comparatives (continued)

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "net gains and losses on investments in other comprehensive income.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

Available-for-sale financial assets (AFS financial assets)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Listed redeemable notes held by the Group that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value at the end of each reporting period (because the directors consider that fair value can be reliably measured). Fair value is determined in the manner described in note 39. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash, and related party balances) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

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SIGNIFICANT ACCOUNTING POLICIES (cont.)

1.11 Financial instruments: IAS 39 comparatives (continued)

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

SIGNIFICANT ACCOUNTING POLICIES (cont.)

1.11 Financial instruments: IAS 39 comparatives (continued)

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss.

A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equity instruments

Classification as debt or equity
Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Compound instruments
The component parts of compound instruments (convertible notes) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to stated capital. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to stated capital. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

Financial liabilities
Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

SIGNIFICANT ACCOUNTING POLICIES (cont.)

1.11 Financial instruments: IAS 39 comparatives (continued)

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the consolidated statement of comprehensive income.

Other financial liabilities
Other financial liabilities (including borrowings) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Financial guarantee contracts
A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Loans to (from) group companies

These include loans to and from holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Loans to group companies are classified as loans and receivables.

Loans from group companies are classified as financial liabilities measured at amortised cost.

SIGNIFICANT ACCOUNTING POLICIES (cont.)

1.11 Financial instruments: IAS 39 comparatives (continued)

Trade and other receivables

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

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

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

Cash and cash equivalents

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

Bank overdraft, bonds and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs.

Preference shares

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities.

The dividends on these preference shares are recognised in profit or loss as interest expense.

The fair value of the liability portion of a convertible instrument is determined using a market interest rate for an equivalent non-convertible instrument. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the instrument. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

SIGNIFICANT ACCOUNTING POLICIES (cont.)

1.11 Financial instruments: IAS 39 comparatives (continued)

Financial assets that the group has the positive intention and ability to hold to maturity are classified as held to maturity.

1.12 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Group tax relief

Companies in Botswana Development Corporation Limited Group are subject to the special provision Section 3(i) of part II of the Fourth Schedule of the Income Tax Act (Cap 52:01) which allows the group to set-off the taxable losses of its wholly owned subsidiaries against the taxable profits in arriving at the group tax liability.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

SIGNIFICANT ACCOUNTING POLICIES (cont.)

1.13 Leases

Group as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the group is a lessee.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated to each lease component on the basis of the relative stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components (where non-lease components exist).

However as an exception to the preceding paragraph, the group has elected not to separate the non-lease components for leases of motor vehicles.

Details of leasing arrangements where the group is a lessee are presented in note 10 Leases (group as lessee).

Lease liability

Lease payments included in the measurement of the lease liability comprise the following:

- fixed lease payments, including in-substance fixed payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the group under residual value guarantees;
- the exercise price of purchase options, if the group is reasonably certain to exercise the option;
- lease payments in an optional renewal period if the group is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability (or right-of-use asset). The related payments are recognised as an expense in the period incurred and are included in operating expenses (note 10).

The lease liability is presented as a separate line item on the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs (note 3).

The group remeasures the lease liability, when applicable, in accordance with the following table:

Lease liability remeasurement scenario	Lease liability remeasurement methodology
Change to the lease term.	discounting the revised lease payments using a revised discount rate.
Change in the assessment of whether the group will exercise a purchase, termination or extension option.	discounting the revised lease payments using a revised discount rate.
Change to the lease payments as a result of a change in an index or a rate.	discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
Change in expected payment under a residual value guarantee.	discounting the revised lease payments using the initial discount rate.
Lease contract has been modified and the lease modification is not accounted for as a separate lease.	discounting the revised payments using a revised discount rate.

SIGNIFICANT ACCOUNTING POLICIES (cont.)

1.13 Leases (continued)

Lease liability (continued)

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of- use asset, or is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Right-of-use assets

Right-of-use assets are presented as a separate line item on the Statement of Financial Position.

Lease payments included in the measurement of the lease liability comprise the following:

- the initial amount of the corresponding lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred;
- any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the group incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- less any lease incentives received.

When the group incurs an obligation for the costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying assets to the condition required by the terms and conditions of the lease, a provision is recognised in the Statement of Financial Position in note 27 Provisions for restoration costs.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

As an exception, when the underlying assets are land and buildings, the group adopts the revaluation model consistent with the accounting policy for land and buildings which are owned by the group. The accounting policy for the revaluation model is explained in the property, plant and equipment accounting policy.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of a lease.

For right-of-use assets which are depreciated over their useful lives, the useful lives are determined consistently with items of the same class of property, plant and equipment. Refer to the accounting policy for property, plant and equipment for details of useful lives.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each part of a right-of-use asset with a cost that is significant in relation to the total cost of the asset is depreciated separately.

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

SIGNIFICANT ACCOUNTING POLICIES (cont.)

1.13 Leases (continued)

Group as lessor

Leases for which the group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Lease classification is made at inception and is only reassessed if there is a lease modification.

When the group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the group applies the exemption described previously, then it classifies the sub-lease as an operating lease.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated by applying IFRS 15.

Operating leases

Lease payments from operating leases are recognised on a straight-line basis over the term of the relevant lease, or on another systematic basis if that basis is more representative of the pattern in which the benefits form the use of the underlying asset are diminished. Operating lease income is included in other operating income (note 4).

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and are expensed over the lease term on the same basis as the lease income.

Modifications made to operating leases are accounted for as a new lease from the effective date of the modification. Any prepaid or accrued lease payments relating to the original lease are treated as part of the lease payments of the new lease.

1.14 Leases (Comparatives under IAS 17)

The following accounting policy applies to the comparative disclosures of leases. The group has adopted IFRS 16 in the current year, but has not restated the comparatives. These accounting policies are prepared on the basis of IAS 17. Refer to the note on changes in accounting policies for details of the impact of the adoption of IFRS 16 on these financial statements.

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

Operating leases - lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under other operating income in profit or loss.

Operating leases – lessee

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

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

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SIGNIFICANT ACCOUNTING POLICIES (cont.)

1.15 Inventories

Inventories are measured at the lower of cost and net realisable value on the first-in-first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.16 Other investments

Short term investments comprise highly liquid money market instruments placed with local commercial banks.

1.17 Non-current assets (disposal groups) held for sale or distribution to owners

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets and disposal groups are classified as held for distribution to owners when the entity is committed to distribute the asset or disposal group to the owners. This condition is regarded as met only when the distribution is highly probable and the asset (or disposal group) is available for immediate distribution in its present condition, provided the distribution is expected to be completed within one year from the classification date.

Non-current assets (or disposal groups) held for sale (distribution to owners) are measured at the lower of their carrying amount and fair value less costs to sell (distribute).

A non-current asset is not depreciated (or amortised) while it is classified as held for sale (held for distribution to owners), or while it is part of a disposal group classified as such.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale (distribution to owners) are recognised in profit or loss.

No impairment loss is allocated to inventories, financial assets, deferred tax assets or investment property, which continue to be measured in accordance with the Group's other accounting policies.

An non-current asset/disposal group that ceases to be classified as held for sale or as held for distribution to owners are measured at the lower of:

- its carrying amount before it was classified as held for sale or as held for distrubution to owners, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset/disposal group not been classified as held for sale or as held for distribution to owners, and
- its recoverable amount measured under IAS 36 at the date of the decision not to sell or distribute.

SIGNIFICANT ACCOUNTING POLICIES (cont.)

1.18 Impairment of assets

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

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset.

If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

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

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

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

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

1.19 Stated capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are recognised at par value and classified as 'stated capital' in equity. Dividends are recognised as a liability in the group in the period in which they are declared.

1.20 Compound instruments

Compulsory convertible preference shares and debentures are compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible instruments and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the group, is included in equity.

Combined units are compound instruments, consisting of a debenture (liability) component and a share (equity) component. The debentures are carried at amortised cost, and any premium or discount on issue is written off over the redemption period using the effective interest method.

Issue costs are apportioned between the liability and equity components of the compound instruments based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity.

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SIGNIFICANT ACCOUNTING POLICIES (cont.)

1.21 Employee benefits

Short-term employee benefits

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

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

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

1.22 Provisions and contingencies

Provisions are recognised when:

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

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 32.

SIGNIFICANT ACCOUNTING POLICIES (cont.)

1.22 Provisions and contingencies (continued)

Site restoration and dismantling cost

The group has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period. If the related asset is measured using the cost model:

a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period
b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in profit or loss
c) if the adjustment results in an addition to the cost of an asset, the entity considers whether this is an indication that new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in profit or loss.

If the related asset is measured using the revaluation model:

a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:

- a decrease in the liability (subject to (b)) is credited in other comprehensive income and accumulated in the revaluation reserve in equity, except that it is recognised in profit or loss to the extent that it reverses a revaluation deficit on the asset that was previously recognised in profit or loss

- an increase in the liability is recognised in profit or loss, except that it is debited to other comprehensive income as a decrease to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in profit or loss.

c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to profit or loss and to other comprehensive income under (a). If a revaluation is necessary, all assets of that class are revalued.

1.23 Government grants

Government grants are recognised when there is reasonable assurance that:

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

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

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

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

Grants related to income are deducted from the related expense.

SIGNIFICANT ACCOUNTING POLICIES (cont.)

1.23 Government grants (continued)

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

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

1.24 Revenue

After 1 July 2018

Revenue is measured based on the consideration specified in the contract with a customer. The group recognises revenue when it transfers control over a good or service to a customer.

The group recognises revenue from the following major sources:

Interest on Loans and other interest revenue

Interest is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend and distribution Income

Dividend and distribution income is recognised when the right to receive payment is established.

Income from trade

Income from trade comprises revenue from the sale of goods and rendering of services.(within the scope of IFRS 15)

Sale of goods

For sales of goods to cash customers, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the retail outlet. Payment of the transaction price is due immediately at the point the customer purchases the goods. For sales of goods on credit, a receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Rendering of services

Revenue relating to the rendering of services for hotel, conference activities and entertainment events is recognised at the point in time the service is rendered to the customer and the customer simultaneously consumes the benefits.

Revenue for management services and other services is recognised over time based on the stage of completion method. This is determined as based on cost incurred as a proportion of the total costs expected to satisfy the performance obligation. If a customer pays consideration before goods or services are delivered, an advance deposit liability is recognised.

SIGNIFICANT ACCOUNTING POLICIES (cont.)

1.24 Revenue (continued)

Before 30 June 2018

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from the sale of goods is recognised when goods are delivered and legal title is passed.

Rendering of services
Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- installation fees from a recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period;
- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold; and
- revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

Dividend and interest income
Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life if the financial asset to that asset's net carrying amount on initial recognition.

SIGNIFICANT ACCOUNTING POLICIES (cont.)

1.25 Rental income

Rental income from operating leases is recognised in the statement of comprehensive income on a straight line basis over the term of the relevant leases.

1.26 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

1.27 Translation of foreign currencies

Group presentation currency

Items included in the financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates (functional currency).

The consolidated financial statements are presented in Pula which is the company's functional currency and group presentation currency.

Foreign currency transactions

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

At the end of the reporting period:

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

In circumstances where the group receives or pays an amount in foreign currency in advance of a transaction, the transaction date for purposes of determining the exchange rate to use on initial recognition of the related asset, income or expense is the date on which the group initially recognised the non-monetary item arising on payment or receipt of the advance consideration.

If there are multiple payments or receipts in advance, group determines a date of transaction for each payment or receipt of advance consideration.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Figures in Pula thousand	Group 2019	Group 2018	Company 2019	Company 2018
2. Income from trade				
Income from trade:				
Revenue from the sale of goods and rendering of services	68,544	75,433	-	-
Interest on loans:				
- Subsidiaries	-	-	19,534	17,200
- Associated Companies	-	-	8,233	1,145
- Other investments	53,350	23,710	53,350	23,710
Dividends received:				
- Subsidiaries	-	-	93,002	94,684
- Associated Companies	-	-	11,932	14,693
- Quoted investments	29,503	23,618	29,503	23,618
	151,397	**122,761**	**215,554**	**175,050**
3. Finance income and Finance cost				
Finance income:				
- Cash and cash equivalents	11,490	16,405	8,852	12,420
- Debenture interest	-	-	37,522	24,683
- Preference interest	2,084	2,084	2,084	2,084
	13,574	**18,489**	**48,458**	**39,187**
Finance costs:				
- Bank borrowings	(33,077)	(13,411)	(13,880)	(4,133)
- Long-term borrowings	(11,473)	(10,764)	(11,473)	(11,099)
- Bonds	(30,617)	(30,508)	(30,617)	(30,508)
- Lease interest	-	-	(13,572)	-
	(75,167)	**(54,683)**	**(69,542)**	**(45,740)**
4. Other operating income				
Management Fees	3,367	85	11,647	4,984
Insurance recoveries	11,615	(1,639)	-	(1,639)
African Development Bank training grant	1,012	6,010	1,012	32
Other income	17,818	15,250	50	1,224
Final liquidation dividend received from Fengyue Glass	-	67,785	-	67,785
	33,812	**87,491**	**12,709**	**72,386**

Management fees are earned from invested companies and these do not relate to rental properties.

NOTES TO THE FINANCIAL STATEMENTS (cont.)

5. Profit before tax

The following items have been (credited)/charged in arriving at profit before tax, in addition to the amounts already disclosed in notes 2, 3 and 4

Figures in Pula thousand	Group 2019	Group 2018	Company 2019	Company 2018
Other operating expenses				
Amortisation of government grant (note 25)	356	357	-	-
Auditors remuneration - external auditors	(2,003)	(2,223)	(786)	(760)
Bad debts and doubtful debts (note 16)	(3,647)	(4,070)	-	(859)
Consulting and professional fees	(16,723)	(13,693)	(8,211)	(6,719)
Consulting and professional fees - legal fees	(3,428)	(3,484)	(1,748)	(1,101)
Amortisation of intangible assets (note 9)	(634)	(693)	-	-
Depreciation (note 8)	(11,068)	(14,905)	(2,713)	(2,551)
Directors' fees	(2,430)	(1,655)	(125)	(161)
Staff costs (as below)	(65,640)	(78,310)	(40,831)	(52,522)
Directors' emoluments	(2,611)	(2,838)	(2,611)	(2,838)
Net foreign exchange gains	(1,215)	(1,610)	(1,215)	-
Repairs and maintenance	(2,310)	(3,076)	(356)	(298)
Subscriptions	(3,205)	(2,754)	(2,643)	(2,294)
Training	(2,678)	(1,717)	(1,994)	(1,160)
Staff costs				
Salaries and wages	(63,471)	(72,284)	(39,963)	(48,334)
Terminal benefits	(1,301)	(5,164)	-	(3,326)
Medical aid - company contributions	(868)	(862)	(868)	(862)
6. Income tax expense				
Major components of the tax expense				
Botswana company taxation				
Normal taxation at 22%/15%	3,892	9,309	-	-
Group tax relief	(5,484)	-	(5,057)	5,112
Withholding tax paid on dividends	10,362	9,896	10,359	9,896
Total normal taxation	8,770	19,205	5,302	15,008
Deferred taxation - Current year	6,885	6,772	-	-
Deferred taxation - Prior year	926	195	-	-
Deferred taxation - Capital gains tax	-	22	-	-
Attributable to debenture interest	3,081	9,508	3,080	1,254
Share of associate company taxation (note 12)	2,267	3,276	-	-
	21,929	**38,978**	**8,382**	**16,262**

NOTES TO THE FINANCIAL STATEMENTS (cont.)

Figures in Pula thousand	Group 2019	Group 2018	Company 2019	Company 2018
6. Income tax expense (continued)				
Reconciliation of the tax expense				
The tax on the profit before tax differs from the theoretical amount as follows:				
Accounting profit	97,049	187,211	207,115	243,567
Tax calculated at 22%/15%	21,351	87,894	45,565	56,312
Available for sale gains not subject to tax*	-	(20,251)	-	(20,251)
Income not subject to tax	(10,973)	(42,630)	(29,576)	(51,296)
Normal taxation - prior year	-	2,810	-	-
Deferred taxation - prior year	926	195	-	-
Capital gains tax	-	2,019	-	-
Expense not deductible for tax purposes	2,315	(4,992)	631	4,905
Allowable deductions - debenture interest	3,081	1,254	3,080	1,254
Fair value adjustments subject to capital gains tax	(10,284)	(7,272)	-	-
Share of associated company taxation	2,267	3,276	-	-
Withholding tax paid on dividends	10,362	9,896	6,815	9,896
Unrecognised deferred tax assets	8,368	6,779	(13,076)	10,330
Group tax relief	(5,484)	-	(5,057)	5,112
	21,929	**38,978**	**8,382**	**16,262**

*IAS 39 treatment

There were no tax movements accounted for in other comprehensive income. At 31 December 2019, there was a deferred tax liability of P495K (2018: P532K) for temporary differences of P2.25 million (2018: P2.42 million) related to investments in subsidiaries and equity accounted investees. However, this liability was not recognised because the Group controls the dividend policy of its subsidiaries and is able to veto the payment of dividends of its joint venture – i.e. the Group controls the timing of reversal of the related taxable temporary differences and management is satisfied that they will not reverse in the foreseeable future.

