Years of Building Botswana

1970 - 2020

BDC Annual Report | 2020

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CORPORATE PROFILE

"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."

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 P5.1 Billion and a portfolio worth over P3.8 Billion
- Generate wealth from outside the country

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

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.

Vision

To be an innovative and sustainable development finance institution.

Values

- Enterprising
- Collaboration
- Integrity

Products

- Equity Funding
- Debt Funding
- Mezzanine Funding

Contacts

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BOTSWANA DEVELOPMENT CORPORATION: *DOWN MEMORY LANE*

The Corporation has a rich and diverse history as the Government's main investment arm mandated to pioneer industries and develop the economic landscape of the country. As the year of BDC's golden jubilee draws to an end, we reflect on the milestones that have contributed to 50 years of heritage and the legacy of impact that we have become renowned for.

It is with swelling pride that we look back on the founding years of the Corporation established in line with the National Development Plan to see Botswana through to a new era of growth, industrialisation and prosperity for all. With the R20,000 seed funding for initial operating costs being received in January 1971 from the British Council, BDC saw to opening the doors of Botswana to investment opportunities from abroad. The country having just discovered the world's most precious of stones, gem diamonds, Botswana was primed to become a global success story. The Corporation took on to pioneer our first national airline, Air Botswana, so as to create a doorway for our country to host the world.

Following the establishment of the aviation industry, BDC pioneered complimentary industries including the car rental industry via Avis and the hospitality industry that has seen continued investment throughout our fifty years as we sought not only to pioneer but to unlock value in the sector. The Corporation has established Botswana's first international hotel group, some proudly Botswana luxury brands and other investment properties namely Cresta Marakanelo, Mashatu, Holiday Inn (now Avani), Peermont Group and Kwalape Safari Lodge over the course of its operation.

BOTSWANA DEVELOPMENT CORPORATION: *DOWN MEMORY LANE*

The Corporation's property portfolio includes residential property investments namely:
Notwane Courts, Redsquare, Sunset Mews and Grandpalm Mews. Other developments in the property sector in the more recent past include Fairscape Precinct one of BDC's most prized projects, one that has transformed Botswana's skyline. Another property investment made by BDC is Letlole La Rona which falls under Corporation's commercial property portfolio.

The Corporation's dedication to exploring unchartered territory and the drive to unlock value from existing industries has been the key proponent of our investment strategy. BDC saw to the establishment of the manufacturing industry through companies like Kgalagadi Breweries Limited, Sechaba Holdings, Nortex, Pasdec, Kwena, Kwena Rocla and Nampak. The impact of manufacturing on employment, economic growth and the development of our country has been exceptional as Botswana sought to diversify investment away from the sole focus on the mining sector.

Our growth was most notably seen in 1991 when the Corporation surpassed share capital and reserves of P100m for the first time in its history. A significant milestone as BDC celebrated 20 years of operation.
The Corporation's investment in the Agribusiness Industry harnesses the essence of Setswana culture, subsistence farming, and creates large-scale commercial agricultural solutions. BDC has pioneered this sector through the establishment of Talana Farms now leased by Kwenantle and Milk Afric a dairy farm based in Lobatse.

As industrialisation continued in Botswana, BDC saw it fit to pioneer the insurance industry and build the financial services sector through its stake in Metropolitan, BIHL Group, Investec and Botswana Insurance Company Limited. This industry has seen a fast-tracked increase in economic activity and foreign direct investment. The first private healthcare facility in Botswana, Gaborone Private Hospital, was the first investment made by the Corporation in efforts to create a leading healthcare sector. We now boast of three healthcare facilities under our portfolio namely Gaborone Private Hospital, Sidilega Private Hospital and Francistown Academic Hospital.

The BDC journey has not been without its challenges. Throughout five decades of operation, the Corporation dedicated itself to growth and development, this saw both the establishment and the dissolving of companies. Losses were seen in our fourth decade as the effects of the global recession reared their head in Botswana as well. Thankfully by 2014, we birthed a new BDC as the strategic period for doubling business ensued. This we viewed as our year of transformation as we returned the Corporation back to the profitability we are proud of today.

Our business has been to build Botswana. At 50 years of operation, we celebrate Botswana's growth story. We reflect on birthing and growing the private enterprises that have paved the way for economic diversification. BDC has diligently weaved the story of sustainable development and now boasts of growth from the initial P20,000 to a total worth of +P5.1 billion having invested in over 300 Botswana-focused ventures and created over 5000 jobs.

We are proud of Botswana's story of growth and are optimistic about the path ahead of transformation. It gives us immense joy to know that daily Batswana make use of a product or service that was made possible through the input and involvement of BDC. Our contribution has permeated every major industry and we are responsible for the development of some of the country's most notable companies.
The track record we reflect on has set a solid foundation for another fifty years of progress and profit. As we move forward with further investing, we continue to seek sustainability through funding the solutions for tomorrow's world – today. We are committed to being Botswana's investment partner of choice as we maximise longterm value for the shareholder and creating wealth for future generations.

We have set an ambitious vision for our next chapter that looks into investing locally in large scale export-orientated businesses, investing globally in high-return commercial and strategic projects, integrating Botswana into the world economy through commercial investments and partnerships and pioneering industries and unlocking value in untapped sectors across Botswana.

We bid adieu to 50 years of economic development and stepping into the era of economic transformation.

1970 - 2020

BOTSWANA DEVELOPMENT CORPORATION: *DOWN MEMORY LANE*

1970

1970
Botswana Development Corporation (BDC) was incorporated on April 15, 1970, according to strategy in the National Development Plan of 1970/75.

1971

1971
BDC fully operational as of January 1971, after receiving a development loan to cover initial operating costs from the British Council.
Total investments stood at R20,000 with R30,000 registered in the loan book.
*Botswana still under Rand Monetary Area

1972

1972
Mr. R. C. Stephens appointed BDC's first Managing Director, ushering in the localisation of key positions. Corporation recorded a profit before tax of R559 198, and paid tax of R175 000, rendering it one of the largest taxpayers in Botswana at that time.

1974

1974
Botswana Government provided a 25-year loan of R2,5 million increasing the Corporation's cash reserves to R2,917,957. Long term loan facility of US$ 4.0 million (about R2,8 million) negotiated with the Bank for Reconstruction and Development, making R5,717,957 available for further investment.
BDC recorded revenue of R926,266, declared a profit before tax of R663,132 and closed the year with a net profit of R505,200.

1977

1977
Major strides having been made in the localisation of key positions, Mr B Gaolathe was now the Chairman of the Corporation with citizen board members including T S Madisa, B G Makobole, J M Nganunu, M C Tibone, among others.
A milestone for BDC was that it attained financial independence through interest and dividend income from its subsidiary and affiliated companies.
A further milestone was that BDC's Financial statements were denominated in Pula for the first time that year.

'87 '90 '91

1987
The localisation of the position of General Manager (now Managing Director), for the first time since the establishment of the Corporation in 1970, from Mr K Kuiper to Mr M O Molefane.