Botswana Development Corporation has not recognised a deferred tax asset on its accumulated tax losses carried forward and on the tax temporary differences because of the uncertainty over the future utilisation of such an asset against taxable profits.

Tax losses:
In accordance with the Income Tax Act (Chapter 52: 01), Section 46, assessed tax losses in relation to any tax year are deductible in ascertaining the relevant chargeable income for the subsequent tax year. No assessed tax losses shall be carried forward as a deduction for a period of more than the five years succeeding the tax year in which such losses arose.

At the end of the year, the assessed and estimated tax losses available for deduction are as follows:

Tax year:	Group 2019	Group 2018	Company 2019	Company 2018
2013/2014	-	147,570	-	144,342
2014/2015	57,363	137,283	96,647	96,647
2015/2016	116,069	128,433	110,567	110,567
2016/2017	41,657	37,818	18,914	18,914
2017/2018	46,672	79,343	34,487	34,487
2018/2019	60,022	-	-	-
	321,783	**530,447**	**260,615**	**404,957**

NOTES TO THE FINANCIAL STATEMENTS (cont.)

Figures in Pula thousand	Group 2019	Group 2018	Company 2019	Company 2018
7. Investment property				
Reconciliation of investment property - Group				
Land and buildings at fair value	2,124,567	2,273,547	-	-
Rental straight-line adjustment	(60,907)	(65,496)	-	-
Balance at the end of the year	**2,063,660**	**2,208,051**	**-**	**-**
Reconciliation of fair value				
Balance at beginning of the year	2,208,051	1,960,547	-	-
- At valuation	2,273,547	2,017,394	-	-
- Straight line lease rental adjustment	(65,496)	(56,847)	-	-
Additions during the year - subsequent expenditure	58,862	52,975	-	-
Additions during the year - aquisitions	31,500	152,254	-	-
Disposals during the year	(265,569)	(300)	-	-
Transfers to assets classified as held for sale	(9,000)	(1,947)	-	-
Rental referral account	1,599	-	-	-
Fair value of investment properties	38,217	44,522	-	-
- Increase in fair value during the year*	48,737	53,171	-	-
- Straight line lease rental adjustment	(10,520)	(8,649)	-	-
Balance at end of the year	**2,063,660**	**2,208,051**	**-**	**-**

Fair value of investment properties
The investment properties of the group measured at fair value at the end of the reporting period fall under Level 3 - Significant unobservable inputs.

Valuation technique - Discounted cash flows:
The valuation model considers the present value of net cash flows to be generated from the properties, taking into account the expected rental growth rate, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary), tenant credit quality and lease terms.

Significant unobservable inputs
Expected market rental growth (2019:3–6%,weighted average 6%; (2018: 5–7%, weighted average 6%)). Void periods (2019 :3-6 months on the basis of marketing of vacant space 2018: average 6 months after the end of each lease). Occupancy rate (2019: 60–80%,weighted average 70%; 2018: 60–80%, weighted average 70%). Rent-free periods (2019 and 2018:1-6 months period on new leases). Risk-adjusted discount rates (2019:9–15%, weighted average 12%; 2018: 9–15%, weighted average 12%).

Inter-Relationship between key unobservable inputs and fair value measurement
The estimated fair value would increase if expected market rental growth were higher; void periods were shorter; the occupancy rate were higher; rent-free periods were shorter; or the risk-adjusted discount rate were lower. The fair value of the investment properties has been arrived at on the basis of valuations carried out at 30 June 2019 by independent professional external valuers. The external valuers are members of the Real Estate Institute of Botswana and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The valuations were done in conformity with and are subject to the requirements of the Code of Professional Ethics and Standards of Professional Conduct of the appraisal organisations with which the valuers are affiliated. The market values were determined by the valuers using investment valuation models for industrial and commercial properties. The effective date of the valuations was 30 June 2019. All of the Group's investment property is held under freehold interests.

NOTES TO THE FINANCIAL STATEMENTS (cont.)

Figures in Pula thousand	Group 2019	Group 2018	Company 2019	Company 2018

7. Investment property (continued)

Investment properties available for sale prior year

One subsidiary is in the process of negotiating the sale of investment properties. As a result the investment properties have been disclosed as "Assets classified as held for sale". These investment properties valued at P11 750 000 (2018: P42 250 000) were not disposed as at year end as management was in the process of negotiating the sales price with the potential purchasers.

Transactions associated with investment properties are:	Group 2019	Group 2018	Company 2019	Company 2018
Rental income			167,620	146,566
Repairs and maintenance expenses			(2,310)	(3,866)

NOTES TO THE FINANCIAL STATEMENTS (cont.)

Figures in Pula thousand	Group 2019	Group 2018	Company 2019	Company 2018

8. Property, plant and equipment

Group	2019 Cost or revaluation	2019 Accumulated depreciation	2019 Carrying value	2018 Cost of revaluation	2018 Accumulated depreciation	2018 Carrying value
Land and Buildings	143,232	(2,953)	140,279	130,864	(14,535)	116,329
Plant and machinery	152,442	(91,743)	60,699	159,766	(107,694)	52,072
Furniture and fixtures	18,640	(13,709)	4,931	25,633	(18,229)	7,404
Motor vehicles	4,228	(2,264)	1,964	4,767	(3,681)	1,086
Computer equipment	10,905	(7,945)	2,960	16,562	(13,611)	2,951
Total	**329,447**	**(118,614)**	**210,833**	**337,592**	**(157,750)**	**179,842**

Reconciliation of property, plant and equipment - Group - 2019

	Land and Buildings	Plant and machinery	Furniture and fixtures	Motor vehicles	Computer equipment	Total
Cost or revaluation	143,232	152,442	18,640	4,228	10,905	329,447
Accumulated depreciation and impairment	(2,953)	(91,743)	(13,709)	(2,264)	(7,945)	(118,614)
Net book value at 30 June, 2019	**140,279**	**60,699**	**4,931**	**1,964**	**2,960**	**210,833**
Net book value at beginning of year	**116,328**	**52,072**	**7,404**	**1,087**	**2,951**	**179,842**
Additions	22,410	14,502	907	1,524	1,422	40,765
Disposals and scrapping's - cost	-	(1,321)	(387)	(299)	(337)	(2,344)
Transfers	-	29	-	-	(29)	-
Transfers (to) and from investment property	-	(29)	-	-	-	(29)
Other changes, movements	2,026	-	(661)	299	365	2,029
Depreciation	(485)	(5,869)	(2,655)	(647)	(1,412)	(11,068)
Depreciation on disposals	-	1,315	323	-	-	1,638
	140,279	**60,699**	**4,931**	**1,964**	**2,960**	**210,833**

The Group's land and buildings are stated at revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and accumulated impairment losses.

The fair value measurements as of 30 June 2019 were performed by independent valuers not related to the Group. They have the appropriate qualifications and recent experience in their fair value measurement of properties in the relevant locations. The valuations are performed every three years.

In calculating the fair value , the valuer has adopted various valuation techniques generally used by independent valuers. The key assumptions underlying the valuation techniques are based on unobservable inputs and accordingly result in the valuations being classed at level 3 in terms of the fair value hierachy. The cost of the land and buildings amount to P19.4million (P19.4 million).

NOTES TO THE FINANCIAL STATEMENTS (cont.)

Figures in Pula thousand	Group 2019	Group 2018	Company 2019	Company 2018

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 2018

	Land and Buildings	Plant and machinery	Furniture and fixtures	Motor vehicles	Computer equipment	Total
Cost or revaluation	130,864	159,766	25,633	4,767	16,562	337,592
Accumulated depreciation and impairment	(14,535)	(107,694)	(18,229)	(3,681)	(13,611)	(157,750)
Net book value at 30 June, 2018	**116,329**	**52,072**	**7,404**	**1,086**	**2,951**	**179,842**
Net book value at beginning of year	**50,726**	**14,864**	**10,332**	**1,097**	**3,287**	**80,306**
Additions	189	5,487	1,047	64	1,347	8,134
Disposals	(12)	(588)	(432)	(108)	(530)	(1,670)
Depreciation on disposal	357	588	402	108	138	1,593
Transfers (to) and from assets classified as held for sale	65,719	-	-	-	-	65,719
Transfers	1,100	41,849	39	331	(94)	43,225
Revaluations	1,798	-	-	-	-	1,798
Depreciation	(3,231)	(6,097)	(3,975)	(405)	(1,197)	(14,905)
Impairment loss	(318)	(4,031)	(9)	-	-	(4,358)
	116,329	**52,072**	**7,404**	**1,087**	**2,951**	**179,842**

Reconciliation of property, plant and equipment - Company - 2019

	Furniture and fixtures	Motor vehicles	Computer equipment	Total
Cost or revaluation	10,071	1,176	4,985	16,232
Accumulated depreciation and impairment	(7,633)	(507)	(3,641)	(11,781)
Net book value at 30 June, 2019	**2,438**	**669**	**1,344**	**4,451**
Net book value at beginning of year	**4,203**	**23**	**1,758**	**5,984**
Additions	147	714	319	1,180
Depreciation	(1,912)	(68)	(733)	(2,713)
	2,438	**669**	**1,344**	**4,451**

Reconciliation of property, plant and equipment - Company - 2018

	Furniture and fixtures	Motor vehicles	Computer equipment	Total
Cost or revaluation	9,925	885	4,666	15,476
Accumulated depreciation and impairment	(5,722)	(862)	(2,908)	(9,492)
Net book value at 30 June, 2018	**4,203**	**23**	**1,758**	**5,984**
Net book value at beginning of year	**6,019**	**23**	**1,330**	**7,372**
Additions	94	-	1,072	1,166
Disposals and scrapping's - cost	-	-	(3)	(3)
Depreciation	(1,910)	-	(641)	(2,551)
	4,203	**23**	**1,758**	**5,984**

NOTES TO THE FINANCIAL STATEMENTS (cont.)

Figures in Pula thousand	Group 2019	Group 2018	Company 2019	Company 2018

9. Intangible assets

Group	2019 Cost	2019 Accumulated amortisation	2019 Carrying value	2018 Cost	2018 Accumulated amortisation	2018 Carrying value
Computer software, other	6,381	(3,554)	2,827	6,860	(3,594)	3,266

Company	2019 Cost	2019 Accumulated amortisation	2019 Carrying value	2018 Cost	2018 Accumulated amortisation	2018 Carrying value
Computer software, other	2,639	-	2,639	2,639	-	2,639

Reconciliation of intangible assets - Group - 2019

	Opening balance	Additions	Amortisation	Total
Computer software	3,266	195	(634)	2,827

Reconciliation of intangible assets - Group - 2018

	Opening balance	Additions	Amortisation	Total
Computer software	1,173	2,786	(693)	3,266

Reconciliation of intangible assets - Company - 2019

	Opening balance	Additions	Amortisation	Total
Computer software	2,639	-	-	2,639

Reconciliation of intangible assets - Company - 2018

	Opening balance	Additions	Amortisation	Total
Computer software	-	2,639	-	2,639

NOTES TO THE FINANCIAL STATEMENTS (cont.)

Figures in Pula thousand	Group 2019	Group 2018	Company 2019	Company 2018

10. Leases (group as lessee)

The group leases several assets, including buildings, plant and IT equipment. The average lease term is 5 years (2018: 5- years).

The group has the option to purchase the building at a nominal amount on completion of the lease term.

The group has applied the short-term exemption for leases of motor vehicles.

The group adopted IFRS 16 for the first time in the current financial period. Comparative figures have been accounted for in accordance with IAS 17 and accordingly, any assets recognised under finance leases in accordance with IAS 17 for the comparative have been recognised as part of property, plant and equipment. The information presented in this note for right-of-use assets therefore only includes the current period.

Net carrying amounts of right-of-use assets

The carrying amounts of right-of-use assets are as follows:

	Group 2019	Group 2018	Company 2019	Company 2018
Buildings	2,523	-	136,938	-

Depreciation recognised on right-of-use assets

Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss (note 5), as well as depreciation which has been capitalised to the cost of other assets.

	Group 2019	Group 2018	Company 2019	Company 2018
Buildings	444	-	15,726	-

Other disclosures

	Group 2019	Group 2018	Company 2019	Company 2018
Interest expense on lease liabilities	-	-	13,564	-

At 30 June, 2019, the group is committed to P58 623 (2018: P 0-) for short-term leases.

Finance lease liabilities

The maturity analysis of lease liabilities is as follows:

	Group 2019	Group 2018	Company 2019	Company 2018
Two to five years	-	-	77,633	-
More than five years	2,522	-	100,863	-
Non-current liabilities	2,522	-	178,496	-

NOTES TO THE FINANCIAL STATEMENTS (cont.)

11. Subsidiaries

The following table lists the entities which are controlled directly by the company, and the carrying amounts of the investments in the company's separate financial statements.

Investments in subsidiaries

	Ordinary shares at cost	Preference shares at cost	2019 Total investment	2018 Total investment	% of shares held
Agriculture	**96,587**	**-**	**96,587**	**84,459**	
Farm Development Company (Pty) Ltd	-	-	-	-	100 %
Talana Farms (Pty) Ltd	9,237	-	9,237	9,237	100 %
LP Amusements (Pty) Ltd	59,026	-	59,026	59,026	100 %
Malutu Enterprises (Pty) Ltd	16,196	-	16,196	16,196	100 %
Milk Afric (Pty) Ltd	12,128	-	12,128	-	100 %
Industry	**223,161**	**19,036**	**242,197**	**242,197**	
Lobatse Clay Works (Pty) Ltd	75,000	-	75,000	75,000	100 %
Golden Fruit 97 (Pty) Ltd	25,496	13,796	39,292	39,292	100 %
Can Manufacturers (Pty) Ltd	122,665	5,240	127,905	127,905	100 %
Services	**29,343**	**5,200**	**34,543**	**14,584**	
Export Credit Insurance & Guarantee (Pty) Ltd	14,584	-	14,584	14,584	100 %
Coast-to-Coast Inn (Pty) Ltd	14,759	5,200	19,959	-	100 %
Property management	**1,106,176**	**6,347**	**1,112,523**	**955,522**	
Botswana Hotel Development Co. (Pty) Ltd	104,098	-	104,098	104,098	100 %
Commercial Holdings (Pty) Ltd	375,895	-	375,895	224,474	100 %
Fairground Holdings (Pty) Ltd	8,615	-	8,615	8,615	51 %
NPC Investments (Pty) Ltd	1,321	-	1,321	1,321	100 %
Residential Holdings (Pty) Ltd	32,788	6,347	39,135	39,135	100 %
Western Industrial Estate (Pty) Ltd	306,649	-	306,649	301,069	100 %
Phakalane Property Development (Pty) Ltd	510	-	510	510	51 %
Letlole la Rona Ltd	276,300	-	276,300	276,300	66 %
	1,455,267	**30,583**	**1,485,850**	**1,296,762**	
Less: Accumulated impairment			(267,994)	(383,307)	
			1,217,856	**913,455**	

All the above subsidiaries are registered in Botswana

The reversal of impairment losses arises mainly from a previously non-performing loan of a 100% subsidiary, Commercial Holdings (Pty) Ltd, that is now recoverable due to the subsidiary's improved profitability. The impairment loss reversal was included in 'Expected Credit Losses (2018:(Impairment)/Reversals)' in the statement profit or loss.

Aquisition of a subsidiary

On 01 July 2018, the Group's equity interest in its material associate, Milk Afric (Pty) Ltd increased from 26% to 100% and Milk Afric (Pty) Ltd became a subsidiary from that date. This conversion from an associate to a subsidiary arose as a result of conditions in the market that saw it difficult for the promoter to contribute its 74% equity portion.

NOTES TO THE FINANCIAL STATEMENTS (cont.)

Figures in Pula thousand	Group 2019	2018	Company 2019	2018

11. **Subsidiaries (continued)**

The Group has thus taken full ownership and has control of the project until further notice, effective from the beginning of the year. No additional consideration was paid over and above the cost of the shares that had been subscribed to, for the 26% stake paid for during the 2018 financial year. In addition, the transaction had no impact on the cash flow of the group and company. Milk Afric (Pty) Ltd is principally engaged in milk production and is not publicly listed.

The re-measurement to fair value of the Group's existing interest in Milk Afric (Pty) Ltd resulted in a nil impact on the statement of profit or loss. The carrying amount and fair value were deemed to be the same. The investment with a cost of P8 million was impaired in the prior year due to delays in the commencement of operations and the losses that had been incurred.

The Company was not operational during the year therefore no, significant impact on the performance of the group.

Fair Value of net liabilities on date of transfer

The following table summarises the acquisition date fair value of each major class of consideration transferred:

In thousands of Pula	Total
Property, plant and equipment	17,647
Current assets	973
Borrowings	(15,742)
Current liabilities	(4,751)
	(1,873)

The fair value of property, plant and equipment was determined by independent valuers - Apex properties in relation to the property and GEA Farm Technologies in relation to the plant and equipment. Valuation techniques applied to property are in line with those of other properties as disclosed in note 7. Valuation of plant and euipment was performed in relation to similar items in the market.