1990
BDC celebrated its 20th anniversary.

1991
First time in its history the Corporation's share capital and reserves passed the P100m mark, reaching P106.8m, an increase of 23 per cent over the previous year.

'99 '02 '04

1999
BDC's 5-year strategy was implemented.

2002
First dividend amounting to P11.27 million paid to the shareholder, Government of Botswana

2004
By the end of the five-year strategy, BDC had achieved a profit before tax of P65.55 million.

'07 '11 '12

2007
Commencement of a four-year strategic plan with a turnover of P214.3 million and a net profit before tax of P113.3 million set as targets. The final year of the strategic plan was set for 2011.

2011
The year 2011 marked the end of a four-year strategic plan which commenced in 2007.
BDC achieved a turnover of P400.0 million and profit before tax of P229.7 million.

2012
BDC made losses of P176,0 million and BDC Group of Companies made a loss of P66,0 million

'13 '14

2013
BDC in 2013 made losses of P222,2 million and BDC Group of Companies made a profit of P13.4 million. This marked the transformation period which bred the DTB5 strategy.

2014
Launch of the 2014-2019 strategy. Mr Bashi Gaetsaloe assumes Managing Director's office.

'15 '17

2015
BDC rebrands to a more bold and solid look

2017
Achieved an investment-grade credit rating of Baa2 / Stable by Moody's Investors Service (reaffirmed in September 2019), this making BDC the first local company to achieve such a rating. According to Moody's, BDC's ratings entail a standalone credit profile of b1, which balances what Moody's recognises as a strong company solvency and liquidity position against a high concentration of strategic participation in large equity investments.

'19 '20

2019
Since 2014 BDC has been implementing its 5-Year Transformation Strategy underpinned by the goal to double the net worth of the business. 2019 Marked the final year of #DTB5

2020
BDC Celebrates 50 years of Building Botswana

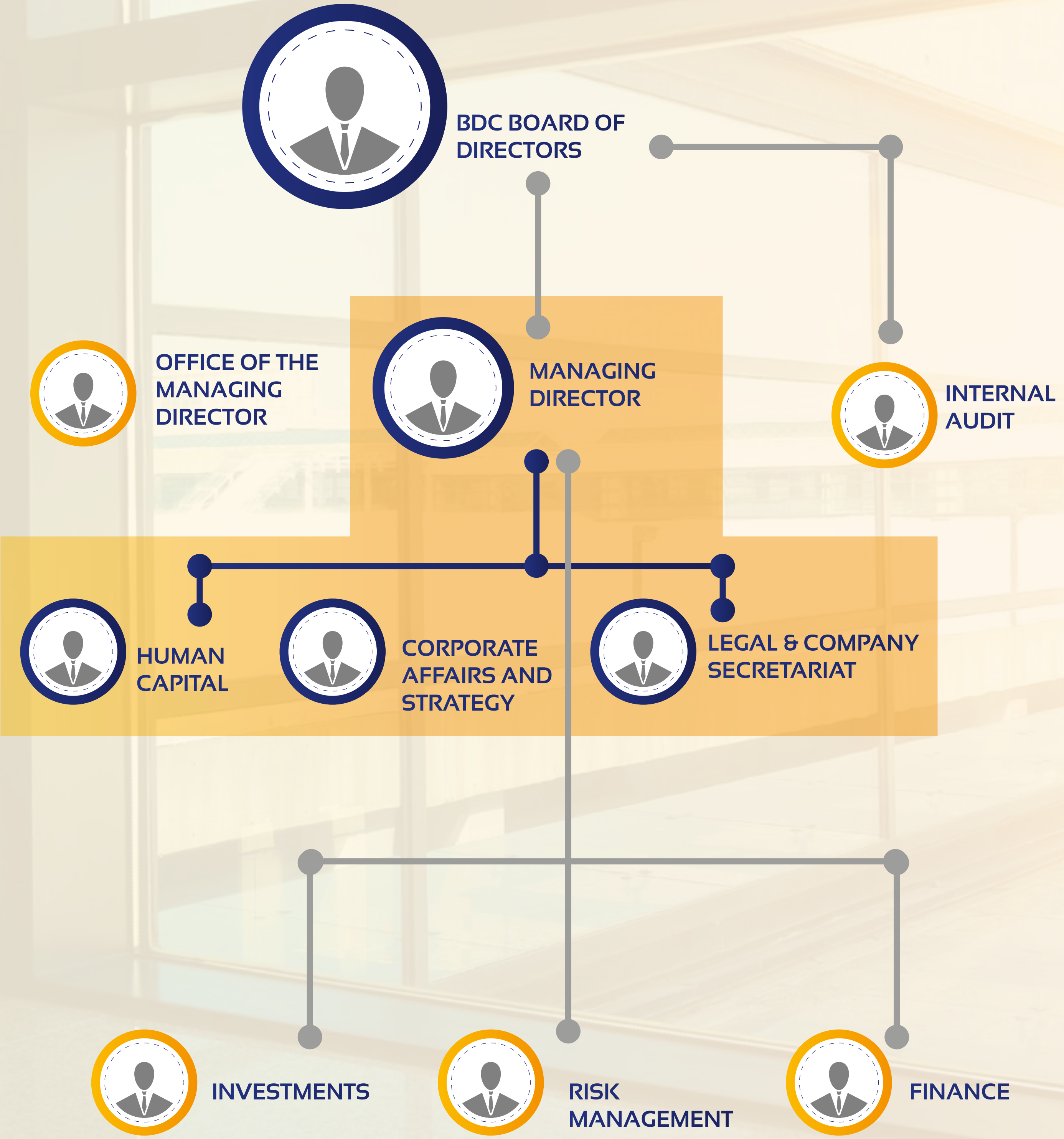








ORGANISATIONAL STRUCTURE



50years of Building Botswana

FINANCIAL HIGHLIGHTS

GROUP INCOME FROM TRADE

52%

2020 P 230MIL
2019 P 151MIL

GROUP REVENUE

26%

2020 P 536MIL
2019 P 427MIL

COMPANY ASSET BASE

25%

2020 P 4.5BIL
2019 P 3.6BIL

COMPANY INTEREST INCOME

90%

2020 P 154MIL
2019 P 81MIL

GROUP ASSET BASE

4%

2020 P 5.1BIL
2019 P 4.9BIL

GROUP OPERATING PROFIT

95%

2020 P 341MIL
2019 P 175MIL

COMPANY NET WORTH

10%

2020 P 2.3BIL
2019 P 2.1BIL

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 50 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

OUR INVESTMENT PORTFOLIO

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

EQUITY ACCOUNTED INVESTEES

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
Indus Healthcare (Pty) Ltd
Kamoso Africa (Pty) Ltd
Letlole La Rona Limited

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

QUOTED INVESTMENTS

Cresta Marakanelo Limited
Sechaba Brewery Holdings Limited
Grit Real Estate (Pty) Ltd

STRATEGIC DIRECTION - FY20

The period under review has seen a transition into the new strategic direction dubbed 'Beyond 2019' which promises a Bold New direction. Beyond 2019 will endevour to maximise long-term value for the shareholder and to create wealth for future generations by deeply integrating Botswana into the global economy through investments and partnerships.