Gain on bargain purchase	Total
There was a gain on bargain purchase arising from gain of control as follows:	
Consideration transferred	-
NCI, based on their proportionate in the recognised amounts of the assets and liabilitiesd of Milk Afric (Pty) Ltd	-
Fair value of pre-existing interest	-
Fair value of net identifiable liabilities	(1,873)
Gain on bargain purchase recognised in the statement of profit or loss	(1,873)

Impairment
The assessment of these investments for impairment requires the application of judgment and the use of significant assumptions in determining future profitability and the current value of assets held by the subsidiaries.

Key assumptions used in the determining future profitability of subsidiaries include revenue growth rates which were assessed as reasonable and are in line with relevant market growth rates. Such assumptions are based on historical results adjusted for anticipated future growth. These assumptions are a reflection of management's past experience in the market in which the investees operate. The current value of assets held by subsidiaries which is mostly property, plant and equipment and investment property was performed by independent property valuers. Refer to note 7 and 8 for additional details.

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NOTES TO THE FINANCIAL STATEMENTS (cont.)

12. **Equity accounted investees**

The following table lists all of the associates in the group:

Group

Equity Accounted Investees

	Ordinary shares at cost	Post Acquisition Reserve	2019 Total investment	2018 Total investment	% of shares held
Agriculture	**4,432**	**(4,031)**	**401**	**5,674**	
Botalana Ventures (Pty) Ltd	-	-	-	(2,784)	39 %
Milk Afric Alliance (Pty) Ltd	-	-	-	8,057	26 %
Marekisetso A Merogo (Pty) Ltd	4,432	(4,031)	401	401	23 %
Industry	**23,077**	**(1,379)**	**21,698**	**21,286**	
Nampak	23,077	(1,379)	21,698	21,286	26 %
Services	**25,169**	**158,303**	**183,472**	**170,947**	
Peermont Global (Botswana) Ltd	3,000	55,094	58,094	56,614	40 %
Investec Holdings Botswana Ltd	870	1,111	1,981	1,950	25 %
TransUnion (Pty) Ltd	147	6,755	6,902	5,090	49 %
Transport Holdings (Pty) Ltd	10,865	7,890	18,755	10,961	20 %
Mashatu Nature Reserve (Pty) Ltd	10,287	87,453	97,740	96,332	33 %
Property management	**35,000**	**4,620**	**39,620**	**40,297**	
NBC Developments Partnership	35,000	4,620	39,620	40,297	33 %
Total all sectors			**245,191**	**238,204**	
Less: Accumulated impairment			(4,432)	(26,615)	
			240,759	**211,589**	

The reversals of impairment losses arises mainly from the following factors:

- general improvement in profitability of other associate companies resulting in a reversal of previously recognised impairment losses.
- the conversion of Milk Afric (Pty) Ltd to a subsidiary
- the write-off of Botalana Ventures investment on final liquidation in the current year, and
- The net impact of the impairment loss reversals arising from the above was included in 'Expected credit losses' (2018: '(Impairments)/Reversals)' in the statement of profit or loss.

Figures in Pula thousand	Group 2019	2018	Company 2019	2018
Group investment as disclosed above	-	-	245,191	238,204
Less post acquisition reserves	-	-	(157,512)	(128,342)
	-	-	87,679	109,862
Less: NBC Developments Partnership	-	-	(35,000)	(35,000)
Less: Accumulated impairment	-	-	(4,432)	(26,615)
	-	-	48,247	48,247
	-	**-**	**48,247**	**48,247**

All associated companies/partnerships are registered in Botswana.

NOTES TO THE FINANCIAL STATEMENTS (cont.)

Figures in Pula thousand	Group 2019	Group 2018	Company 2019	Company 2018
12. Equity accounted investees (continued)				
Included in post acquisition reserves are the following:				
Current year share of associates profits	20,374	23,859	-	-
Current year share of associates tax charge	(2,267)	(3,276)	-	-
Net profit after tax	18,107	20,583	-	-
Share of other comprehensive income of associates, net of tax	(20)	20	-	-
	18,087	**20,603**	-	-

The assessment of these investments for impairment requires the application of judgment and the use of significant assumptions in determining future profitability and the current value of assets held by the equity accounted investees.

Key assumptions used in the determining future profitability of equity accounted investees include revenue growth rates which were assessed as reasonable and are in line with relevant market growth rates. Such assumptions are based on historical results adjusted for anticipated future growth. These assumptions are a reflection of management's past experience in the market in which the investees operate.

The current value of assets held by equity accounted investees which is mostly property, plant and equipment and investment property was performed by independent property valuers. Refer to note 7 and 8 for additional details.

13. Other investments

The effect of initially applying IFRS 9 in the Group's financial instruments is described in Note 43. Due to the transition method chosen in applying IFRS 9, comparative information has not been restated to reflect the new requirements:

Group

	2019 Current Invest-ments	2019 Non-current invest-ments	2019 Total	2019 % Inte-rest	2018 Current invest-ments	2018 Non-current invest-ments	2018 Total	2018 % Inte-rest
Financial assets at amortised cost (IFRS 9)/ Loans and receivables (IAS 39)								
Long term placements								
Deposits with RMB Botswana	-	104,315	104,315	5.5%	-	-	-	- %
- To associate companies								
Botalana ventures (Pty) Ltd	-	-	-	- %	10,820	-	10,820	12.0 %
Milk Afric (Pty) Ltd	-	-	-	- %	350	16,085	16,435	12.5 %
Transport Holdings (Pty) Ltd	22,949	40,289	63,238	11.0%	11,817	63,189	75,006	11.25 %
- To non-affiliated entities								
Botswana based entities	122,257	514,983	637,240	14.0 %	57,573	213,968	271,541	14.0 %
Regional entities	11,469	371,010	382,479	15.0 %	-	-	-	- %
Total financial assets at amortised cost/Loans and receivables	156,675	1,030,597	1,187,272		80,560	293,242	373,802	-
Equity securities at fair value through profit/loss								
Preference shares at cost								
PASDEC	-	52,100	52,100	12.00 %	-	52,100	52,100	12.00 %
Crates and Pallets (Pty) Ltd	-	3,192	3,192	13.00 %	-	3,192	3,192	13.25 %
Thakadu and Kwena Hotels (Pty) Ltd	-	8,602	8,602	16.00 %	-	8,602	8,602	16.00 %
Total Equity securities at fair value through profit/ loss	-	63,894	63,894		-	63,894	63,894	

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NOTES TO THE FINANCIAL STATEMENTS (cont.)

13. Other investments (continued)

	2019 Current Invest-ments	2019 Non-current invest-ments	2019 Total	2019 % share-holding	2018 Current invest-ments	2018 Non-current invest-ments	2018 Total	2018 % share-holding
Equity securities - designated at Fair value through other comprehensive income								
Mogo'lori Mall (Pty) Ltd	-	6,250	6,250	15.00 %	-	-	-	- %
Sechaba Brewery Holdings Limited shares at cost	-	57,205	57,205	25.00 %	-	57,205	57,205	25.00 %
Cresta Marakanelo Limited shares at cost	-	77,940	77,940	27.00 %	-	77,940	77,940	27.00 %
Net gain in fair value reserve (Note 20)	-	477,137	477,137	- %	-	447,030	447,030	- %
Total Equity securities - designated at Fair value through other comprehensive income	-	618,532	618,532		-	582,175	582,175	
	156,675	**1,713,023**	**1,869,698**		**80,560**	**939,311**	**1,019,871**	
Less:								
Accumulated impairment	-	(150,086)	(150,086)	-	-	(92,613)	(92,613)	-
Amortised cost adjustment of loan provided at below market rate	-	-	-	-	-	1,213	1,213	-
	156,675	**1,562,937**	**1,719,612**		**80,560**	**847,911**	**928,471**	

The Company holds 26,820,924 (2018: 26,820,924) and 50,283,975 (2018: 50,283,975) ordinary shares in Sechaba Brewery Holdings Ltd and Cresta Marakanelo Ltd, respectively. However the equity method of accounting is not followed as the Company does not exercise significant influence over Sechaba Breweries Holdings Ltd's financial and operating policies. The Company has only one board seat and does not participate in the process of appointing senior management, neither does it have direct influence over the operational strategies of Sechaba Brewery Holdings Limited. The Company owns 27% (2018: 27%) of Cresta Marakanelo Ltd's issued capital, however the equity method of accounting is not followed as the company does not exercise significant influence over Cresta Marakanelo Ltd's financial and operating policies.The Company has 2 out of 9 board seats and does not control the process of appointing senior management, neither does it have direct influence over the operational strategies of Cresta Marakanelo Limited.

The fair value of the quoted investments was determined by using level 1 inputs - the share price of the respective investee quoted on Botswana Stock Exchange as at year end.

During the year ended 30 June 2019, a subsidiary acquired 15% of shares and linked debentures in Mogo'lori mall Limited which are measured at fair value through other comprehensive income. No dividends were received in the year from this investment.

NOTES TO THE FINANCIAL STATEMENTS (cont.)

Figures in Pula thousand	Group 2019	Group 2018	Company 2019	Company 2018

13. Other investments (continued)

The redeemable preference shares in Pasdec Automative of P52 100 000 were redeemable in May 2019. However, an offer was made to restructure the facility to a longer term facility.

The long term placements represent cash pledged as security for the RMB P150m debt facility (refer Note 24). The terms of the collateral are such that the funds are to be held in a fixed deposit account that bears interest at 5.5% per annum and remain there for the duration of the facility (till July 2023).

	Group 2019	Group 2018	Company 2019	Company 2018
Consolidated other investments as above			1,719,612	928,471
Add back loans to subsidiaries:				
Lobatse Clay Works (Pty) Ltd			35,787	2,559
Botswana Hotel Development Company (Pty) Ltd			53,213	58,040
Commercial Holdings (Pty) Ltd			-	148,396
Western Industrial Estate (Pty) Ltd			19,542	19,411
Milk Afric (Pty) Ltd			31,367	-
Subtotal			1,859,521	1,156,877
Less: subsidiary investments in equity instruments at FVOCI			(6,250)	-
Amortised cost adjustment of loan provided at below market rate			(53,213)	(58,039)
Accumulated Impairment			(8,072)	-
			1,791,986	**1,098,838**
Classified as follows:				
Current assets			173,696	86,594
Non-current assets			1,618,290	1,012,244
			1,791,986	**1,098,838**

Equity securities are held for long term approach and have no fixed maturity.

Maturity analysis of loans financial assets at amortised costs	Group 2019	Group 2018	Company 2019	Company 2018
Up to 1 year	156,675	80,560	173,696	86,594
1-5 years	880,597	142,748	925,736	246,801
>5 years	150,000	150,000	150,000	150,000
	1,187,272	**373,308**	**1,249,432**	**483,395**

Figures in Pula thousand	Group Fair value	Group Dividends	Company Fair value	Company Dividends
2019				
Equity securities designated at FVOCI				
Investment in Mogo'lori Mall (Proprietary) Limited	6,250	-	-	-
Sechaba Brewery Holdings Limited	551,438	29,503	551,438	29,503
Cresta Marakanelo Limited	60,844	-	60,844	-
	618,532	**29,503**	**612,282**	**29,503**

Letlole la Rona Limited, a subsidiary holds 15% of shares and linked debentures in Mogo'lori mall Limited which are measured at fair value through other comprehensive income.

As at 1 July 2019, the Group designated the investments shown above as equity securities at FVOCI because these equity securities represent investments that the Group intends to hold for the long term for strategic purposes. In 2018, these investments were classified as available for sale.

Total financial assets at amortised cost for the group and company at the end of the year amounted to P1.037 billion (2018: P282 million) and P1.116 billion (2018: P458 million) respectively.

NOTES TO THE FINANCIAL STATEMENTS (cont.)

Figures in Pula thousand	Group 2019	Group 2018	Company 2019	Company 2018

14. Due from group companies

This comprises amounts due from Group companies as a result of the companies having claimed, under the provisions of the Fourth Schedule of the Income Tax Act, to offset their assessable income against the assessable losses of the Company. The balances are offset accross the various group companies' tax positions as per Schedule 4 of the Income Tax Act, and this is over periods exceeding a financial year, hence of a long-term nature.

Group Company Name	Group 2019	Group 2018	Company 2019	Company 2018
Export Credit Insurance and Guarantee (Pty) Ltd	-	-	2,341	2,342
Lobatse Clay Works (Pty) Ltd	-	-	(5,228)	(5,228)
Commercial Holdings (Pty) Ltd	-	-	7,977	7,977
Botswana Hotel Development Company (Pty) Ltd	-	-	38,825	33,938
NPC Investments (Pty) Ltd	-	-	1	8,490
Residential Holdings (Pty) Ltd	-	-	14,938	14,845
Talana Farms (Pty) Ltd	-	-	459	396
Western Industrial Estates (Pty) Ltd	-	-	64,969	64,767
LP Amusement Centre (Pty) Ltd	-	-	(2,779)	(2,779)
Malutu Enterprises (Pty) Ltd	-	-	1,752	5,936
CAN Manufacturers (Pty) Ltd	-	-	12,852	13,040
	-	-	**136,107**	**143,724**

15. Inventories

	Group 2019	Group 2018	Company 2019	Company 2018
Raw materials, components	2,663	4,264	-	-
Work in progress	3,722	3,543	-	-
Finished goods and consumables	1,992	1,256	-	-
	8,377	9,063	-	-
Inventories (write-downs)	(1,486)	(1,486)	-	-
	6,891	**7,577**	-	-

Amounts of inventory recognised as an expense in the period (purchases) amounts to P42 646 (2018:P61 499)

16. Trade and other receivables

	Group 2019	Group 2018	Company 2019	Company 2018
Gross trade receivables	39,758	34,344	32,385	-
Allowance for doubtful debts	(20,572)	(16,925)	-	-
Net trade receivables	19,186	17,419	32,385	-
Prepayments	8,466	2,066	5,027	-
Loans to officers	305	343	305	343
Preference shares interest	7,848	5,764	7,848	5,764
Value Added Tax (VAT)	4,924	18,118	2,925	3,134
Due from related parties	(28)	-	61,115	83,436
Other	38,494	26,000	2,765	9,389
Refundable taxes	7,264	5,336	-	-
Total trade and other receivables	**86,459**	**75,046**	**112,370**	**102,066**

The average credit period is 30 days (2018: 30 days). No interest is charged on overdue trade debtors. The Group has provided for all trade debtors over 60 days based on estimated irrecoverable amounts.

The balance due from related parties include the final liquidation dividend from Fengyue Glass Manufacturing (Botswana) Pty (Ltd).

Included in trade receivables for the year ended 2018 are amounts past due at the reporting date which the Group has not impaired as they are still considered recoverable. There are no other impaired receivables not included in the bad debt allowance.

NOTES TO THE FINANCIAL STATEMENTS (cont.)

Figures in Pula thousand	Group 2019	Group 2018	Company 2019	Company 2018
16. Trade and other receivables (continued)				
Ageing of past due but not impaired				
31 - 60 days	2,440	4,239	-	-
61 - 90 days	3,337	1,073	773	-
91 - 120 days	12,767	3,209	398	859
Total	**18,544**	**8,521**	**1,171**	**859**
Movement in the allowance for doubtful debts				
Balance at beginning of the year	16,925	14,629	859	-
Allowance reclassified as assets held for sale	-	1,816	-	-
Allowance charged during the year	(13,196)	4,070	(576)	859
Amounts written off as uncollectable	-	(3,590)	-	-
Balance at end of the year	**3,729**	**16,925**	**283**	**859**

At the reporting date, the Group considers the concentration of credit risk limited due to the customer base being unrelated. There are no other impaired trade debtors. Accordingly, the directors believe that there is no further impairment required in excess of the allowance for doubtful debts.

17. Other assets

Figures in Pula thousand	Group 2019	Group 2018	Company 2019	Company 2018
Balance at beginning of the year	11,368	11,969	-	-
Interest income - reinvested	316	439	-	-
Withdrawals	(8,530)	(1,040)	-	-
Balance at end of the year	**3,154**	**11,368**	**-**	**-**

Other assets comprise short term fixed income securities placed in the capital markets with various fund managers. Due to the short term nature of these placements, the carrying value of the assets equals their fair value. The value of funds are based on valuation of units provided by fund managers.

18. Cash and cash equivalents

Figures in Pula thousand	Group 2019	Group 2018	Company 2019	Company 2018
Cash and cash equivalents consist of:				
Cash on hand	14	51	5	5
Bank balances	311,453	271,740	47,059	263,717
Money market funds	69,104	89,179	3,739	23,348
Bank overdraft	(99,695)	(5,969)	(99,607)	(3,536)
	280,876	**355,001**	**(48,804)**	**283,534**
Current assets	380,571	360,970	50,803	287,070
Current liabilities	(99,695)	(5,969)	(99,607)	(3,536)
	280,876	**355,001**	**(48,804)**	**283,534**

Money market funds
Surplus cash funds are invested in money market funds which comprise rolling and fixed deposits with fund managers and have a tenure of 1 week to 90 days. The interest earned is at an effective interest rate of 4.9% (2018: 4.3%). The proportionate amount of interest up to 30 June is added to the cost of investment to approximate fair value.

19. Stated Capital

Figures in Pula thousand	Group 2019	Group 2018	Company 2019	Company 2018
Ordinary shares				
541 769 462 Ordinary shares of Nil Par value (2018: 541 769 462)	888,269	888,269	888,269	888,269

NOTES TO THE FINANCIAL STATEMENTS (cont.)

19. Stated Capital (continued)

The company's ordinary shares are held by a sole shareholder, the Government of the Republic of Botswana. The shares carry a single vote, as well as a right to dividends as may be declared by the company from time to time.

20. Fair value reserve

Figures in Pula thousand	Group 2019	Group 2018	Company 2019	Company 2018
Balance at beginning of the year	447,030	558,695	447,030	558,695
Fair value movement during the year	30,107	(19,612)	30,107	(19,612)
Transfers to profit and loss (realised)*	-	(92,053)	-	(92,053)
	477,137	**447,030**	**477,137**	**447,030**
Comprising:				
Sechaba Breweries Holdings Ltd	494,233	463,120	494,233	463,120
Cresta Marakanelo Ltd	(17,096)	(16,090)	(17,096)	(16,090)
	477,137	**447,030**	**477,137**	**447,030**

*IAS 39 treatment

The group has made an irrevocable election on adoption of IFRS 9 to classify these equity instruments at fair value through OCI as it is the business model not to hold the equities for trading or for contigent consideration.

21. Other Reserves

	Debt & Capital Reserve	Statutory capital & solvency reserves	Revaluation reserve	Total
Company				
Balance as at 30 June 2017	36,442	-	-	36,442
Transfers during the year	64,796	-	-	64,796
Balance at 30 June, 2018	101,238	-	-	101,238
Transfers during the year	33,931	-	-	33,931
Balance at 30 June, 2019	**135,169**	**-**	**-**	**135,169**
Consolidated				
Subsidiaries				
Balance as at 30 June 2017	-	2,262	96,288	98,550
Balance at 30 June, 2018	**-**	**2,262**	**96,288**	**98,550**
Balance at 30 June, 2019	**-**	**2,262**	**96,288**	**98,550**
Associates				
Balance as at 30 June 2017	-	-	100,421	100,421
Share of other comprehensive loss of associates	-	-	20	20
Disposal of investment	-	-	(6,944)	(6,944)
Balance at 30 June, 2018	**-**	**-**	**93,497**	**93,497**

NOTES TO THE FINANCIAL STATEMENTS (cont.)

	Debt & Capital Reserve	Statutory capital & solvency reserves	Revaluation reserve	Total
21. Other Reserves (continued)				
Share of other comprehensive loss of associates	-	-	(20)	(20)
Transfers	-	-	(44,215)	(44,215)
Balance at 30 June, 2019	-	-	49,262	49,262
Total Other reserves at 2018	101,238	2,262	189,785	293,285
Total Other reserves at 2019	135,169	2,262	145,550	282,981

Debt and Capital Reserve

Although the Company is not a regulated financial institution, a Capital and Debt Reserve requirement framework was set up in 2017, through an internal policy. For this purposes, a Capital and Debt Reserve Account (CDRA) was set up, and a minimum of 12.5% of NOPAT gets allocated to this account annually. The account can also be funded from cash windfalls and excess operational liquidity. The primary purpose of the CDRA is to hold adequate reserves for repayment obligations under long term funding facilities as well as mitigating against the impact of credit losses. Disbursements to investments can be made from this account under exceptional circumstances, provided a replacement is made from the Investment fund thereafter.

Statutory capital and solvency reserves

In terms of the Insurance Act (CAP 46:01), 15% of profit after taxation and 10% of profit before tax of a subsidiary company, which is providing export and domestic credit insurance, is transferred to statutory capital and solvency reserves respectively. No transfers to these reserves were made during the current or prior financial year as the subsidiary realised a loss before and after taxation in both financial years.

Figures in Pula thousand	Group 2019	Group 2018	Company 2019	Company 2018
22. Claims Equalisation Reserve				
Balance at beginning of the year	4,207	4,207	-	-
Transfers to retained earnings	(3,000)	-	-	-
Balance at end of the year	1,207	4,207	-	-

It is the policy of a subsidiary company to transfer 10% of the net commercial and domestic premium income from retained earnings into the claims equalisation reserve. The transfer from retained earnings ceases when the balance in the reserve account amounts to 150% of the highest gross premium income over the past five years. Subsequent to year end there was a transfer amounting to P3 million (2018: nil) made to retained earnings to reduce the impact of abnormal claims.

Figures in Pula thousand	Group 2019	Group 2018	Company 2019	Company 2018
23. Non-controlling interest				
Balance at beginning of the year	366,260	345,713	-	-
Share of net profit of subsidiaries	20,335	30,594	-	-
Debenture interest declared during the year	(19,392)	(12,757)	-	-
Dividends paid	(1,362)	(95)	-	-
Tax on debentures interest	-	2,805	-	-
Balance at end of the year	365,841	366,260	-	-

NOTES TO THE FINANCIAL STATEMENTS (cont.)

Figures in Pula thousand	Group 2019	Group 2018	Company 2019	Company 2018
24. Borrowings				
Held at amortised cost				
First National Bank of Botswana Term loan bearing interest rate at prime lending rate, currently 6.25% (2018:6.5%) per annum and repayable in equal instalments of P263 359 over 10 years. The loan is secured by First Covering Mortgage Bond of P20 million over Lot 4821 Lobatse.	-	8,704	-	-
Syndicate - RMB and Stanic Bank Botswana Limited A maximum secured loan of P450million, bearing interest at prime lending rate, currently 6.25% (2018: 6.5%) minus 1% margin per annum and repayable in 12 instalments of P25million paid quarterly and a bullet payment of P150million payable in November 2019. The loan is secured through BDC's shareholding in Letlole Rona Limited and Sechaba Brewery Holdings Limited, Western Industrial Estates (Pty) Limited and Debt service reserve.	148,678	148,678	148,678	148,678
Barclays Bank of Botswana Limited A maximum loan of P179 960 000 that accrues interest at 2.1% below prime rate. The loan is repayable in 168 equal monthly instalments. The loan is secured by a first mortgaged bond over Lot 70667 Gaborone.	95,505	99,097	-	-
First National Bank of Botswana Limited A P230million facility split equally as Tranche A, carrying interest at 7.28% and Tranche B carrying interest at 6.5%. The loan is repayable after 5 years from initial drawdown in 2018 and is secured by: - (i) a first covering mortgage bond for P80million over lot 74204, Gaborone, (ii) a first covering mortgage bond for P82million over Lot 32084, Gaborone, (iii) a first covering mortgage bond of P137million over Lot 29052, Mahalapye, (iv) cession of lease rentals in relation to mortgaged properties, (v) lien of P100million maintained in the bank account, (vi) cession of insurance policies and proceeds with regards to mortgaged properties; and (vii) cession of receivable balances.	194,100	151,576	-	-
Bank Gaborone Loan facility of P47 756 million that accrues interest at prime rate (currently 6.25%; 2018: 6.5%) plus 1% margin. The loan is repayable in 180 months instalments from the signature date in structured capital instalments and interest payments. The loan is secured by a first covering mortgage bond of P24million over Lot 4738 station, Gaborone, registered cession of fire policy for P45.5 million and first covering mortgage bond of P24 million over lot 50380, show grounds, Gaborone.	42,851	44,831	-	-
Botswana Government Unsecured loan bearing no interest repayable annually in instalments amounting to 50% of the total incremental free cash flow generated by Gaborone International Conference Centre (GICC), subject to a minimum of P200 000 for the first year, escalated thereafter at a rate equal to the increase in Consumer Price Index for urban areas.	53,213	58,039	53,213	58,039

NOTES TO THE FINANCIAL STATEMENTS (cont.)

Figures in Pula thousand	Group 2019	Group 2018	Company 2019	Company 2018
24. Borrowings (continued)				
Barclays Bank of Botswana Term loan facility bearing interest rate of prime plus 1% margin payable over 10 years with interest payable on a quarterly basis and capital repayments from year 3 to 10. The facility is secured by second covering surety mortgage bond of P259 040 000 over Lot 70667, Gaborone	350,000	-	350,000	-
Capital Bank Limited Secured short term loan facility of USD5.5 million bearing interest rate at 1 year libor plus 4.25% per annum repayable over 3 years. Interest is paid quarterly in arrears and bullet at year 3. The facility is secured by a pledge of shares in Botswana Hotel Development Company to the amount of USD5.5 million.	58,386	57,173	58,386	57,173
RMB Botswana Term loan facility of P150 000 000 bearing interest rate of prime rate less 0.50% margin. The loan is repayable on maturity in 2023 and interest payments paid quarterly in arrears. The loan is secured by cession over shares in Sechaba Brewery Holdings Limited and Letlole la Rona Limited as well as cession of P100 000 000 million cash collateral (refer note 13).	150,000	-	150,000	-
Total Loans	**1,092,733**	**568,098**	**760,277**	**263,890**
Bonds				
Issued	356,060	356,060	356,060	356,060
Debt issuance costs	(6,131)	(7,174)	(6,131)	(7,174)
	349,929	348,886	349,929	348,886
Discount on bonds	(4,425)	(4,871)	(4,425)	(4,871)
	345,504	**344,015**	**345,504**	**344,015**

The Company maintains a Botswana Stock Exchange approved BWP 1 billion Domestic Medium Term Notes Program from which debt notes are issued to raise capital as and when need arises. In June 2016 notes amounting to BWP225 260 000 (Aggregate Principal Amount) were issued on an unsecured basis (BDC 001), with a coupon rate of Botswana Prime + 2.25%. During the financial year 2018, an offer to retrospectively securitize BDC 001 notes was extended to investors in order to achieve broader capital raising objectives. Attached to this offer was a reduction of margin over Botswana Prime from 2.25% to 1.75%. The offer was taken up by investors holding BWP207 460 000 worth of notes under BDC 001 whilst holders of notes amounting to BWP17 100 000 remained on the original terms. An investor holding P700,000 worth of notes opted to sell back to the Company. The rest of the terms remain unchanged as follows:
- Issue Price: 97.425 per cent of Aggregate Principal Amount
- Maturity: June 2029.
-Redemption basis: At par in 3 equal instalments occurring in June 2027, June 2028 and June 2029.

NOTES TO THE FINANCIAL STATEMENTS (cont.)

Figures in Pula thousand	Group 2019	Group 2018	Company 2019	Company 2018
24. Borrowings (continued)				
Gross borrowings (Loans and bonds)	**1,438,237**	**912,113**	**1,105,781**	**607,905**
Amortised costs adjustment arising from valuation of loans at below market interest rates	-	-	(53,213)	(58,039)
	1,438,237	912,113	1,052,568	549,866
Less: Current portion included under current liabilities	(170,838)	(18,802)	(148,678)	(601)
	1,267,399	**893,311**	**903,890**	**549,265**
Analysis of term borrowings				
Term borrowings	1,092,733	568,098	760,277	263,890
Bonds outstanding	345,504	344,015	345,504	344,015
	1,438,237	**912,113**	**1,105,781**	**607,905**
Analysis of gross borrowings				
Not later than 1 year	170,838	18,802	148,678	601
Later than 1 year, but not later than 5 years	313,164	476,077	299,998	353,481
Later than 5 years	954,235	417,234	657,105	253,823
Gross borrowings	**1,438,237**	**912,113**	**1,105,781**	**607,905**

On 1 April 2004 the Government of the Republic of Botswana transferred its rights, title and interests and delegated its obligations under certain Public Debt Service Fund (PDSF) loan agreements to the Debt Participation Capital Funding (DPCFL). DPCFL had issued bonds to finance the acquisition of these loans from the Government of Botswana. The bonds which were listed on the Botswana Stock Exchange, were repaid during the year ended 30 June 2018.

Figures in Pula thousand	Group 2019	Group 2018	Company 2019	Company 2018
Amortised cost of borrowings:	**53,213**	**58,039**	**53,213**	**58,039**
Balance at beginning of the year	-	-	(58,039)	(62,866)
Transfer from provisions arising on repayments	-	-	4,826	4,827
Balance at end of the year	**-**	**-**	**(53,213)**	**(58,039)**
25. Government grants				
Non-current liabilities	10,699	11,054	-	-
Current liabilities	356	356	-	-
	11,055	**11,410**	**-**	**-**
Balance at beginning of the year	11,410	11,767	-	-
Amortisation during the year	(356)	(357)	-	-
	11,055	**11,410**	**-**	**-**

A provision for impairment loss of factory premises in Selebi Phikwe on lot 11270,11271 and 11272 was made in 2000. The P10 million movement relates to release of amortisation grant to cover the cost of the related impairment for assets that were purchased through government grants in year 2000.

Figures in Pula thousand	Group 2019	Group 2018	Company 2019	Company 2018
Gross Government grants	32,456	32,456	-	-
Amortisation	(11,401)	(11,046)	-	-
Utilised as provision for impairment loss	(10,000)	(10,000)	-	-
	11,055	**11,410**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS (cont.)

Figures in Pula thousand	Group 2019	Group 2018	Company 2019	Company 2018
26. Bonds outstanding				
BDC 001	82,030	82,030	82,030	82,030
Unsecured bond of interest coupon rate of Botswana prime rate plus 2.25% with tenors up-to 13 years.				
BDC 002	131,500	131,500	131,500	131,500
Senior secured bond of interest coupon rate of Botswana prime rate plus 1.25% with tenors up-to 5 years.				
BDC 003	142,530	142,530	142,530	142,530
Senior secured bond, interest coupon of Botswana prime plus 1.75% with tenors up-to 11 years.				
Bond Discount	(4,425)	(4,871)	(4,425)	(4,871)
Issuance Costs on BDC 001	(4,099)	(4,503)	(4,099)	(4,503)
Issuance Costs on BDC 003	(87)	(95)	(87)	(95)
Issuance Costs on BDC 002	(1,945)	(2,576)	(1,945)	(2,576)
	345,504	**344,015**	**345,504**	**344,015**
Split between non-current and current portions				
Non-current liabilities	345,504	344,015	345,504	344,015
27. Provisions for restoration costs				
Balance at beginning of the year	12,069	-	-	-
Movement in provision for restoration costs during the year:	1,426	-	-	-
Charge to the statement of comprehensive income	1,426	-	-	-
Provisions transferred from/(to) Liabilities associated with assets classified as held for sale	-	12,069	-	-
Balance at end of the year	**13,495**	**12,069**	**-**	**-**

A subsidiary company has two mining sites which have been operational since 1992. Botswana legislation and the lease agreement for the mine require the company to restore the sites to their original condition on cessation of mining operations in 2035. The main uncertainty in respect of the estimated provision is the amount of costs to be incurred. The Group expects to settle the majority of the liability at the end of the life of the mine.

At the end of both June 2019 and 2018, the group engaged an external expert, Champs Botswana, to estimate provision for site rehabilitation. The costs estimated by the expert included estimates costs for premature closure, cost of leaving the Quarry open for other possible uses, and cost of backfilling the quarry at the end of the mining period. The discounted liability is adjusted at the end of each period to reflect the passage of time, based on a discount rate of 5.22% (2018:5.18%) that reflects current market assessments and the risks specific to the liability, and changes in the estimated future cash flows underlying the obligation.

A risk free rate of 5.22% (2018:5.18%) reflects the risks specific to the provision as management believes the cashflows are highly likely. These estimates depend on labour costs, known environmental impacts, the effectiveness of remedial and restoration measures, inflation rates and risk-free interest rates specific to each liability. The Company also estimates the timing of the outlays, which is subject to change depending on continued operation or newly discovered reserves.

NOTES TO THE FINANCIAL STATEMENTS (cont.)

Figures in Pula thousand	Group 2019	Group 2018	Company 2019	Company 2018
28. Deferred taxation				
Deferred tax				
Property plant and equipment	(143,693)	141,364	-	-
Deferred tax asset				
Tax losses available for set off against future taxable income	6,140	10,789	-	-
Deferred tax liability	143,693	141,364	-	-
Deferred tax asset	(6,140)	(10,789)	-	-
Total net deferred tax asset (liability)	**137,553**	**130,575**	**-**	**-**
Reconciliation of deferred tax asset / (liability)				
At beginning of year	130,575	110,041	-	-
Charged to statement of profit and loss - Current year	7,905	6,772	-	-
Charged to statement of profit and loss - Prior year	(3,696)	195	-	-
Charged to statement of profit and loss - Capital gains tax	2,769	22	-	-
Transfers from-/(to) Liabilities associated with classified as held for sale	-	9,752	-	-
Other movements directly related to retained earnings	-	3,793	-	-
	137,553	**130,575**	**-**	**-**

Capital gains tax deferred on acquisition of properties by a subsidiary

On creaton of a Variable Loan Stock Company, Letlole la Rona Ltd (LLR), exemption was obtained from Botswana Unified Revenue Services (BURS) for the payments of capital gains tax on transfer of properties from the subsidiaries of the Company ("the Vendors"), until such time as the properties are disposed off by LLR This amount represents the potential deferred capital gains tax liability at the end of the year. The actual liability arising on the disposal of any of the properties will be settled by the vendors on disposal of the properties by LLR.