The new strategic overview is preceded by the successful completion of a 5-year Transformation Programme that delivered impressive results. Beyond 2019 also looks to further expand BDC's horizon and unlock value in untapped sectors of the economy.This new strategic direction comes at a time when the Corporation celebrates its 50th anniversary, presenting a new challenge that will require BDC to take on initiatives that will allow the business to add more value and continuously stay relevant to the modern economy.

BDC's 'Beyond 2019' strategic overview is based on the underpinning goals to:

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

During the last half of FY20, the world became awoke to the outbreak of the Covid-19 pandemic, which has disrupted business and life in general. It is in the wake of the pandemic that BDC has identified key lessons and opportunities that it will explore, and apply as part of its new strategy.The ***'Beyond 2019'*** strategic direction, 50th anniversary and the economic lessons from Covid-19 have shaped BDC's outlook for the future and will influence decisions made to transform Botswana's economy and catapult it into the global economy. We continue to engage with the shareholder on our new strategic direction and look forward to its official launch.

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 01

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 02

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 03

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 04

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.

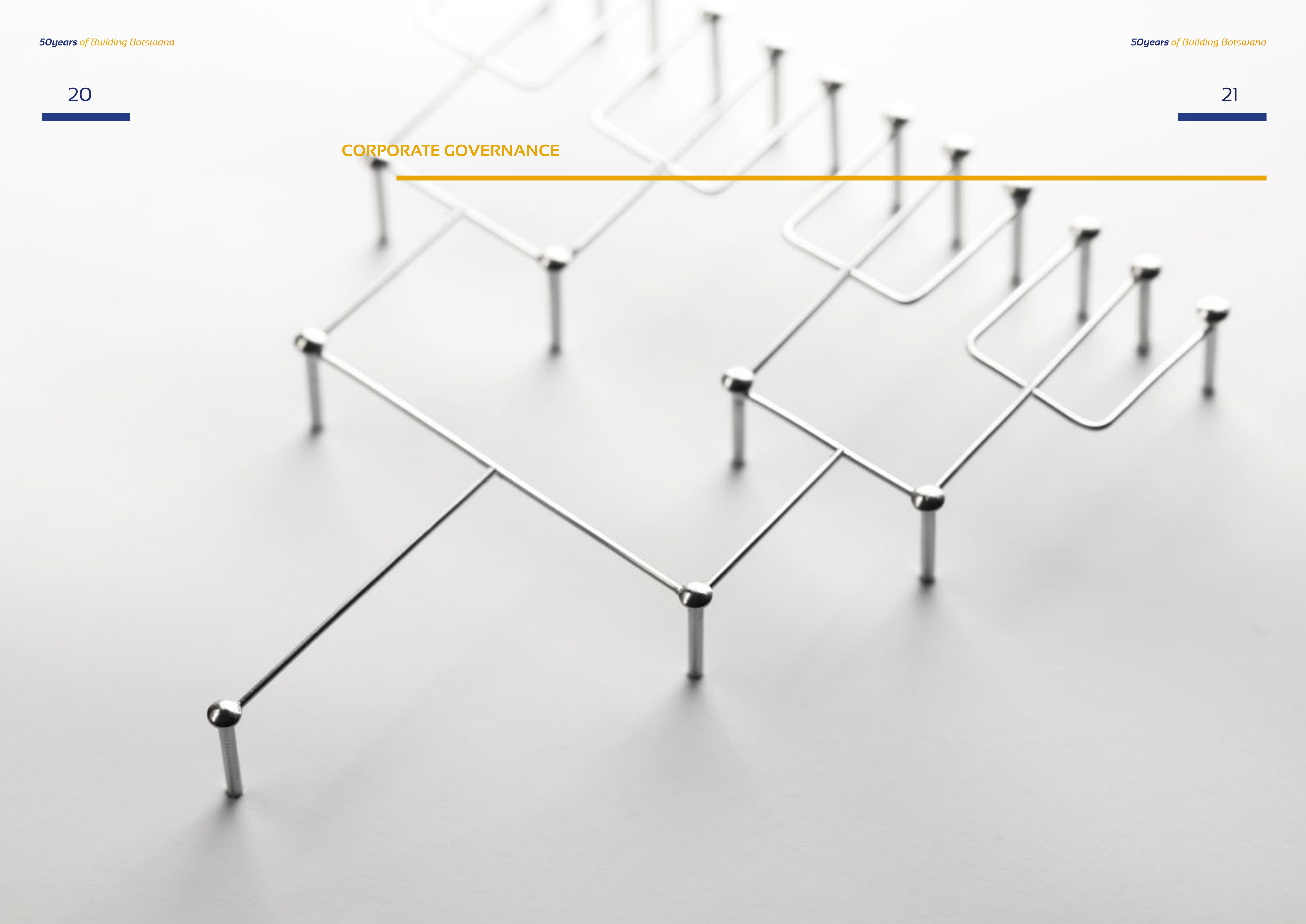
- Credit and Investment committee Approval (investments not exceeding BWP150 million)
- Board Risk and Investment Approval (investments not exceeding BWP500 million)
- Board Approval (investments exceeding BWP500 million)

STAGE 05

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

- Full and comprehensive due diligence

CORPORATE GOVERNANCE



CHAIRPERSON'S STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

"We reflect on BDC's humble beginnings in 1970 and how it thrived in the ensuing years, alongside many of the companies in which it had invested. "

Neo Bogatsu
Chairperson of the Board (Ag)

We have successfully come to the end of yet another year in the Corporation's operations and I am honoured to be reporting on BDC's performance for the year ended 30 June 2020. This year marked a period of transition from the successful execution of one corporate strategy to another, with a highlight on maximising wealth for the shareholder and building Botswana's economy.

We are also pleased to highlight the celebration of BDC's 50th anniversary, which also marks 50 years of building Botswana industries and contributing to the business environment that we enjoy today. We reflect on BDC's humble beginnings in 1970 and how it thrived in the ensuing years, alongside many of the companies in which it had invested. The Corporation's impact can be seen and felt across the many industries from Energy, Infrastructure, Manufacturing, Agriculture, Services and Tourism to mention a few. We believe that the next 50 years will be characterised by nothing but success and even higher impact.

Following the impressive results in the prior year, the Corporation realised company revenue of P342 million and a net worth of P2,3 billion, accompanied by asset base growth to a record of P5,1 billion. BDC continues to look for new opportunities in alignment with its new strategic direction and that of the national agenda. While we continue to encounter increasing economic challenges, we remain committed to sailing through these and making a mark in the economy.

In the last half of the year, the world experienced an outbreak of the novel Covid-19 virus, which was first discovered in the province of Wuhan, China and quickly spread to the rest of the world. Botswana has not been exempted from the negative effects of the pandemic which has caused a massive shock and whose measures to contain have plummeted the global economy into a severe contraction. Botswana has been grappling with the economic slump which has not only presented a challenge to local businesses but also the individual Motswana.