Figures in Pula thousand	Group 2019	Group 2018	Company 2019	Company 2018
29. Trade and other payables				
Financial instruments:				
Trade payables	18,011	26,726	2,938	5,539
Trade payables - related parties	2,675	3,847	49,429	137,289
Interest accruals	4,862	-	6,601	-
Accrued expenses	29,084	24,158	11,750	16,801
Payroll accruals	18,344	5,638	13,466	2,950
Deposits	56,774	62,080	863	1,460
Non-financial instruments:				
Amounts received in advance	2,280	-	-	-
VAT	39,330	10,878	1,228	1,228
	171,360	**133,327**	**86,275**	**165,267**
30. Bank Overdrafts				
Bank overdraft	99,695	5,969	99,607	3,536

NOTES TO THE FINANCIAL STATEMENTS (cont.)

Figures in Pula thousand	Group 2019	Group 2018	Company 2019	Company 2018
30. Loans receivable (continued)				
The Group's bank overdraft limits are as follows:				
- Standard Chartered Bank Botswana Limited	70,000	70,000	70,000	70,000
- First National Bank Botswana Limited	3,000	3,000	-	-
- Stanbic Bank Botswana Limited	153,500	153,500	150,000	150,000
	226,500	**226,500**	**220,000**	**220,000**

The facilities are secured over:
The Company's facilities are unsecured. The subsidiaries' facilities are secured as follows:

- WesBank assets amounting to P1 142 603 extended at 50%.
- First covering mortgage bond for P20 000 000 over Lot 4821, Lobatse.
- First covering mortgage bond for P4 720 000 over Lot 14405, Gaborone.

31. Commitments

Operating leases – as lessee (expense) (IAS 17)

Figures in Pula thousand	Group 2019	Group 2018	Company 2019	Company 2018
Operating lease receivables/(payables):				
- within one year	-	136,769	-	(15,019)
- in second to fifth year inclusive	-	301,710	-	(95,158)
- later than five years	-	126,011	-	(156,655)
	-	**564,490**	**-**	**(266,832)**

The group has various operating lease agreements as a lessor, the lease terms include market related escalation clauses, defined in the lease. Lease terms vary depending whether the property is industrial or residential in nature.

Figures in Pula thousand	Group 2019	Group 2018	Company 2019	Company 2018
Other commitments:				
- within one year	-	(367,085)	-	(335,585)
- in second to fifth year inclusive	-	(19,831)	-	(19,831)
- later than five years	-	-	-	-
	-	**(386,916)**	**-**	**(355,416)**
Other commitments are analysed as:				
Approved equity and loan investments undisbursed	(182,213)	(382,556)	-	(351,056)
Approved but not contracted capital expenditure	(2,450)	(4,360)	-	(4,360)
	(184,663)	**(386,916)**	**-**	**(355,416)**

Other commitments will be financed by funds to be raised from shareholder equity injections, capital markets, bank borrowings and internal resources within the Group.

NOTES TO THE FINANCIAL STATEMENTS (cont.)

Figures in Pula thousand	Group 2019	Group 2018	Company 2019	Company 2018
32. Contingent liabilities				
Legal matters against certain subsidiaries	(1,600)	(1,350)	-	-
Guarantees and Bonds outstanding	(343,373)	(281,763)	-	-
	(344,973)	(283,113)	-	-

The amount of the potential future cash outflows in respect of legal matters as well as their timing depend on the outcome of the legal cases.

The amount of the potential future cash outflows in respect of guarantees as well as their timing depended on whether there will be instances of non-compliance with loan agreements. In 2016 the Corporation ceased issuing guarantees.

Contingent liabilities are secured by immovable property or cash. This is done so as to minimise risk in the event a claim is lodged. Security held will be liquidated so as to increase recovery.

33. Pension scheme arrangements

The Company operates a defined contribution pension scheme for its eligible employees which provides for a pension based on length of service. The defined contribution scheme was effected in March 2001. The total contribution for the current year was P2.2 million (2018: P2.4million)

34. Related parties

Relationships	
Ultimate holding company	The Group is owned 100% by the Government of Botswana. Related balances consist of amounts due from/(to) entities the under common ownership or control other than the Government of the Republic of Botswana and its entities
Subsidiaries	Refer to note 11
Associates	Refer to note 12
Members of key management	Executive directors and executive management

Related party balances

Figures in Pula thousand	Group and Company 2019	Group and Company 2018
Phakalane Property Development (Pty) Ltd		
Due to Phakalane Estates	915	915
Western Industrial Estates (Pty) Ltd		
Cash invested on behalf of subsidiary	30,972	63,958
Group tax relief with BDC	64,969	64,767
Loan from BDC	19,529	19,430
Receivables	61,115	61,115
Dividend due to BDC	10,000	10,000
Commercial Holdings (Pty) Ltd		
Straight-line future rental balances with BDC	-	28,135
Cash invested on behalf of subsidiary	1,217	9,272
Group tax relief with BDC	7,977	7,977
Loan from BDC	-	148,252
Dividend due to BDC	2,500	-

NOTES TO THE FINANCIAL STATEMENTS (cont.)

Figures in Pula thousand	Group and Company 2019	2018
34. Related parties (continued)		
Letlole La Rona Limited		
Deferred tax recoverable	5,213	5,250
Debenture interest and dividend due to BDC	19,801	13,078
Botswana Hotel Development Company (Pty) Ltd		
Group tax relief with BDC	38,825	33,938
Loan from BDC	53,212	58,039
Cash invested on behalf of subsidiary	3,910	2,564
Talana Farms (Pty) Ltd		
Group tax relief with BDC	459	396
Cash invested on behalf of subsidiary	3,304	3,109
NPC (Pty) Ltd		
Group tax relief with BDC	1	8,490
Cash invested on behalf of subsidiary	1,851	10,030
Malutu Enterprises (Pty) Ltd		
Group tax relief with BDC	1,751	5,936
Cash invested on behalf of subsidiary	-	5,666
Residential Holdings (Pty) Ltd		
Group tax relief with BDC	14,939	14,845
Cash invested on behlaf of subsidiary by BDC	4,412	6,406
LP Amusement Centre (Pty) Ltd		
Cash invested on behalf of subsidiary	3,633	2,738
Group tax relief with BDC	(2,779)	(2,779)
Export Credit Insurance & Guarantee (Pty) Ltd		
Group tax relief with BDC	2,341	2,342
Loan to Lobatse Clayworks (Pty) Ltd	-	721
Can Manufacturers (Pty) Ltd		
Group tax relief with BDC	12,852	13,040
Lobatse Clayworks (Pty) Ltd		
Loan from BDC	35,787	2,558
Group tax relief with BDC	(5,228)	(5,228)
Loan from Export Credit Insurance & Guarantee (Pty) Ltd	-	(721)
Milk Afric (Pty) Ltd		
Loan from BDC	31,367	-
Transport Holdings (Pty) Ltd		
Loan from BDC	63,238	-

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NOTES TO THE FINANCIAL STATEMENTS (cont.)

Figures in Pula thousand	Group and Company 2019	2018
34. Related parties (continued)		
Related party transactions		
Transactions during the year		
Directors' fees paid		
Botswana Development Corporation (BDC)	125	161
Botswana Hotel Development Company (Pty) Ltd	26	12
Commercial Holdings (Pty) Ltd	34	23
Export Credit Insurance & Guarantee (Pty) Ltd	232	164
Fairgrounds Holdings (Pty) Ltd	244	249
NPC (Pty) Ltd	-	3
Malutu Enterprises (Pty) Ltd	7	3
Western Industrial Estates (Pty) Ltd	52	24
Talana Farms (Pty) Ltd	10	15
Letlole La Rona Limited	1,623	882
LP Amusement Centre (Pty) Ltd	51	45
Residential Holdings (Pty) Ltd	26	16
Directors' remuneration for executive services		
Botswana Development Corporation Limited	2,805	2,838
Investec Holdings Botswana Limited	2,513	2,352
Management fees paid to BDC		
Botswana Hotel Development Company (Pty) Ltd	304	305
Commercial Holdings (Pty) Ltd	258	1,410
Western Industrial Estates (Pty) Ltd	167	889
Residential Holdings (Pty) Ltd	45	-
Key management remuneration		
BDC - short term benefits	15,321	12,212
Fairgrounds Holdings (Pty) Ltd	2,697	2,752
Letlole La Rona Limited	4,558	3,681
LP Amusement Centre (Pty) Ltd	998	977
Export Credit Insurance & Guarantee (Pty) Ltd	3,299	-
Dividends received		
Botswana Hotel Development Company (Pty) Ltd	27,000	29,000
NPC Investments (Pty) Ltd	-	5,000
Malutu Enterprises (Pty) Ltd	-	8,500
Western Industrial Estates (Pty) Ltd	22,000	10,000
Letlole La Rona Limited	184	185
LP Amusement Centre (Pty) Ltd	-	184
Residential Holdings (Pty) Ltd	40,000	42,000
Commercial Holdings (Pty) Ltd	2,500	-
Fairgrounds Holdings (Pty) Ltd	1,317	-
Peermont Global Botswana (Pty) Ltd	8,000	8,000
Marekisetso a merogo (Pty) Ltd	206	-
Transport Holdings (Pty) Ltd	1,028	-
Trans Union (Pty) Ltd	-	2,750

NOTES TO THE FINANCIAL STATEMENTS (cont.)

Figures in Pula thousand	Group and Company 2019	2018
34. Related parties (continued)		
Finance costs paid to BDC		
Commercial Holdings (Pty) Ltd	12,769	15,729
Western Industrial Estates (Pty) Ltd	1,453	1,454
Lobatse Clayworks (Pty) Limited	2,233	-
Milk Afric (Pty) Ltd	3,228	-
Transport Holdings (Pty) Ltd	8,013	-
Rental income from BDC		
Commercial Holdings (Pty) Ltd	15,929	13,906
Interest income on debentures		
Letlole La Rona Limited	37,522	24,764
Share of profit and dividend paid to Letlole La Rona Limited		
NBC Development Associate-dividend received	2,300	1,500
NBC Development Associate -share of profit	1,798	3,165

Figures in Pula thousand	Group 2019	Group 2018	Company 2019	Company 2018
35. Cash (used in)/generated from operations				
Profit before tax - continued and discontinued operations	97,049	187,211	207,115	243,567
Adjustments for:				
Depreciation and amortisation	11,702	15,598	2,713	2,551
Government grants	(356)	(357)	-	-
Loss / (gain) on disposal of property, plant and equipment	704	(3)	-	-
Gains on reclassification of financial assets	-	(92,053)	-	(92,053)
Share of profits of equity accounted investees	(20,374)	(23,859)	-	-
Dividends received (trading)	(29,503)	(23,618)	(134,437)	(132,995)
Interest received	(13,574)	(18,489)	(81,117)	(39,187)
Finance costs	75,167	54,683	69,542	45,740
Fair value adjustment of investment properties	(38,217)	(44,522)	-	-
Net loss on disposal of investment properties	14,000	6,010	-	-
Impairment of property, plant and equipment	-	4,358	-	-
Movements in provisions	(2,013)	12,116	26,202	-
Movement in provisions for losses on investments	21,837	48,622	(90,258)	15,526
Net profit on disposal of investments	(14,127)	1,639	-	1,639
Discount on bonds	(4,425)	(4,871)	(4,425)	(4,871)
Changes in working capital:				
Inventories	686	(5,926)	-	-
Trade and other receivables	(10,708)	377	(10,304)	(76,568)
Rental straight-line adjustment	4,589	(8,649)	-	-
Short-term investments	8,214	46,812	-	(45,506)
Unrealised profit on revaluation of foreign loans	1,213	-	1,213	-
Trade and other payables	35,423	(12,439)	(78,990)	63,892
	137,287	**142,640**	**(92,746)**	**(18,265)**

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NOTES TO THE FINANCIAL STATEMENTS (cont.)

Figures in Pula thousand		Group 2019	Group 2018	Company 2019	Company 2018
36. Fair value information					

Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the group can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Levels of fair value measurements

Level 1

Recurring fair value measurements

Assets	Note(s)	Group 2019	Group 2018	Company 2019	Company 2018
Financial assets mandatorily at fair value through other comprehensive income					
Listed shares		612,282	582,175	612,282	582,175
Financial assets mandatorily at fair value through profit or loss					
Other assets		3,154	11,368	-	-
Total		**615,436**	**593,543**	**612,282**	**582,175**

Level 3

Recurring fair value measurements

Assets	Note(s)	Group 2019	Group 2018	Company 2019	Company 2018
Equity investments at fair value through other comprehensive income					
Equity linked debentures		6,250	-	-	-
Equity investments mandatorily at fair value through profit or loss					
Preference shares		63,894	63,894	63,894	63,894
Total		**70,144**	**63,894**	**63,894**	**63,894**

Non recurring fair value measurements

	Group 2019	Group 2018	Company 2019	Company 2018
Assets held for sale and disposal groups in accordance with IFRS 5				
Investment property	11,750	42,250	-	-
Total	**11,750**	**42,250**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS (cont.)

36. Fair value information (continued)

Level 1

These instruments comprise of securities listed on the Botswana Stock Exchange and are valued based on active share prices as at year end.

Level 2

There were no level 2 financial instruments in the current period or prior year.

Level 3

The group values this investments based on the discounted cash flow.This technique considers the present value of the net cash flows expectred to be generated from the facility, taking into account the budgeted EBITDA growth rate and capital expenditure growth rate. The expected net cashflows are discounted using a risk-discounted-risk rate. Significant unobservable inputs in this valuation method include Pasdec and Thakadu. The value of cumulative preference shares in Thakadu and Kwena hotels is P9.436million on the basis of market value. The significant unobservable inputs include ; nominal growth factor of 5% based on expected long term industry growth rates, exit EBITDA multiple of 9% risk free rate of 4.45% and strike price of P1.12.

The valuation of Pasdec is based on the valuation of subscription shares linked to the enterprise value of the Company, these amounted to P64 million as at 30 June 2019. Significant unobservable inputs include a currency exchange rate of 2.55 over 4 years and security asset cover ranging from of 12.2-13.7 over 4 years.

The valuations for Thakadu and Kwena were performed by independent valuers not related to the Group with appropriate qualifications and relevant experience. They applied a discounted cash flow approach were future cash flows are discounted to present generating a net present value which is used together with the discounted terminal value.

Buildings which are currently classified as non-current assets held for sale have been recognised at fair value less costs to sell because the assets fair value less costs to sell is lower than its carrying amount.

NOTES TO THE FINANCIAL STATEMENTS (cont.)

		Group		Company	
Figures in Pula thousand		**2019**	**2018**	**2019**	**2018**
36. Fair value information (continued)					
Level 3					
Recurring fair value measurements					
Assets	Note(s)				
Investment property	7	2,063,660	2,208,051	-	-
Land and buildings		64,511	65,137	-	-
Total		**2,128,171**	**2,273,188**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS (cont.)

37. Interests in other entities

37.1 Entities with non-controlling interests and material associate companies

Name of subsidiary	Phakalane Property Development	Fairground Holdings (Pty) Ltd	Letlole la Rona Limited
Principal Place of Business	Phakalane	Plot 50381, Fairground Office Park	1st Floor, 5 Matante Mews, Plot 54373,CBD
Nature of Business	Property Developers	Conference Facilities, Renting office Space, Operating a Restaurant, a bar and take away	Variable loan stock company engaged in property investment and deriving revenue in property rentals and trade in property.
Proportion of ownership held by NCI	49% (2018:49%)	49% (2018: 49%)	34% (2018: 34%)
Proportion of voting rights held by NCI	49% (2018:49%)	49% (2018:49%)	34% (2018: 34%)
Profit/(loss) allocated to NCI of SUB in P'000s	47 (2018: 38)	(1 821) (2018: 3 739)	18 047 (2018: 26 816)
Accummulated NCI of SUB in P'000s	10 061 (2018: 10 109)	90 225 (2018: 93 419)	265 556 (2018: 262 732)
Dividend paid to NCI in P'000s	- (2018: -)	1 266 (2018: -)	19 487 (2018: 12 852)

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NOTES TO THE FINANCIAL STATEMENTS (cont.)

37. Interests in other entities (continued)

37.1Entities with non-controlling interests and material associate companies (continued)

Name of Associated Company	Peermont Global Resort	NBC Development	Mashatu Nature Reserve
Nature of Business	Operation of Casinos, Hotels, conference centres in Botswana	Property operations in Botswana	Game safaris and accomodation in northern Botswana
Principal Place of Business	Gaborone	Gaborone	Gaborone
Proportion of ownership interest held by entity	40% (2018: 40%)	33.33% (2018: 33.33%)	33% (2018: 33%)
Investment measure -fair value or equity method	Equity method	Equity method	Equity method
Dividents received from associate in P'000	8 000 (2018: 8 000)	2 300 (2018: 1 500)	- (2018: 1 316)

NOTES TO THE FINANCIAL STATEMENTS (cont.)

37. Interests in other entities (continued)

37.2Summarised financial information for non-controlling interests and material associate companies

Subsidiary companies

Statements of Comprehensive Income	**Fairground Holdings**	**Phakalane Property Development**	**Letlole La Rona**
Revenue	39,865	-	102,476
Cost of sales	(20,744)	-	-
Gross profit	19,121	-	102,476
Operating income	716	-	339
Finance income	-	-	1,374
Income from equity accounted investment	-	-	1,623
Fair value adjustment	(4,666)	(80)	26,314
Operating expenses	(20,968)	-	(57,363)
Profit before tax	(5,797)	(80)	74,763
Income tax credit/(expense)	1,757	(18)	(11,512)
Profit for the year from continuing operations	(4,040)	(98)	63,251
Loss from discounted operations	-	-	(10,178)
Total comprehensive income for the year	**(4,040)**	**(98)**	**53,073**
Statements of Financial Position			
Non-current assets	186,678	26,059	787,765
Current assets	16,317	193	300,347
Non current assets held for sale	-	-	9,000
Total assets	**202,995**	**26,252**	**1,097,112**
Capital and reserves	184,243	20,420	744,057
Non-current liabilities	9,722	4,912	282,072
Current liabilities	9,030	920	70,983
Total equity and liabilities	**202,995**	**26,252**	**1,097,112**

Associated companies

Statements of Comprehensive Income	**NBC Development**	**Peermont Global Resorts**	**Mashatu Nature Reserve**
Year end	March	December	June
Revenue	6,709	129,122	37,393
Profit for the year from continuing operations	5,648	11,421	6,013
Total comprehensive income for the year	5,648	11,421	6,013
Statements of Financial Position			
Non-current assets	2,166	143,230	294,151
Current assets	10,167	51,019	41,431
Total assets	**12,333**	**194,249**	**335,582**

NOTES TO THE FINANCIAL STATEMENTS (cont.)

37. Interests in other entities (continued)

	NBC Development	**Peermont Global Resorts**	**Mashatu Nature Reserve**
Capital and reserves	8,010	145,237	297,080
Non-current liabilities	-	10,424	302
Current liabilities	4,323	38,588	38,200
Total equity and liabilities	**12,333**	**194,249**	**335,582**
Interest in immaterial associates			
Carrying amount of interest in associates		51,512	36,903
Share of profit from continuing operations		5,595	4,557
OCI		(20)	20
Total equity and liabilities		**5,575**	**4,577**

Associated company results are disclosed for the year ended 30 June 2019. Total comprehensive income has been derived from the latest available results.

38. Non- current assets classified as held for sale

During the year, one of the subsidiary companies, Letlole La Rona (Pty) Ltd resolved to dispose all the investment properties held in the leisure sector to an identified party who occupied these properties. By the end of the year, most of the properties were disposed and transferred save for one of the properties. Though the sale terms and conditions were agreed and contracts drawn up, the company could not transfer the ownership before the year end. Hence this piece of investment property is accounted as "held for sale" and is measured at the agreed sale consideration which reflects the fair value of the property.

Assets held for sale in the current year financial statements relates to Investment property held by a subsidiary Residential Holdings (Pty) Ltd and Letlole La Rona (Pty) Ltd amounting to P2 750 000 and P9 000 000 respectively and these are expected to be sold in 2020. Below are the details:

Profit and loss

Revenue	2,887	-	-	-
Loss on disposal of investment property	(14,000)	-	-	-
Net loss before tax	(11,113)	-	-	-
Net loss after tax	(11,113)	-	-	-
Losses on measurement to fair value less cost to sell	(13,065)	-	-	-
	(24,178)	-	-	-

Assets and liabilities

Non-current assets held for sale				
Investment property	11,750	42,250	-	-

Figures in Pula thousand	**Group 2019**	**2018**
Opening balance	42,250	80,180
Disposals	(39,500)	(38,570)
Transfers in/additions	22,065	41
Decrease/ Increase in fair value	(13,065)	599
	11,750	**42,250**

NOTES TO THE FINANCIAL STATEMENTS (cont.)

39. Events after the reporting period

The Capital reserve fund for the Company stood at P135 million (2018: P101 million) as at 30 June 2019. Additional allocation of P24.8 million was approved subsequent to year end in line with policy.

The Company declared a dividend of P20 million based on the results for the year ended 30 June 2019.

Subsequent to year end the Company entered into an agreement with a local bank for a P205 million revolving term loan facility unsecured.

The Company entered into an agreement with French Development Agency (AFD) for a USD 18million credit facility.

During November 2019 Botswana Development Corporation (BDC) entered into a strategic equity acquisition of 3% in Grit Real estate Income Group Limited. The transaction will see Grit acquire 23.75% of the share capital of Letlole La Rona Limited from BDC. BDC shareholding will decline from 66% to 42% in the ensuing year.

The company disposed off approximately 5.2million of shares in Sechaba Brewery Holdings Limited. Effectively bringing down the shareholding in the associate at year end to 20%.

40.Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

Group - 2019

Figures in Pula thousand	Note(s)	Fair value through profit or loss - Mandatory	Fair value through profit or loss - Designated	Amortised cost	Total	Fair value
Trade and other receivables	16	-	-	65,805	65,805	65,805
Short term investments	13	-	-	156,675	156,675	156,675
Cash and cash equivalents	18	-	-	484,886	484,886	484,886
Other investments	13	63,894	618,532	759,892	1,442,318	1,442,318
Other assets	17	-	-	3,154	3,154	3,154
		63,894	**618,532**	**1,470,412**	**2,152,838**	**2,152,838**

Group - 2018

Figures in Pula thousand	Note(s)	Fair value through profit or loss - Mandatory	Fair value through profit or loss - Designated	Amortised cost	Total	Fair value
Trade and other receivables	16	-	-	46,789	46,789	46,789
Short term investments	13	-	-	80,560	80,560	80,560
Cash and cash equivalents	18	-	-	360,970	360,970	360,970
Other investments	13	63,894	582,175	201,842	847,911	847,911
Other assets	17	-	-	11,368	11,368	11,368
		63,894	**582,175**	**701,529**	**1,347,598**	**1,347,598**

NOTES TO THE FINANCIAL STATEMENTS (cont.)

40. Financial instruments and risk management (continued)

Company - 2019

Figures in Pula thousand	Note(s)	Fair value through profit or loss - Mandatory	Fair value through profit or loss - Designated	Amortised cost	Total	Fair value
Loans to group companies	14	-	-	136,107	136,107	136,107
Trade and other receivables	16	-	-	104,418	104,418	104,418
Short term investments	13	-	-	173,696	173,696	173,696
Cash and cash equivalents	18	-	-	155,118	155,118	155,118
Other investments	13	63,894	612,282	837,799	1,513,975	1,513,975
		63,894	**612,282**	**1,407,138**	**2,083,314**	**2,083,314**

Company - 2018

Figures in Pula thousand	Note(s)	Fair value through profit or loss - Mandatory	Fair value through profit or loss - Designated	Amortised cost	Total	Fair value
Loans to group companies	14	-	-	143,724	143,724	143,724
Trade and other receivables	16	-	-	98,932	98,932	98,932
Short term investments	13	-	-	86,594	86,594	86,594
Cash and cash equivalents	18	-	-	287,070	287,070	287,070
Other investments	13	63,894	582,175	366,205	1,012,274	1,012,274
		63,894	**582,175**	**982,525**	**1,628,594**	**1,628,594**

Categories of financial liabilities

Group - 2019

Figures in Pula thousand	Note(s)	Amortised cost	Leases	Total	Fair value
Trade and other payables	29	129,750	-	129,750	129,750
Borrowings	24	1,092,733	-	1,092,733	1,092,733
Finance lease liabilities	10	-	2,522	2,522	2,522
Dividend payable		10,299	-	10,299	10,299
Bonds outstanding	26	345,504	-	345,504	345,504
Bank overdraft	18	99,695	-	99,695	99,695
		1,677,981	**2,522**	**1,680,503**	**1,680,503**

Group - 2018

Figures in Pula thousand	Note(s)	Amortised cost	Total	Fair value
Trade and other payables	29	122,449	122,449	122,449
Borrowings	24	568,098	568,098	568,098
Dividend payable		6,759	6,759	6,759
Bonds outstanding	26	344,015	344,015	344,015
Bank overdraft	18	5,969	5,969	5,969
		1,047,290	**1,047,290**	**1,047,290**

NOTES TO THE FINANCIAL STATEMENTS (cont.)

40. Financial instruments and risk management (continued)

Categories of financial liabilities (continued)

Company - 2019

Figures in Pula thousand	Note(s)	Amortised cost	Leases	Total	Fair value
Trade and other payables	29	85,047	-	85,047	85,047
Borrowings	24	707,064	-	707,064	707,064
Finance lease liabilities	10	-	178,496	178,496	178,496
Bonds outstanding	26	345,504	-	345,504	345,504
Bank overdraft	18	99,607	-	99,607	99,607
		1,237,222	178,496	1,415,718	1,415,718

Company - 2018

Figures in Pula thousand	Note(s)	Amortised cost	Total	Fair value
Trade and other payables	29	164,039	164,039	164,039
Borrowings	24	205,851	205,851	205,851
Bonds outstanding	26	344,015	344,015	344,015
Bank overdraft	18	3,536	3,536	3,536
		717,441	717,441	717,441

Capital risk management

The group's objective when managing capital (which includes stated capital, borrowings, working capital and cash and cash equivalents) is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the group's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximise stakeholder returns sustainably.

The group manages capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain the capital structure, the group may adjust the amount of dividends paid to the shareholders, return capital to the shareholders, repurchase shares currently issued, issue new shares, issue new debt, issue new debt to replace existing debt with different characteristics and/or sell assets to reduce debt.

The group monitors capital utilising a number of measures, including the gearing ratio. The gearing ratio is calculated as net borrowings (total borrowings less cash) divided by shareholders' equity. The group's targeted gearing ratio is 100%.

The capital structure and gearing ratio of the group and company at the reporting date was as follows:

NOTES TO THE FINANCIAL STATEMENTS (cont.)

Figures in Pula thousand		Group 2019	Group 2018	Company 2019	Company 2018
40.Financial instruments and risk management (continued)					
Capital risk management (continued)					
Bonds outstanding	26	345,504	344,015	345,504	344,015
Borrowings	24	1,092,733	568,098	707,064	205,851
Finance lease liabilities	10	2,522	-	178,496	-
Trade and other payables	29	171,360	133,327	86,275	165,267
Total borrowings		**1,612,119**	**1,045,440**	**1,317,339**	**715,133**
Cash and cash equivalents	18	(385,191)	(355,001)	(55,511)	(283,534)
Net borrowings		**1,226,928**	**690,439**	**1,261,828**	**431,599**
Equity		2,931,240	2,904,772	2,088,667	1,886,747
Gearing ratio		42 %	24 %	60 %	23 %

Financial risk management

Overview

The group is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

The board has overall responsibility for the establishment and oversight of the group's risk management framework. The board has established the board risk and investments committee (BRIC), which is responsible for developing and monitoring the group's risk management policies. The committee reports quarterly to the board on its activities.

The group's risk management policies 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 policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities.

The group risk and investments committee oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the group. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee and the board risk and investment committee.

Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The group is exposed to credit risk on loans receivable, debt instruments at fair value through other comprehensive income, trade and other receivables, cash and cash equivalents and loan commitments.

Credit risk for exposures other than those arising on cash and cash equivalents, are managed by making use of credit approvals, limits and monitoring. The group only deals with reputable counterparties with consistent payment histories. Sufficient collateral or guarantees are also obtained when necessary. Each counterparty is analysed individually for creditworthiness before terms and conditions are offered. The analysis involves making use of information submitted by the counterparties. Counterparty credit limits are in place and are reviewed and approved by the Risk function. The exposure to credit risk and the creditworthiness of counterparties is continuously monitored.

Credit risk exposure arising on cash and cash equivalents is managed by the group through dealing with well-established financial institutions with high credit ratings.

NOTES TO THE FINANCIAL STATEMENTS (cont.)

40. Financial instruments and risk management (continued)

Credit risk (continued)

Credit loss allowances for expected credit losses are recognised for all debt instruments, but excluding those measured at fair value through profit or loss. Credit loss allowances are also recognised for loan commitments and financial loan commitments contracts.

In order to calculate credit loss allowances, management determine whether the loss allowances should be calculated on a 12 month or on a lifetime expected credit loss basis. This determination depends on whether there has been a significant increase in the credit risk since initial recognition. If there has been a significant increase in credit risk, then the loss allowance is calculated based on lifetime expected credit losses. If not, then the loss allowance is based on 12 month expected credit losses. This determination is made at the end of each financial period. Thus the basis of the loss allowance for a specific financial asset could change year on year.

Management apply the principle that if a financial asset's credit risk is low at year end, then, by implication, the credit risk has not increased significantly since initial recognition. In all such cases, the loss allowance is based on 12 month expected credit losses. Credit risk is assessed as low if there is a low risk of default (where default is defined as occurring when amounts are 90 days past due). When determining the risk of default, management consider information such as payment history to date, industry in which the customer is employed, period for which the customer has been employed, external credit references etc. In any event, if amounts are 30 days past due, then the credit risk is assumed to have increased significantly since initial recognition. Credit risk is not assessed to be low simply because of the value of collateral associated with a financial instrument. If the instrument would not have a low credit risk in the absence of collateral, then the credit risk is not considered low when taking the collateral into account. Trade receivable and contract assets which do not contain a significant financing component are the exceptions and are discussed below.

Where necessary, the assessment for a significant increase in credit risk is made on a collective basis. Management typically adopt this approach when information relevant to the determination of credit risk is not available on an individual instrument level. Often, the only information available on individual instruments which could indicate an increase in credit risk, is "past due" information. It is typical that more forward-looking information is generally more readily available on a collective basis. Therefore, making the determination on a collective basis, helps to ensure that credit loss allowances are determined on the basis of lifetime expected credit losses before they reach the point of being past due. Forward looking, macro-economic information is applied on a collective basis when it is readily available without undue cost or effort. When loss allowances are determined on a collective basis, management determines the loss allowances by grouping financial instruments on the basis of shared credit risk characteristics.

For trade receivables and contract assets which do not contain a significant financing component, the loss allowance is determined as the lifetime expected credit losses of the instruments. For all other trade receivables, contract assets and lease receivables, IFRS 9 permits the determination of the credit loss allowance by either determining whether there was a significant increase in credit risk since initial recognition or by always making use of lifetime expected credit losses. Management have chosen as an accounting policy, to make use of lifetime expected credit losses. Management does therefore not make the annual assessment of whether the credit risk has increased significantly since initial recognition for trade receivables, contract assets or lease receivables.

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

NOTES TO THE FINANCIAL STATEMENTS (cont.)

40. Financial instruments and risk management (continued)

Group		2019 Gross carrying amount	2019 Credit loss allowance	2019 Amortised cost/ fair value	2018 Gross carrying amount	2018 Credit loss allowance	2018 Amortised cost/ fair value
Loans receivable	13	909,978	(150,086)	759,892	293,242	(92,613)	200,629
Trade and other receivables	16	86,377	(20,572)	65,805	63,068	(16,279)	46,789
Short term investments	13	156,675	-	156,675	80,560	-	80,560
Cash and cash equivalents	18	484,886	-	484,886	360,970	-	360,970
		1,637,916	**(170,658)**	**1,467,258**	**797,840**	**(108,892)**	**688,948**
Company							
Loans to group companies	14	136,107	-	136,107	143,724	-	143,724
Loans receivable	13	1,049,887	(141,854)	908,033	521,648	(92,613)	429,035
Trade and other receivables	16	104,418	-	104,418	98,932	-	98,932
Short term investments	13	173,696	-	173,696	86,594	-	86,594
Cash and cash equivalents	18	155,118	-	155,118	287,070	-	287,070
		1,619,226	**(141,854)**	**1,477,372**	**1,137,968**	**(92,613)**	**1,045,355**

Amounts are presented at amortised cost or fair value depending on the accounting treatment of the item presented.

The following table provides information about the exposure to credit risk and ECLs for other financial investments as at 30 June 2019. No ECL was recognised in relation to amounts due to group companies as this relates to group tax relief which is fully recoverable on utilisation of tax losses and tax liabilities in each year. Refer note 14 for further information. No ECL was recognised in relation to cash and cash equivalents and other assets as funds are placed with local institutions that are credit rated and regulated with the Bank of Botswana and ECL on these balances are deemed immaterial. Refer note 16 for trade and other receivables impacts.

Group	**Weighed average loss rate %**	**Gross carrying amount**	**Impairment loss allowance**	**Credit impaired**
Credit rating B to AAA	2.35 %	757,169	(2,442)	No
Credit rating B- to CCC-	5.06 %	-	-	No
Credit grade C or lower	45.27 %	213,810	(72,875)	Yes
	52.68 %	**970,979**	**(75,317)**	
Company				
Credit rating B to AAA	2.35 %	940,041	(2,714)	No
Credit rating B- to CCC-	5.06 %	-	-	No
Credit grade C or lower	45.27 %	281,007	(126,668)	Yes
	52.68 %	**1,221,048**	**(129,382)**	

Liquidity risk

The group is exposed to liquidity risk, which is the risk that the group will encounter difficulties in meeting its obligations as they become due.