During the period under review, BDC has made moves that have enabled it to further diversify its portfolio and has undertaken initiatives that work towards achieving better economic performance. Our subsidiaries have continued to show resilience albeit the ever-increasing economic challenges, which were further heightened by the wake of the Covid-19 pandemic. We, however, remain confident in the measures we have put in place to support and offer relief to the affected businesses within the BDC portfolio.

In the last half of the year, subdued domestic demand for goods and services was experienced as a result of the unfavourable effects of the Covid-19 pandemic containment measures. This has stifled economic activity both internally and externally, with the restrained income and expected increase in foreign prices to contribute to the projected low inflation. Headline inflation averaged 1.9% in the second quarter of 2020, lower than the average of 2.6% in the second quarter of the prior year 2019. This is accounted for by the decrease in domestic fuel prices in April and June 2020. Inflation is forecast to remain below the lower bound of the Bank of Botswana's 3 – 6% medium-term objective range in the short term, mainly due to the reduction of domestic fuel prices.

The national accounts data from Statistics Botswana showed that year-on-year growth in the first quarter of the year decreased by 0.4% to 2.6%, down from 3.0% year-on-year growth recorded in Q4 2019, while the IMF has forecast a contraction of 5.4% for Botswana in 2020. There are a lot of questions as to when most effects of the virus will cease and a return to normalcy, however, we are hopeful that the Economic Recovery and Transformation Plan will resolve issues encumbering Botswana's economic growth and development.

Despite challenges that are presented and the unchartered territory that we are faced with, the board remains committed to supporting the Corporation in the delivery of its mandate and exploration of new opportunities as we acclimatise to the new normal.

BDC is pleased to have developed a new strategic overview dubbed 'Beyond 2019' which presents dawn to both the Corporation and Botswana. This 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. The 'Beyond 2019' strategy strives to move Botswana from Economic Development to Economic Transformation. The new strategic direction promises not only to deliver value to the shareholder but also improve citizen participation in key sectors and it is in the interest of the Board to see this happen, for the greater benefit of the people of Botswana. We do not overlook the importance of the partnerships in this new journey and we will continue to build new ones and strengthen existing relationships, to bring a wider socioeconomic benefit and place Botswana as an attractive investment destination.

In conclusion, I would like to commend the BDC Management and Staff for their resilient efforts to deliver value to the shareholder. I am confident that their spirits will not be dampened but will stay ignited by the passion to grow. We thank our respective stakeholders and the Government of Botswana for the continued support and dedication to the success of the Corporation. We are also immensely grateful to the early leaders of the Corporation who contributed to its growth and focus on transforming the economic landscape of Botswana. As the Corporation continues to celebrate its 50th anniversary, it remains passionate about its primary mandate to drive the industrialisation of the country by providing financial assistance to investors with commercially viable projects.

We look forward to engaging with all our stakeholders in new avenues that will turn Botswana into a high-income country by the year 2036.

Neo Bogatsu
Chairperson of the Board (AG)

BOARD OF DIRECTORS

NEO BOGATSU
Board Chairperson (Ag)
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.

Previous roles include; Barclays Bank of Botswana-Head of Business Performance and Analytics, Financial Accountant and Management Accountant as well as Ernst & Young - Audit Supervisor.

Ms Bogatsu serves on several boards nationally and regionally including African Life Financial Services Zambia, Feune Pty Ltd, Khumo Properties, HealthCare and Private Property Botswana. She is a professional member of the Association of Chartered Certified Accountants (ACCA), Botswana Institute of Accountants and Botswana Institute of Bankers.

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.

CROSS KGOSIDIILE
Managing Director.
Appointed 01 April 2020.

Mr Kgosidiile has over 20 years of experience of building high performance teams having served in a variety of leadership roles including at BPC, MVA Fund and the national airline, Air Botswana. Prior to joining BDC, Mr. Kgosidiile served as the Acting Chief Executive Officer at BPC.

His known forte and expressed passion has continued to be for commercial environments. His experience in leadership capacities boasts of strengths across key commercial areas including Corporate Finance and Strategy, Information Technology and Supply Chain Management and Business transformation to name a few.

Mr. Kgosidiile's career began in retailing as a Graduate Accounts Trainee with the Cash Bazaar Group in 1992. He thereafter moved to join the national airline, Air Botswana, as Financial Accountant and was soon promoted to the position of Finance Manager.

He was part of the team that turned around the airline, resulting in Air Botswana achieving profitability for 7 successive years during his tenure.

Mr. Kgosidiile was appointed Chief Executive Officer for the MVA Fund in 2005, and successfully led the MVA Fund for over 10 years.

Under his leadership the MVA Fund achieved multiple awards in Corporate Reporting, Customer Service and Staff Engagement and was rated the Best Company to Work For over 5 consecutive years in a survey conducted by Deloitte Consulting.

During his tenure, the MVA Fund achieved impressive growth with its balance sheet growing more than three-fold in just a decade.

The MVA Fund was recognised as a benchmark organisation both within the Botswana parastatal sector and in the region. Mr. Kgosidiile has also served as a Business Consultant in his career with a focus on Corporate Finance and Strategy.

Mr. Kgosidiile holds a Bachelor of Commerce (Accounting) Degree and a Master's in Business Administration from the University of Botswana. He is a fellow of the Chartered Institute of Management Accountants and serves as its Membership Assessor. He is also a fellow member of the Botswana Institute of Chartered Accountants.

Mr. Kgosidiile has served as Board Chairman for the Botswana Building Society, was a Board member of Botswana Railways, Stanbic Bank Botswana Limited, MVA Fund and KYS Investments Limited.

He is currently Board Chairman of Mmila Fund Administrators which administers the Debswana Pension Fund, Board Member of Prime-Time Property Holdings Limited and a Council Member of ABM University College.

ARYL RALEBALA
Appointed 01 February 2020

Mr Ralebala is Executive Chairman of LSG Group. The LSG Group of company consists of Tswana Fuel (BP Distributor), Lubricants Supplies (Castrol Distributor), Tswana Gas (LPG Distributor), Africent Investments (Retail Filling Stations), Regent Hotels, and Manong Game Lodge. The LSG group has manpower strength in excess of 120 personnel. A graduate in Mechanical Engineering from Kenya Polytechnic University, Aryl's formative years were spent at Shell Oil Botswana in Retail Development and Sales and Marketing.

He would later follow his passion and established the Castrol Oil brand in Botswana. With this step he developed the Castrol brand to market leadership for the past two decades. This achievement is acclaimed as exceptional in the Petroleum industry in Botswana and the Region.

With the above background, Aryl's subsequent business initiatives are weighted towards the energy sector, Fuel, and LPG gas distribution operations under separate entities being significant components of his Group of Companies. Other business interests include strategic supplies to Mining and Railways sectors, Property Investments and Hospitality. Besides being a successful business professional, Aryl participates in some SOEs at board level and is an active philanthropist contributing to the wellbeing of Batswana.