The group manages its liquidity risk by effectively managing its working capital, capital expenditure and cash flows. The financing requirements are met through a mixture of cash generated from operations and long and short term borrowings. Committed borrowing facilities are available for meeting liquidity requirements and deposits are held at banking institutions.

NOTES TO THE FINANCIAL STATEMENTS (cont.)

40. Financial instruments and risk management (continued)

Liquidity risk (continued)

There have been no significant changes in the liquidity risk management policies and processes since the prior reporting period.

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

Group - 2019 Figures in Pula thousand		Less than 1 year	1 to 5 years	Over 5 years	Total	Carrying amount
Non-current liabilities						
Borrowings	24	-	313,164	608,731	921,895	921,895
Bonds outstanding	26	-	-	345,504	345,504	345,504
Finance lease liabilities		-	-	2,522	2,522	2,522
Current liabilities						
Trade and other payables	29	129,750	-	-	129,750	129,750
Borrowings	24	170,838	-	-	170,838	170,838
Dividend payable		10,299	-	-	10,299	10,299
Bank overdraft	18	99,695	-	-	99,695	99,695
		410,582	**313,164**	**956,757**	**1,680,503**	**1,680,503**

Group - 2018						
Non-current liabilities						
Borrowings	24	-	476,077	73,219	549,296	549,296
Bonds outstanding	26	-	-	344,015	344,015	344,015
Current liabilities						
Trade and other payables	29	122,449	-	-	122,449	122,449
Borrowings	24	18,802	-	-	18,802	18,802
Dividend payable		6,759	-	-	6,759	6,759
Bank overdraft	18	5,969	-	-	5,969	5,969
		153,979	**476,077**	**417,234**	**1,047,290**	**1,047,290**

Company - 2019						
Non-current liabilities						
Borrowings	24	-	252,136	306,250	558,386	558,386
Financial liabilities at fair value	26	-	-	345,504	345,504	345,504
Finance lease liabilities	10	-	-	178,496	178,496	178,496
Current liabilities						
Trade and other payables	29	86,277	-	-	86,277	86,277
Borrowings	24	148,678	-	-	148,678	148,678
Bank overdraft	18	99,607	-	-	99,607	99,607
		334,562	**252,136**	**830,250**	**1,416,948**	**1,416,948**

NOTES TO THE FINANCIAL STATEMENTS (cont.)

40. Financial instruments and risk management (continued)

Company - 2018 Figures in Pula thousand		Less than 1 year	1 to 5 years	Over 5 years	Total	Carrying amount
Non-current liabilities						
Borrowings	24	-	148,678	56,572	205,250	205,250
Bonds outstanding	26	-	-	344,015	344,015	344,015
Current liabilities						
Trade and other payables	29	165,267	-	-	165,267	165,267
Borrowings	24	601	-	-	601	601
Bank overdraft	18	3,536	-	-	3,536	3,536
		169,404	**148,678**	**400,587**	**718,669**	**718,669**

Financing facilities

Unsecured bank overdraft facility, reviewed annually and payable on call:				
Used	99,695	5,969	99,607	3,536
Unused	126,805	220,531	120,393	216,464
	226,500	**226,500**	**220,000**	**220,000**

Foreign currency risk
The group is exposed to foreign currency risk as a result of certain transactions and borrowings which are denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters utilising foreign forward exchange contracts where necessary. The foreign currencies in which the group deals primarily are US Dollars.

The group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

There have been no significant changes in the foreign currency risk management policies and processes since the prior reporting period.

Exposure in Pula

The net carrying amounts, in Pula, of the various exposures, are denominated in US Dollars. The amounts have been presented in Pula by converting the foreign currency amounts at the closing rate at the reporting date:

		Group		Company	
Figures in Pula thousand		**2019**	**2018**	**2019**	**2018**
US Dollar exposure:					
Non-current assets:					
Other investments	13	385,178	-	385,178	-
Current assets:					
Cash and cash equivalents	18	2,717	-	2,717	-
Non-current liabilities:					
Borrowings	24	(58,386)	(57,173)	(58,386)	(57,173)
Net US Dollar exposure		**329,509**	**(57,173)**	**329,509**	**(57,173)**

NOTES TO THE FINANCIAL STATEMENTS (cont.)

Figures in Pula thousand	Note	Group 2019	Group 2018	Company 2019	Company 2018

40. Financial instruments and risk management (continued)

Exposure in foreign currency amounts

The net carrying amounts, in foreign currency of the above exposure was as follows:

US Dollar exposure:

	Note	Group 2019	Group 2018	Company 2019	Company 2018
Non-current assets:					
Other investments	13	35,864	-	35,864	-
Current assets:					
Cash and cash equivalents	18	253	-	253	-
Non-current liabilities:					
Borrowings	24	(5,434)	(5,500)	(5,434)	(5,500)
Net US Dollar exposure		**30,683**	**(5,500)**	**30,683**	**(5,500)**

Exchange rates

	Group 2019	Group 2018	Company 2019	Company 2018
Pula per unit of foreign currency:				
US Dollar	10.740	10.252	10.740	10.252

Foreign currency sensitivity analysis

The following information presents the sensitivity of the group to an increase or decrease in the respective currencies it is exposed to. The sensitivity rate is the rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated amounts and adjusts their translation at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

Group and Company Figures in Pula thousand	2019	2019	2018	2018
Increase or decrease in rate	Increase	Decrease	Increase	Decrease
Impact on profit or loss:				
US Dollar 2% (2018: 2 %)	6,476	(6,476)	(759)	759

Interest rate risk

Fluctuations in interest rates impact on the value of investments and financing activities, giving rise to interest rate risk.

The debt of the group is comprised of different instruments, which bear interest at either fixed or floating interest rates. The ratio of fixed and floating rate instruments in the loan portfolio is monitored and managed, by incurring either variable rate bank loans or fixed rate bonds as necessary. Interest rate swaps are also used where appropriate, in order to convert borrowings into either variable or fixed, in order to manage the composition of the ratio. Interest rates on all borrowings compare favourably with those rates available in the market.

The group policy with regards to financial assets, is to invest cash at floating rates of interest and to maintain cash reserves in short-term investments in order to maintain liquidity, while also achieving a satisfactory return for shareholders.

There have been no significant changes in the interest rate risk management policies and processes since the prior reporting period.

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NOTES TO THE FINANCIAL STATEMENTS (cont.)

40. Financial instruments and risk management (continued)

Interest rate profile

The interest rate profile of interest bearing financial instruments at the end of the reporting period was as follows:

	Note	Average effective interest rate 2019	Average effective interest rate 2018	Carrying amount 2019	Carrying amount 2018
Group					
Assets					
Cash and cash equivalents	18	4.08 %	3.75 %	484,886	360,917
Short term investments	13	5.00 %	5.00 %	3,154	11,368
				488,040	**372,285**
Liabilities					
Borrowings	24	5.40 %	7.50 %	1,438,237	912,113
Bank overdraft	18	6.00 %	6.00 %	99,695	5,969
				1,537,932	**918,082**
Assets					
Other investments	13	13.50 %	13.50 %	1,442,318	800,328
Company					
Assets					
Cash and cash equivalents	18	5.00 %	5.25 %	155,118	287,070
Liabilities					
Borrowings	24	6.94 %	7.38 %	1,105,781	607,905
Bank overdraft	18	7.50 %	9.50 %	99,607	3,536
				1,205,388	**611,441**
Assets					
Other investments	13	13.50 %	13.50 %	1,513,975	1,012,274

Interest rate sensitivity analysis

The following sensitivity analysis has been prepared using a sensitivity rate which is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. All other variables remain constant. The sensitivity analysis includes only financial instruments exposed to interest rate risk which were recognised at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

NOTES TO THE FINANCIAL STATEMENTS (cont.)

40. Financial instruments and risk management (continued)

Interest rate sensitivity analysis

Group Figures in Pula thousand **Increase or decrease in rate**	2019 Increase	2019 Decrease	2018 Increase	2018 Decrease
Impact on profit or loss and equity:				
Bonds and other borrowings 1% (2018:2 %)	(777)	777	(1,367)	1,367
Bank overdraft 1% (2018:2 %)	(60)	60	(7)	7
Cash and cash equivalents 1% (2018: 2 %)	198	(198)	271	(271)
Short term Investments 1% (2018: 2 %)	2	(2)	11	(11)
Other investments 1% (2018:2%)	1,947	(1,947)	2,289	(2,289)
	1,310	**(1,310)**	**1,197**	**(1,197)**

Company Figures in Pula thousand **Increase or decrease in rate**	2019 Increase	2019 Decrease	2018 Increase	2018 Decrease
Impact on profit or loss and equity:				
Bonds and other borrowings 1% (2018:2 %)	(767)	767	(897)	897
Bank overdraft 1% (2018:2 %)	(60)	60	(4)	4
Cash and cash equivalents 1% (2018: 2 %)	78	(78)	301	(301)
Other investments 1% (2018: 2 %)	2,044	(2,044)	2,733	(2,733)
	1,295	**(1,295)**	**2,133**	**(2,133)**

Price risk

The group is exposed to price risk because of its investments in equity instruments which are measured at fair value. The exposure to price risk on equity investments is managed through a diversified portfolio.

There have been no significant changes in the price risk management policies and processes since the prior reporting period.

Refer to note 13 for details on exposure to price risk.

Price risk sensitivity analysis

The following sensitivity analysis has been prepared using a sensitivity rate which is used when price risk internally to key management personnel and represents management's assessment of the reasonably possible change in relevant prices. All other variables remain constant. The sensitivity analysis includes only investments held at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

Group and Company Figures in Pula thousand **Increase or decrease in rate**	2019 Increase	2019 Decrease	2018 Increase	2018 Decrease
Impact on profit or loss and equity:				
Sechaba Brewery Holdings Limited shares 15% (2018: 15%)	88,509	(88,509)	78,049	(78,049)
Cresta Marakanelo Limited shares 15% (2018: 15%)	16,669	(16,669)	9,277	(9,277)
	105,178	**(105,178)**	**87,326**	**(87,326)**

41. Segmental information

The group adopted IFRS 8, "Operating segments". This has resulted in a number of reportable segments presented. In addition, segments are reported in a manner that is consistent with the internal reporting provided to the operating decision maker.

NOTES TO THE FINANCIAL STATEMENTS (cont.)

41. Segmental information (continued)

The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The company has determined that its chief decision maker is the Board of the Company.

Management has determined the operating segments based in the reports reviewed by the Board in making strategic decisions and the board considers the business on the following operating decisions.

- Property development companies (Rental) - Companies that let properties and occasionally sell properties
- Trade companies (Trade) - Companies that operate within the hospitality or manufacturing industries
- Service companies (Service) - Companies that provide insurance or investment services (loans)
- Other (Other) - All other entities in the group which mostly consists out of dormant enterprises and associates

The segment information provided to the Board for the reportable segments for the year ended 30 June is as follows:

30 June, 2019 Figures in Pula thousand	**Rental**	**Trade**	**Other**	**Services**	**Total**
Revenue	167,620	50,133	-	101,264	319,017
Profit for the year	140,256	(24,527)	(337)	(40,272)	75,120
Included in operating profit					
Finance cost	(19,921)	(1,565)	-	(53,682)	(75,168)
Finance income	2,086	552	-	10,936	13,574
Share of profits of associates	1,623	-	18,751	-	20,374
Fair value gain on investment properties	42,929	(4,667)	-	(45)	38,217
Total comprehensive income	**(138,611)**	**(24,527)**	**(337)**	**214,424**	**50,949**
Total Assets	**2,278,439**	**357,202**	**4,941**	**1,489,257**	**4,129,839**
Associated companies	39,620	-	-	201,139	240,759
Intangible assets	-	96	-	2,731	2,827
Cash and cash equivalents	296,465	3,002	14,326	171,093	484,886
Assets held for sale	11,750	-	-	-	11,750
	572,960	**91,879**	**3,184**	**1,222,033**	**1,890,056**
30 June, 2018					
Revenue	146,566	57,100	-	65,661	269,327
Profit for the year	125,080	(11,618)	2,989	31,782	148,233
Included in operating profit					
Finance cost	(27,027)	(835)	(405)	(26,416)	(54,683)
Finance income	4,833	435	-	13,221	18,489
Share of profits of associates	3,165	-	20,694	-	23,859
Fair value gain on investment property	36,802	7,720	-	-	44,522
Total comprehensive income	**125,080**	**(11,618)**	**23,683**	**11,088**	**148,233**
Total assets	**2,278,439**	**357,202**	**4,941**	**1,489,257**	**4,129,839**
Equity accounted investees	40,297	-	-	171,292	211,589
Intangible assets	-	230	-	3,036	3,266
Cash and cash equivalents	139,751	12,927	14,695	193,597	360,970
Assets held for sale	42,250	-	-	-	42,250
Total liabilities	**692,295**	**92,004**	**2,104**	**438,664**	**1,225,067**

NOTES TO THE FINANCIAL STATEMENTS (cont.)

42. New Standards and Interpretations

42.1 Standards and interpretations not yet effective

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 1 July, 2019 or later periods:

Definition of a business - Amendments to IFRS 3

The amendment:

- confirmed that a business must include inputs and a processes, and clarified that the process must be substantive and that the inputs and process must together significantly contribute to creating outputs.
- narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and
- added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

The effective date of the amendment is for years beginning on or after 1 January, 2020.

The group expects to adopt the amendment for the first time in the 2021 group and company financial statements.

It is unlikely that the amendment will have a material impact on the group's group and company financial statements.

Presentation of Financial Statements: Disclosure initiative

The amendment clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

The effective date of the amendment is for years beginning on or after 1 January, 2020.

The group expects to adopt the amendment for the first time in the 2021 group and company financial statements.

It is unlikely that the amendment will have a material impact on the group's group and company financial statements.

Accounting Policies, Changes in Accounting Estimates and Errors: Disclosure initiative

The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

The effective date of the amendment is for years beginning on or after 1 January, 2020. The group expects to adopt the amendment for the first time in the 2021 group and company financial statements. It is unlikely that the amendment will have a material impact on the group's group and company financial statements.

IFRS 17 Insurance Contracts

The IFRS establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued.

The effective date of the standard is for years beginning on or after 1 January, 2021.

The group is expected to adopt the standard for the first time in the 2022 group and company financial statements.

The group is unable to reliably estimate the impact of the standard on the group and company financial statements.

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42. New Standards and Interpretations (continued)

Prepayment Features with Negative Compensation - Amendment to IFRS 9

The amendment to Appendix B of IFRS 9 specifies that for the purpose of applying paragraphs B4.1.11(b) and B4.1.12(b), irrespective of the event or circumstance that causes the early termination of the contract, a party may pay or receive reasonable compensation for that early termination.

The effective date of the amendment is for years beginning on or after 1 January, 2019.

It is unlikely that the amendment will have a material impact on the group's group and company financial statements.

Amendments to IFRS 3 Business Combinations: Annual Improvements to IFRS 2015 - 2017 cycle

The amendment clarifies that when a party to a joint arrangement obtains control of a business that is a joint operation, and had rights to the assets and obligations for the liabilities relating to that joint operation immediately before the acquisition date, the transaction is a business combination achieved in stages. The acquirer shall therefore apply the requirements for a business combination achieved in stages.

The effective date of the amendment is for years beginning on or after 1 January, 2019.

It is unlikely that the amendment will have a material impact on the group's group and company financial statements.

Amendments to IFRS 11 Joint Arrangements: Annual Improvements to IFRS 2015 - 2017 cycle

The amendment clarifies that if a party participates in, but does not have joint control of, a joint operation and subsequently obtains joint control of the joint operation (which constitutes a business as defined in IFRS 3) that, in such cases, previously held interests in the joint operation are not remeasured.

The effective date of the amendment is for years beginning on or after 1 January, 2019.

It is unlikely that the amendment will have a material impact on the group's group and company financial statements.

Amendments to IAS 12 Income Taxes: Annual Improvements to IFRS 2015 - 2017 cycle

The amendment specifies that the income tax consequences on dividends are recognised in profit or loss, other comprehensive income or equity according to where the entity originally recognised the events or transactions which generated the distributable reserves.

The effective date of the amendment is for years beginning on or after 1 January, 2019.

It is unlikely that the amendment will have a material impact on the group's group and company financial statements.

Amendments to IAS 23 Borrowing Costs: Annual Improvements to IFRS 2015 - 2017 cycle

The amendment specifies that when determining the weighted average borrowing rate for purposes of capitalising borrowing costs, the calculation excludes borrowings which have been made specifically for the purposes of obtaining a qualifying asset, but only until substantially all the activities necessary to prepare the asset for its intended use or sale are complete.

NOTES TO THE FINANCIAL STATEMENTS (cont.)

42. New Standards and Interpretations (continued

Amendments to IAS 23 Borrowing Costs: Annual Improvements to IFRS 2015 - 2017 cycle (continued)

The effective date of the amendment is for years beginning on or after 1 January, 2019.