50years of Building Botswana

BOARD OF DIRECTORS

SHIRLEY MONCHO
Appointed 01 February 2020

Ms Moncho is currently the Deputy Permanent Secretary in the Ministry of Investment, Trade and Industry.

She is highly experienced, with a demonstrated history of working in the international trade, agricultural policy and industry development.

Professionally skilled in international trade policy analysis, policy and strategy development, Agricultural development, Regional Integration, and Project Management.

RICHARD CHILISA
Appointed 01 May 2017

Mr. Chilisa is currently the Director – Risk and Compliance at Botswana Housing Corporation assisting the Board of Directors and Management with oversight and management of enterprise risks.

Mr Chilisa served in the WUC Pension Fund as an Employer Trustee responsible for risk management in the Investment Committee of the WUC Pension Fund. Mr. Chilisa holds a Master 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 – Civil (with Electives on Economics and Accounting) from Carleton University (Canada). In addition, he did International Executive Development Programme (IEDP) through Wits Business School and London Business School.

Mr Chilisa is a member of the Institute of Risk Management South Africa (IRMSA). A registered Professional Engineer (P.Eng 20160344) by the Engineers Registration Board (ERB) of Botswana, a Quality Management System Lead Auditor and Certified Enterprise Risk Manager (CERM).

Mr. Chilisa has sat in different Technical Committees responsible for development of building and Construction standards for the Botswana Bureau of Standards.

THULAGANYO A W MOLEBATSI
Appointed 01 May 2017

Mr Molebatsi has more than fourteen (14) years of progressive 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.
Prior to joining BPOMAS, he worked for Southview Group of Companies as the Group Business Developer, responsible for executing the Group's expansion strategy and overseeing the development and execution of the Group Enterprise Risk Management framework.

He started his career as Actuarial Analyst at Botswana Life Insurance Company where he contributed in Product Development, and was responsible for Investment Analysis, Actuarial Valuations and Pricing of the Annuity Portfolio as well as Reinsurance Treaties. Mr Molebatsi holds an MSc and BSc 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).

BONIFACE G. MPHETLHE
Appointed 01 February 2020

Mr Mphetlhe is Deputy Secretary for Development Programmes in the Ministry of Finance and Economic Development. He has worked as an Economist in the Ministry of Finance and Development Planning for more than 10 years in Development Programmes Section and the Macroeconomics Section. He worked in various positions in the Development Programmes Sections up to the level of Chief Economist in 2006 after which he was appointed Director for Macroeconomics Policy, where he was responsible for economic policy coordination, including the preparation of the National Development Plan. Mr Mphetlhe has previously served as Deputy Permanent Secretary in the Ministry of Trade and Industry responsible for industrial development, and investment attraction and promotion. He served on the Local Enterprise Authority Board, Botswana Innovation Hub Board and the Competition Commission as well as the Botswana National Productivity Board. He currently serves on the Board of Botswana Qualification Authority and is the Chairperson of the Botswana Country Coordinating Mechanism.

Mr Mphetlhe earned a Master of International Affairs (Program in Economic Policy Management) at Columbia University in the USA and B.A. Social Sciences (Economics & Accounting) at the University of Botswana.

ODUETSE TEBOGO
Appointed 01 May 2017

Ms. Oduetse 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 is a Managing Director and is also a Lecturer at Ba Isago University. Prior to venturing into self-employment, she worked at Barclays Bank Botswana as Head of Corporate Real Estate Solutions, a senior management position responsible for country's bank operational real estate which included all operational real estate assets. She was also in charge of facilities management, third party contracts and some colleagues' schemes. Prior to joining Barclays, Oduetse worked for Botswana Telecommunications Corporation Limited ("BTCL") as a Head of Shared Services. At BTCL, she was charged with acquisition, management and disposal of BTCL's real estate assets. She started her career at Botswana Housing Corporation as an Estates Officer in the Property Management Section, where she was eventually appointed area manager.

Oduetse holds a BA in Planning and Sociology from University of Botswana, an MSc in Real Estate from the University of Reading, UK. She also has Prince 2 Project Management. She is a member of both Botswana Institute of Development Professions, and Real Estate Institute of Botswana. She is very strong in all real estate management issues.

ONALENNA OTLAADISA
Appointed 01 February 2020

Onalenna has 11 years' post-qualification experience in corporate and commercial law.

During the formative years of her career, she honed her skills in dispute resolution and handled many leading cases in commercial law in Botswana, primarily serving corporate and institutional clients in the financial services sector, mining and aviation. Her current practice includes banking, finance, insolvency and restructuring, mergers and acquisitions and general corporate commercial work.

Her experience is augmented by her secondment to a leading bank in 2015 where she advised on banking and finance law. This is in addition, to exposure to the international corporate atmosphere obtained whilst on secondment in the corporate department of Slaughter and May (London office) in 2012, where she assisted in various corporate transactions.

Onalenna holds a Master of Laws (LLM) in Commercial and Corporate Law from Queen Mary University of London (2019) obtained through the prestigious Chevening Scholarship, and a Bachelor of Laws (LLB) degree from the University of Botswana (2008).

She was admitted to practise as an attorney, notary, and conveyancer in 2008.

PAULINE MONARE
Appointed April 2020

She is the Chief Operating Officer at Business Towers Consult (Pty) Ltd. Highly experienced with a demonstrated history of working in the financial services industry. Skilled in Management, Leadership, Project Management, Customer Service, and Strategic Planning. Strong operations professional with a Bachelor of Arts (BA) focused in International Economics from University of Botswana and a Master's in Business Administration (MBA) - International Business from Maastricht School of Management, in the Netherlands. Ms Monare started her career at Botswana Development Corporation Limited (BDC) in 1991 where she worked for 12 years in Policy Interpretation and Implementation, Project Finance, Project Management and Monitoring. She served in several capacities and progressed up the ladder to the position of Principal Business Development Officer.

She was appointed Corporate Finance Advisor of African Alliance Botswana Limited in February 2003. In September 2003, Ms Monare was appointed an Investment Associate Officer at the first venture capital company established in Botswana, Venture Partners (Botswana). She was self-employed at Business Towers Consult (Pty) Ltd from 2004 until 2011 prior to joining the Ministry of Trade and Industry in the implementation of the Economic Diversification Drive (EDD) Strategy, at Director Level. She returned to Business Towers Consult (Pty) Ltd in March 2019.

BOARD OF DIRECTORS

INDEPENDENT BOARD COMMITTEE MEMBERS

When appropriate, the Board brings in independent professionals to assist the Board to better execute its duties and responsibility.

The current independent members are:

MICHAEL LESOLLE
Independent member, Board Finance Audit Committee.
Appointed February 2012

A certified Chartered Accountant, Mr. Lesolle is formerly the Executive Director of Botswana Accountancy College ("BAC") and 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.