It is unlikely that the amendment will have a material impact on the group's group and company financial statements.

Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. Specifically, if it is probable that the tax authorities will accept the uncertain tax treatment, then all tax related items are measured according to the planned tax treatment. If it is not probable that the tax authorities will accept the uncertain tax treatment, then the tax related items are measured on the basis of probabilities to reflect the uncertainty. Changes in facts and circumstances are required to be treated as changes in estimates and applied prospectively.

The effective date of the interpretation is for years beginning on or after 1 January, 2019.

The group is expected to adopt the interpretation for the first time in the 2020 group and company financial statements.

It is unlikely that the interpretation will have a material impact on the group's group and company financial statements.

43. Changes in accounting policy

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

Application of IFRS 16 Leases

In the current year, the group has adopted IFRS 16 Leases (as issued by the IASB in January 2016) in advance of its effective date which is for years beginning on or after 1 January 2019. The date of initial application is 1 July, 2018. IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC 27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-ofuse asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in the accounting policy for leases. The impact of the adoption of IFRS 16 on the group group and company financial statements is described below.

The group has applied the practical expedient available in IFRS 16 which provides that for contracts which exist at the initial application date, an entity is not required to reassess whether they contain a lease. This means that the practical expedient allows an entity to apply IFRS 16 to contracts identified by IAS 17 and IFRIC 4 as containing leases; and to not apply IFRS 16 to contracts that were not previously identified by IAS 17 and IFRIC 4 as containing leases.

IFRS 16 has been adopted by applying the modified retrospective approach, whereby the comparative figures are not restated. Instead, cumulative adjustments to retained earnings have been recognised in retained earnings as at 1 July, 2018.

NOTES TO THE FINANCIAL STATEMENTS (cont.)

43. Changes in accounting policy (continued)

Application of IFRS 16 Leases (continued)

Leases where group is lessee

Leases previously classified as operating leases

The group undertook the following at the date of initial application for leases which were previously recognised as operating leases:

- recognised a lease liability, measured at the present value of the remaining lease payments, discounted at the group's incremental borrowing rate at the date of initial application.
- recognised right-of-use assets measured on a lease by lease basis, at either the carrying amount (as if IFRS 16 applied from commencement date but discounted at the incremental borrowing rate at the date of initial application) or at an amount equal to the lease liability adjusted for accruals or prepayments relating to that lease prior to the date of initial application.

The group applied IAS 36 to consider if these right-of-use assets are impaired as at the date of initial application.

As an exception to the above, no adjustments were made on initial application of IFRS 16 for leases previously classified as operating leases:

- for which the underlying asset is of low value. From the date of initial application, these leases are accounted for in accordance with paragraph 6 of IFRS 16 by recognising the lease payments on a straight-line basis or another systematic basis which is more representative of the pattern of benefits consumed;
- which were previously accounted for as investment property on the fair value model in IAS 40 Investment Property. IAS 40 has been applied to these leases from the date of initial application.

The group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases in terms of IAS 17. Where necessary, they have been applied on a lease by lease basis:

- when a portfolio of leases contained reasonably similar characteristics, the group applied a single discount rate to that portfolio;
- leases which were expiring within 12 months of 1 July, 2018 were treated as short term leases, with remaining lease payments recognised as an expense on a straight-line basis or another systematic basis which is more representative of the pattern of benefits consumed;
- initial direct costs were excluded from the measurement of right-of-use assets at the date of initial application.
- hindsight was applied where appropriate. This was specifically the case for determining the lease term for leases which contained extension or termination options.

Leases where group is lessor

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in the leased assets. These additional disclosures have been made by the group.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17). Because of this change, the group has reclassified certain of its sublease agreements as finance leases. As required by IFRS 9, an allowance for expected credit loss has been recognised on the finance lease receivables.

NOTES TO THE FINANCIAL STATEMENTS (cont.)

43. Changes in accounting policy (continued)

Application of IFRS 16 Leases (continued)

Impact on financial statements

On transition to IFRS 16, the group recognised an additional P2.7 million of right-of-use assets and P2.8 million of lease liabilities.The lease straight-lining asset of P128 thousand was recognised against the right of use asset at date of transition. On transition to IFRS 16, the company recognised an additional P180 million of right-of-use assets and P180 million of lease liabilities. The lease straight-lining liability of P28 million was recognised against the right of use asset at date of transition.

When measuring lease liabilities, group discounted lease payments using its incremental borrowing rate at 1 July, 2018. The weighted average rate applied is 8%.

Reconciliation of previous operating lease commitments to lease liabilities under IFRS 16

Company	**1 July, 2018**
Operating lease commitment at 30 June, 2018 as previously disclosed	282,912
Discounted using the incremental borrowing rate at 1 July, 2018	180,856
Less recognition exemption for:	
Short term leases	(144)
Leases of low value assets	(102)
Lease liabilities recognised at 1 July, 2018	**180,610**

Group	**1 July, 2018**
Operating lease commitment at 30 June, 2018 as previously disclosed	3,463
Discounted using the incremental borrowing rate at 1 July, 2018	2,874
Lease liabilities recognised at 1 July, 2018	**2,874**

Application of IFRS 9 Financial Instruments

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

The group has applied IFRS 9 by applying the modified retrospective approach whereby comparative information is not restated and changes on adoption are taken directly to retained earnings. Additionally, the Group has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but have not been generally applied to comparative information.

Classification and measurement of financial assets

The date of initial application (i.e. the date on which the group has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 July, 2018. Accordingly, the group has applied the requirements of IFRS 9 to instruments that have not been derecognised as at 1 July, 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 July, 2018. Comparatives in relation to instruments that have not been derecognised as at July, 2018 have not been restated. Instead, cumulative adjustments to retained earnings have been recognised in retained earnings as at 1 July, 2018.

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

NOTES TO THE FINANCIAL STATEMENTS (cont.)

43. Changes in accounting policy (continued)

Application of IFRS 9 Financial Instruments (continued)

The measurement requirements are summarised below:

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

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

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

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

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

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

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

The directors reviewed and assessed the group's existing financial assets as at 1 July, 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the group's financial assets as regards to their classification and measurement:

Investments in equity instruments

The group's investments in equity instruments (neither held for trading nor a contingent consideration arising from a business combination) that were previously classified as available-for-sale financial assets and were measured at fair value at each reporting date under IAS 39 have been designated as at fair value through other comprehensive income. The change in fair value on these equity instruments continues to be accumulated in equity. However, the cumulative amount in equity is no longer reclassified to profit or loss on derecognition of the equity investments.

Debt instruments

Debt instruments classified as held-to-maturity and loans and receivables under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

NOTES TO THE FINANCIAL STATEMENTS (cont.)

43. Changes in accounting policy (continued)

Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the group to recognise a loss allowance for expected credit losses on debt investments subsequently measured at amortised cost or at fair value through other comprehensive income, lease receivables, contract assets and loan commitments and financial guarantee contracts to which the impairment requirements of IFRS 9 apply. In particular, IFRS 9 requires the group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. On the other hand, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the group is required to measure the loss allowance for that financial instrument at an amount equal to 12 months expected credit losses. IFRS 9 also provides a simplified approach for measuring the loss allowance at an amount equal to lifetime expected credit losses for trade receivables, contract assets and lease receivables in certain circumstances.

As at 1 July, 2018, the directors reviewed and assessed the group's existing financial assets, amounts due from customers and loan commitment contracts for impairment using reasonable and supportable information that was available without undue cost or effort in accordance with the requirements of IFRS 9 to determine the credit risk of the respective items at the date they were initially recognised, and compared that to the credit risk as at 1 July, 2017 and 1 July, 2018.The result of the assessment is as follows:

Items existing on 1 July, 2018 that are subject to the impairment provisions of IFRS 9:	Note	Credit risk attributes at 1 July, 2017 and 1 July, 2018	Cumulative additional loss allowance recognised on: 1 July, 2018 P '000
Group			
Loans to associates	13	The directors have concluded that it would require undue cost and effort to determine the credit risk of each loan on their respective dates of initial recognition. These loans are also assessed to have credit risk other than low. Accordingly, the group recognises lifetime ECL for these loans until they are derecognised.	(256)
Loans to non- affliated companies	13	The directors have concluded that it would require undue cost and effort to determine the credit risk of each loan on their respective dates of initial recognition. These loans are also assessed to have credit risk other than low. Accordingly, the group recognises lifetime ECL for these loans until they are derecognised.	923

NOTES TO THE FINANCIAL STATEMENTS (cont.)

43. Changes in accounting policy (continued)

Items existing on 1 July, 2018 that are subject to the impairment provisions of IFRS 9:	Note	Credit risk attributes at 1 July, 2017 and 1 July, 2018	Cumulative additional loss allowance recognised on: 1 July, 2018 P '000
Trade and other receivables	16	The group applies the simplified approach and recognises lifetime expected credit losses for these assets.	(3,978)
Loans to subsidiaries	13	The directors haave concluded that it would require undue cost and effort to determine the credit risk of each loan on their respective dates if initial recognition. These loans loans are also assessed to have credit risk other than low. Accordingly the group recognises lifetime ECL for these loans until they are recognised.	-
Total additional loss allowance			**(3,311)**
Company			
Loans to subsidiaries	13	The directors have concluded that it would require undue cost and effort to determine the credit risk of each loan on their respective dates of initial recognition. These loans are also assessed to have credit risk other than low. Accordingly, the company recognises lifetime ECL for these loans until they are derecognised.	(2,558)
Loans to associated companies	13	The directors have concluded that it would require undue cost and effort to determine the credit risk of each loan on their respective dates of initial recognition. These loans are also assessed to have credit risk other than low. Accordingly, the company recognises lifetime ECL for these loans until they are derecognised.	(256)
Trade and other receivables	16	The company applies the simplified approach and recognises lifetime expected credit losses for these assets.	(29)
Cash and bank balances	18	All bank balances are assessed to have low credit risk at each reporting date as they are held with reputable international banking institutions.	-
Loans to non affiliated companies	13		923
Total additional loss allowance			**(1,920)**

NOTES TO THE FINANCIAL STATEMENTS (cont.)

43. Changes in accounting policy (continued)

The additional loss allowance is charged against the respective asset, except for the investments at fair value through other comprehensive income, the loss allowance for which is recognised against the reserve in equity. The application of the IFRS 9 impairment requirements has resulted in additional loss allowance of P 1,920 mil (company) and P 3,31 mil (group) to be recognised in the current year.

Classification and measurement of financial liabilities

One major change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

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

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

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

The following table presents a summary of the financial assets as at 1 July, 2018. The table reconciles the movement of financial assets from their IAS 39 measurement categories and into their new IFRS 9 measurement categories. "FVPL" denotes "fair value through profit or loss" and "FVOCI" denotes "fair value through other comprehensive income."

Group	Previous measurement	New measurement category: IFRS 9				
Figures in Pula thousand	IAS 39	FVPL - mandatory	Amortised cost	FVOCI equity	Re-measurement changes - Adjustment to equity	Change attributable to:
Previously Loans and receivables:						
Cash and cash equivalents	360,970	-	360,970	-	-	No change
Trade and other receivables	75,046	-	71,068	-	(3,978)	Change in measurement attribute
Long term loans	302,580	-	299,450	-	(3,130)	Change in measurement attribute
Short term investments	11,368	-	11,368	-	-	Change in measurement attribute
	749,964	**-**	**742,856**	**-**	**(7,108)**	

NOTES TO THE FINANCIAL STATEMENTS (cont.)

43. Changes in accounting policy (continued)

Group	Previous measurement	New measurement category: IFRS 9				
Figures in Pula thousand	IAS 39	FVPL - mandatory	Amortised cost	FVOCI equity	Re-measurement changes - Adjustment to equity	Change attributable to:
Previously Available for sale:						
Listed shares - fair value	582,175	-	-	582,175	-	No change
Unlisted shares - cost	60,702	65,912	-	-	5,210	Change in measurement category
	642,877	**65,912**	**-**	**582,175**	**5,210**	
	1,392,841	**65,912**	**742,856**	**582,175**	**(1,898)**	
Company						
Previously Loans and receivables:						
Trade and other receivables	102,066	-	102,066	-	-	No change
Other investments	472,976	-	467,259	-	(5,717)	Change in measurement attribute
Cash and cash equivalents	287,070	-	287,070	-	-	No change
	862,112	**-**	**856,395**	**-**	**(5,717)**	
Previously Available for sale:						
Listed shares - fair value	582,175	-	-	582,175	-	No change
Unlisted shares - cost	60,702	65,912	-	-	5,210	Change in measurement category
	642,877	**65,912**	**-**	**582,175**	**5,210**	
	1,504,989	**65,912**	**856,395**	**582,175**	**(507)**	

NOTES TO THE FINANCIAL STATEMENTS (cont.)

43. Changes in accounting policy (continued)

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

The following table presents a summary of the financial liabilities as at 1 July, 2018. The table reconciles the movement of financial liabilities from their IAS 39 measurement categories and into their new IFRS 9 measurement categories. "FVPL" denotes "fair value through profit or loss".

Figures in Pula thousand	Previous measurement	New measurement category: IFRS 9	
	IAS 39	Amortised cost	Change attributable to:
Group			
Previously Available cost:			
Borrowings	1,438,237	1,438,237	No change
Company			
Previously Available cost:			
Borrowings	1,052,568	1,052,568	No change

Application of IFRS 15 Revenue from contracts with customers

In the current year, the group has applied IFRS 15 Revenue from Contracts with Customers (as revised in April 2016) and the related consequential amendments to other IFRSs. IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue - Barter Transactions Involving Advertising Services.

The impact of the adoption of the standard is not material to the group and company.

NOTES TO THE FINANCIAL STATEMENTS (cont.)

44. Changes in liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities - Group - 2019

Figures in Pula thousand	Opening balance	Interest expense	Fair value changes	Other non-cash movements	Total non-cash movements	Cash flows	Closing balance
Borrowings	568,098	44,550	-	-	44,550	480,085	1,092,733
Bonds outstanding	344,015	30,617	(4,425)	5,914	32,106	(30,617)	345,504
Government grant	11,410	-	-	(355)	(355)	-	11,055
Finance lease liabilities	-	-	-	2,522	2,522	-	2,522
Dividends payable	6,759	-	-	28,540	28,540	(25,000)	10,299
	930,282	**75,167**	**(4,425)**	**36,621**	**107,363**	**424,468**	**1,462,113**
Total liabilities from financing activities	**930,282**	**75,167**	**(4,425)**	**36,621**	**107,363**	**424,468**	**1,462,113**

Reconciliation of liabilities arising from financing activities - Group - 2018

Figures in Pula thousand	Opening balance	Interest expense	Fair value changes	Other non-cash movements	Total non-cash movements	Cash flows	Closing balance
Borrowings	356,476	-	-	-	-	211,622	568,098
Bonds outstanding	215,129	-	(4,871)	22,043	17,172	111,714	344,015
Government grant	11,767	-	-	(357)	(357)	-	11,410
Dividends payable	6,712	-	-	47	47	-	6,759
	590,084	**-**	**(4,871)**	**21,733**	**16,862**	**323,336**	**930,282**
Total liabilities from financing activities	**590,084**		**(4,871)**	**21,733**	**16,862**	**323,336**	**930,282**

Reconciliation of liabilities arising from financing activities - Company - 2019

Figures in Pula thousand	Opening balance	Foreign exchange movements	Fair value changes	Other non-cash movements	Total non-cash movements	Cash flows	Closing balance
Borrowings	205,851	1,213	-	-	1,213	500,000	707,064
Bonds outsanding	344,015	-	(4,871)	6,360	1,489	-	345,504
Finance lease liabilities	-	-	-	178,496	178,496	-	178,496
	549,866	**1,213**	**(4,871)**	**184,856**	**181,198**	**500,000**	**1,231,064**
Total liabilities from financing activities	**549,866**	**1,213**	**(4,871)**	**184,856**	**181,198**	**500,000**	**1,231,064**

Reconciliation of liabilities arising from financing activities - Company - 2018

Figures in Pula thousand	Opening balance	Foreign exchange movements	Fair value changes	Other non-cash movements	Total non-cash movements	Cash flows	Closing balance
Borrowings	139,362	-	-	-	-	66,489	205,851
Bonds outsanding	215,129	-	-	(1,914)	(1,914)	130,800	344,015
	354,491	**-**	**-**	**(1,914)**	**(1,914)**	**197,289**	**549,866**
Total liabilities from financing activities	**354,491**	**-**	**-**	**(1,914)**	**(1,914)**	**197,289**	**549,866**

NOTES TO THE FINANCIAL STATEMENTS (cont.)

45. Directors' emoluments

P125 100 (2018: P202 500) directors fees were paid to the non-executive directors of the company or any individuals holding a prescribed office during the year.

Executive
2019

Figures in Pula thousand	Emoluments	Other benefits	Compensation for loss of office	Directors' fees	Total
Directors emoluments	1,238	839	721	7	2,805

2018

Figures in Pula thousand	Emoluments	Other benefits	Directors' fees	Total
Directors emoluments	1,292	916	7	2,215

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NOTES

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