He has contributed extensively in the accountancy profession both locally at the Botswana Institute of Accountants (BIA, now BICA) where for many years he was Member of Council, and ultimately as President of the Institute. He is Non-Executive Director for several Boards including the BDC Audit Committee, Chairman of VPB, former Member of University of Botswana Council and others.

Mr. Lesolle has an ACCA qualification and is also a Member of the Botswana Institute of Chartered Accountants.

MOSIMOLODI BIGGIE LEFHOKO
Independent member, Board Tender Committee
Appointed 30 July 2015

Mr. Lefhoko is a Project Manager/ Quantity Surveyor. With over 20 years' experience, Mr Lefhoko's career began as an Assistant Quantity Surveyor, the Department of Architecture and Building Services, before being appointed as Principal Quantity Surveyor, BHC; Divisional Manager and later Executive Director for Works, Public Procurement and Asset Disposal Board ("PPADB"); participating in the adjudication and award of works, supplies and services tenders.

While at PPADB, he acted as CEO and chaired all Board Meetings in the Position of Executive Chairman for two years prior to the appointment of the substantive Chairperson. Mr Lefhoko is also a Board Member at the Building Regulations Board in the Ministry of Infrastructure, Science & Technology, where he has been a member for the last 16 years. Mr Lefhoko holds an MSc in Construction Management (Project Management), and BSc. Building Economics & Quantity Surveying both from University of Heriot-watt, Edinburgh. He is a Professional Member of Royal Institution of Chartered Surveyors (MRICS), and a member of the Institute of Botswana Quantity Surveyors (MIBQS). He is also a Certified Public-Private Partnership Specialist (Certified PPP Specialist).

SEAN RASEBOTSA
Independent member, Risk and Investment Committee
Resigned 17 August 2020

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.

CORPORATE GOVERNANCE

GOVERNANCE FRAMEWORK

Sound corporate governance and sustainability are interlinked practices that are fundamental to the continuing operation of BDC. Sound corporate governance itself engenders high sustainability performance. It is in this regard, that BDC continues to commit considerable resources to ensure effective governance, fairness, accountability, transparency and responsiveness in its daily operation. The BDC Board, as the custodian of corporate governance, is dedicated to the implementation of effective structures, policies and practices that promote sound corporate governance and ensure that management practises are aligned with the interests and values of the shareholder and stakeholders. Shareholder rights, environmental and social factors play a pivotal role in any investment decision.

At a governance level, BDC is directed by a Board of directors appointed by the Minister of Investment Trade and Industry, as the representative of the Shareholder. Being the oversight body, the Board is accountable to the Shareholder for creating, protecting wealth and ensuring optimum utilization of the of the Corporation's resources and to further report the performance of the Corporation in a timely manner. Independence of the Board is a priority, with the Board consisting of nine non-Executive Directors and only one Executive Director. Each of the Directors have a fiduciary duty to ensure that the Corporation is governed in the best possible way, considering the values and interest of all stakeholders. The Board Chairperson has no executive function.

The Board comprises of diverse skills with expertise spanning over 20 years in credit risk, procurement, human resources, law, economics, finance, property, engineering, strategy development and private sector and business development.

The Board's mandate is enshrined in the Constitution, the Board Charter and Governance Policy. The Board ensures an effective system of internal control, effective compliance and risk management. These control functions ensure that the Corporation meets the standard and reporting obligations required of a self-regulated finance institution.

Good governance is enshrined in the Board Committees which have been established to deal with specific functions of the Board. It is in this regard, that independent professional experts have been appointed to sit on Board Committees to assist the Board to effectively execute its duties.

CORPORATE VALUES

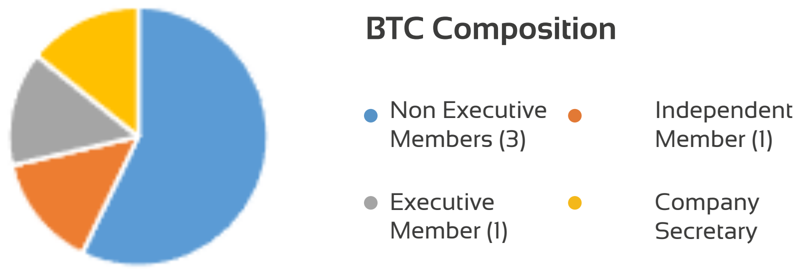
The Board ensures that in conducting its business and on interaction with stakeholders, there is conformance to the Corporation's Corporate Values in force from time to time, or as defined in the Corporation's Strategy document. Strong and sustainable corporate performance is achieved across all aspects, in line with the business model together and a governance framework, which includes a Governance Policy, Board Charter, Delegation of Authority Policy and a Shareholder's Compact complemented by a Conflict of Interest 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 engages with the Shareholder, to ensure that there is alignment between the Shareholder's national vision and the corporate strategy.

BOARD COMMITTEES

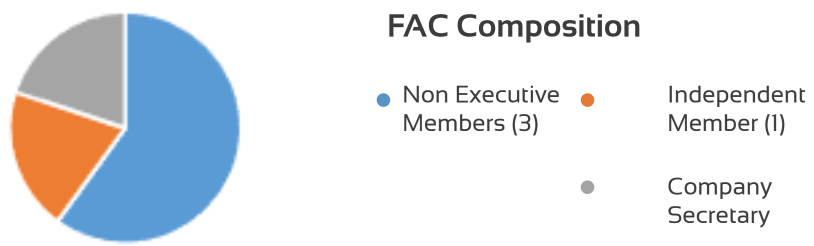
The Board established five standing committees to assist in exercising its authority. Authority has been delegated to the Board Committees for purposes of improving effectiveness and efficiency of decisions. The Board, however, retains accountability for the exercise of its delegated authority.

These Board Committees are:

Board Tender Committee (BTC)
The purpose of the Board Tender Committee is to assist the Board by assuming an oversight role, considering and making decisions on all the Corporation's tender matters including tender procedures and processes. The responsibilities of the Committee are to adjudicate on procurement of works, services, supplies and disposal of assets and to address matters relating to these procedures. The Committee further warrants that procurement plans developed by BDC are aligned to the budget and that they are consistent with organisational goals and objectives.



Board Finance and Audit Committee (FAC)
The purpose of the Board Finance and Audit Committee is to assist the Board in carrying out its duties with regard to financial reporting. It is responsible for establishing 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 by providing a special focus on these subjects in a Finance and Audit Committee of the Board; and to provide a means by which Directors can be informed of marginal and contentious points that have to be resolved in the preparation of the annual accounts and budgets.



Board Risk and Investment Committee (BRIC)
The purpose of the Board Risk and Investment Committee is to assist the Board by assuming an oversight role with regards to the investment strategy of the Corporation, and to make the relevant recommendations to the Board for approval. It is responsible for reviewing the Investment strategy of the Corporation; ensuring compliance with the Credit and Investment Policies and Investment Procedures in place; to review quarterly, the implementation and compliance of the Risk Management activities as contained in the ERM Framework; to review quarterly the Strategic Risk Register, the Performance of Investments at strategic level; to ensure Compliance with legislation, rules and regulations affecting the corporation's investment activities, and provide oversight; to review, consider and approve all investment and divestment proposals in line with the Corporation's approved Risk Appetite and Delegations; and to review, consider and recommend to the Board, all project investments and Divestments proposals above the Committee limit.

CORPORATE GOVERNANCE

BRIC Composition

Board Human Capital Committee (HCC)
The purpose of the Board Human Capital Committee is to assist the Board by assuming an oversight role on issues affecting the Corporation's human capital, including the welfare of staff, and ensuring adherence to the general conditions governing employees the Corporation. It is responsible for monitoring and advising on the human capital of BDC, as well as the welfare of staff, to ensure adherence to the general conditions governing employees the Corporation, in order to attain the Corporate's objectives.

HCC Composition

Credit and Investment Committee (CIC)
The Committee is made up of Senior 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. The Credit & Investment Committee approves transactions, in particular investments to be made, financing of projects and approval of divestments.

CIC Composition

DIRECTOR EVALUATION

In order to ascertain whether the Board achieves its mandate, there is need to evaluate its efficiency and effectiveness. This exercise cannot be overlooked as it ensures continuous improvement of sound corporate governance. 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

With the fast-changing governance landscape and the increased demand for Boards to provide leadership and to take accountability BDC undertakes training workshops for the Board on Corporate Governance. 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, 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 in mind that at BDC, information systems have been aligned with the long-term strategy of the Corporation, to ensure achievement of the latter. 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, from external threats.

THE BOARD'S RESPONSE TO THE COVID 19 PANDEMIC

The Covid-19 Pandemic ("Pandemic") brought about many challenges to different types of organisations throughout the world. With its oversight role, the Board undertook to safeguard the governance and viability of the Corporation. The Board's role was exercised by guiding and supporting Management in decisions around the fight for survival and ensuring the Corporation emerges from the Pandemic stronger and more resilient. It has been critical for the Board to exercise discipline, objectivity and good judgment. To this end, the Board ensured that the Corporation's response to the Pandemic is in line with the fundamental values and culture of the Corporation. More importantly, the Board ensured that their fiduciary duties owed by each of them to the Corporation were exercised in the best interest of the company.
But to name a few, Board and Committee meetings are and continue to be held virtually in observance of the Pandemic protocols as laid out by the Shareholder and as practised globally. A Crisis Management Team was established; which team holds monthly meetings. Rotational arrangements were introduced, arrangement is aligned with the government's position. A Pulse Check Survey was conducted which survey showed that all implemented initiatives were quite effective, and that overall productivity is good.

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√

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 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 Code:

CORPORATE GOVERNANCE

	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
◻	The Board should consider business rescue proceedings when appropriate
✓	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

	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
◻	Equitable treatment of shareholders
✓	Transparent and effective communication to stakeholders
✓	Disputes are resolved effectively and timeously
	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

MANAGING DIRECTOR'S STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

"The disruptions and economic lessons that were highlighted by the pandemic have acted as a catalyst for creating unique opportunities that rewrite Botswana's development and transformational narrative."

Mr. Cross Kgosidiile
Managing Director

We have come to the end of yet another successful period and BDC has continued its trajectory. During the period under review, we transitioned from the end of a transformational period dubbed #DTB5 which delivered notable results, to 'Beyond 2019' which seeks to move Botswana from economic development to economic transformation. The new strategic direction will see Botswana integrated into the global economy and creating sustainable long-term wealth for Botswana.

Financial Performance

BDC Company
The Company's revenue amounted to P342 million against prior year P277 million. This 23% increase is growth driven by a higher interest income reflecting a positive shift in asset structure from equity-based assets to more debt-based assets over the period. The corporation pushed for higher cost efficiencies resulting in administrative expenses reducing by 9% whilst overall costs reduced to P46 million against the prior year P93 million supported by unrealised foreign exchange gains from an overall positive net dollar asset position held by the Company.

Finance costs grew by 44% to P100million which were a necessary cost in line with new funding that was taken on board to facilitate the pipeline conversion as well as facilitate the second regional transaction that was made into a Pan African focused real estate income group. Liquidity and capital ratios remain robust and supportive of the business drive to deliver on the strategic goals.

The Company's asset base stood at P4.5billion recording an overall 26% growth compared to prior year driven by a growth in investments assets which are primarily local and regional debt assets. The growth in debt assets also meant an 8% year-on-year growth on the Company's net worth to P2.3billion.

BDC Group
Group revenue closed the year at P536million, 25% higher than prior year P427million mainly driven by significant growth in interest income by the Company coupled with an increase in the commercial value of properties. Interest on loans was the main contributor to the overall positive performance aligned to overall strategic intent to have debt assets as the main source of income at company level. Group operating profit closed the year at P341million against prior year P175million, the 94% growth is attributable to efficiencies attained on the cost of services from one of the group subsidiaries. Despite the impact of COVID-19 the group remained resolute and maintained lower administrative expenditure amounting to P130million, 33% lower than prior year due to overall cost containment as well as the planned restructuring of some investment assets that resulted in the loss of control. The Group total assets showed a 6% year-on-year growth at P5.1billion mainly due to growth in the value of investment assets.

Delivering Value
BDC remained resilient despite the challenges brought about the Covid-19 pandemic, which surfaced in the second half of FY20. BDC employed its crisis management plan to ensure that the business and its investee companies can withstand the shock and turbulence, that came as a result of the pandemic. The Corporation availed contingency funds which were geared towards helping affected companies in the form of equity injections and loans to maintain operations of the affected investee companies and to ensure that jobs are preserved and that the businesses are also sustained. The Corporation has also made provision for the restructuring of loans by the affected businesses through interest holidays.

The Corporation disbursed P706 million into projects during the year that ended June 2020. Although not having achieved its target of P1 billion, this was significant progress made, given the change in the economic climate which was materially impacted by the Covid-19 pandemic and its implications.

The pinch of the Covid-19 has been felt across the different sectors that BDC is invested in, however despite the challenges, we remain confident that we will maintain profitability, that will be driven by our new corporate strategy. The disruptions and economic lessons that were highlighted by the pandemic have acted as a catalyst for creating unique opportunities that rewrite Botswana's development and transformational narrative.

Conclusion
We remain confident in the Corporation's ability to stay on a positive trajectory as we celebrate our golden jubilee and look forward to making a significant impact in the next 50 years. We look at our trailblazing journey and believe that we are geared to withstand any shocks in the future, as we have in our 50-year journey.

We are proud of the achievements made in the past year that have contributed to the growth and diversity of the manufacturing, healthcare, agri-business, services and property sectors. The initiatives undertaken under the investments in these sectors will allow for the creation of more jobs for Batswana, contribute towards the development of an export-led economy and leverage global networks for local development and diversification in line with BDC's mandate as government's main investment arm.

We are more than committed to offering consistent growth and to generating wealth for the Shareholder, that will further instil confidence in the Corporation and its ability to deliver in its mandate. This will be driven by the Corporate Values that form the DNA of our resilient team. We emphasise the value of the relationships we have with our different stakeholders and are conscious of the role they play in our success; therefore, we will continue to forge these relationships forward.

Mr. Cross Kgosidiile
Managing Director

EXECUTIVE MANAGEMENT

MR. CROSS KGOSIDIILE
Managing Director

MR. MOATLHODI LEKAUKAU
Chief Investment Officer

MS. BENEDICTA ABOSI
Chief Financial Officer

MR. BOITUMELO BANABOTLHE
Chief Audit Executive

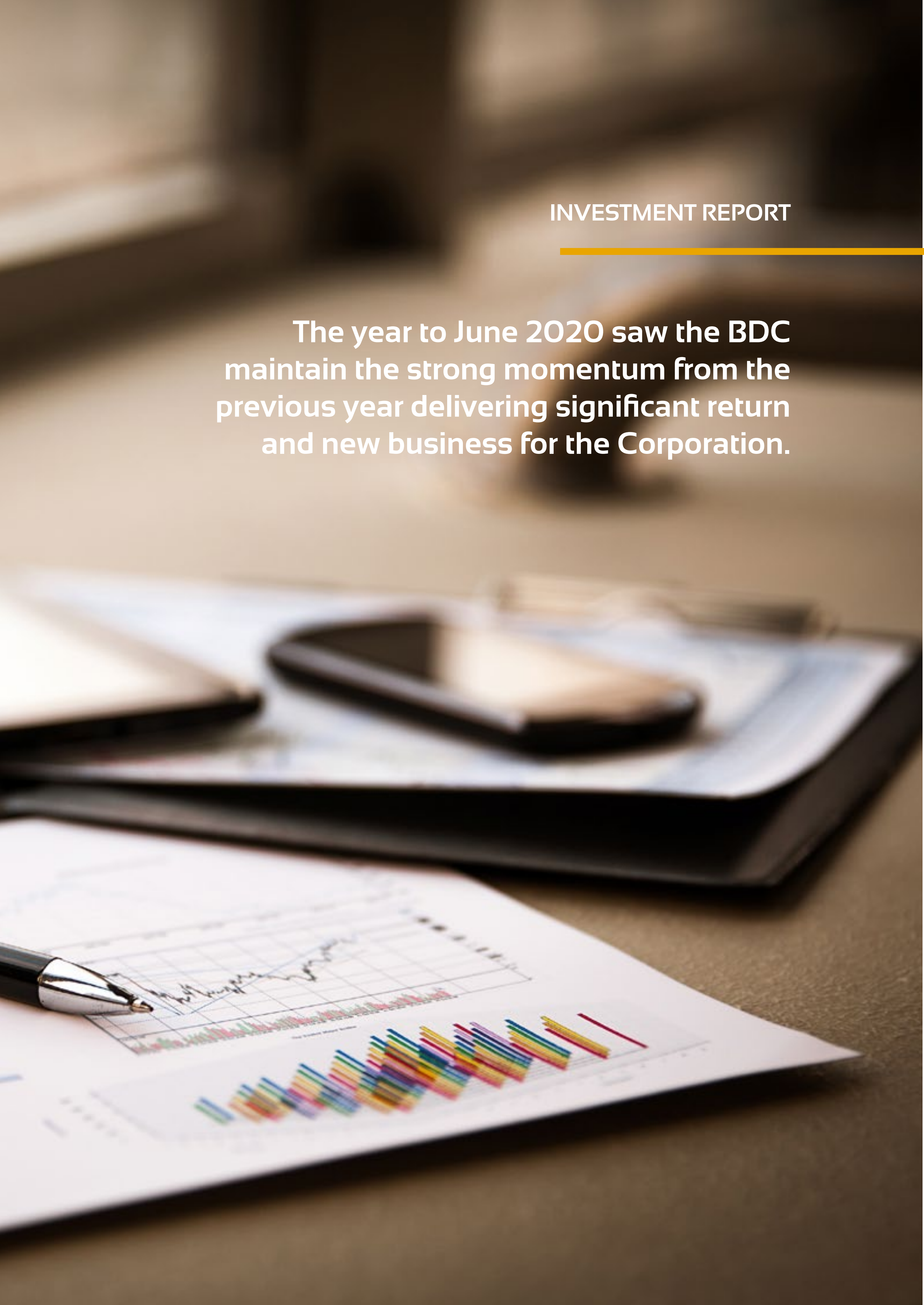
MS. BOITSHWARELO LEBANG
Head - Corporate Affairs & Strategy

MS. THABILE MOIPOLAI
Head - Human Capital

MR. BOTSHELO MOKOTEDI
Head - Risk

MR. GILBERT OFETOTSE
Head - Legal & Board Secretariat

INTERGRATED REPORT



INVESTMENT REPORT

The year to June 2020 saw the BDC maintain the strong momentum from the previous year delivering significant return and new business for the Corporation.

The Corporation had committed to at least BWP 1 billion in new investments and disbursements for the financial year ending 30th June 2020. BDC, albeit not meeting the disbursement target, made significant progress towards achieving it for the year with BWP 706 million achieved as at the end of the period, against a record BWP 753 million achieved in the previous year. The BWP 706 million represents one of the highest disbursements achieved in the Corporation's history.

The BWP1 billion target was materially impacted by the Covid-19 pandemic leading to delayed pipeline conversion in the second half of the financial year with disbursements slowing down significantly. The Corporation and its various portfolio companies experienced significant interruptions as a result of the pandemic with some companies and industries impacted more than others. The implementation of the required public health protocols to control the pandemic led to the country entering a State of Public Emergency (SOPE) which included movement restrictions, closure of businesses as well as borders during the period. These necessary measures along with the broader global community also experiencing significant impact due to the Covid-19 pandemic continue to impact the Corporation and its portfolio companies. The impact is anticipated to decline the next few quarters, assuming the pandemic continues to be managed well, as has been the case.

The performance of the Corporation remained positive during the period despite the significant headwinds being faced across the business and portfolio. The period has seen BDC give increasing priority to portfolio Management as we engage with, and seek to assist our investee companies navigate the impact of the Covid-19 pandemic and its impact on the economy and industries. Whilst most businesses were forced to close down or significantly curtail operations for the month of April and May those that were operating were doing so at reduced capacity due to the lockdown and SOE regulations. The months of May and June saw most businesses recommence operations, albeit at curtailed capacity. The sectors in our portfolio most impacted by the pandemic and related shutdowns are the services sectors, primarily hospitality and education sectors, as well as the manufacturing and mining sectors which closed during the period.

The Corporation's dividend income over the period was consequently impacted by the pandemic with several companies forced to delay dividend declarations in a bid to preserve cash for operational needs. For the period to June 2020, the portfolio generated dividends of BWP 72.4 million against a target of BWP 89.9 million, and a prior-year dividend of BWP 134 million. Despite the headwinds, the dividend income, however, remained well-diversified with contributions received from across the portfolio.

YTD Dividend Income

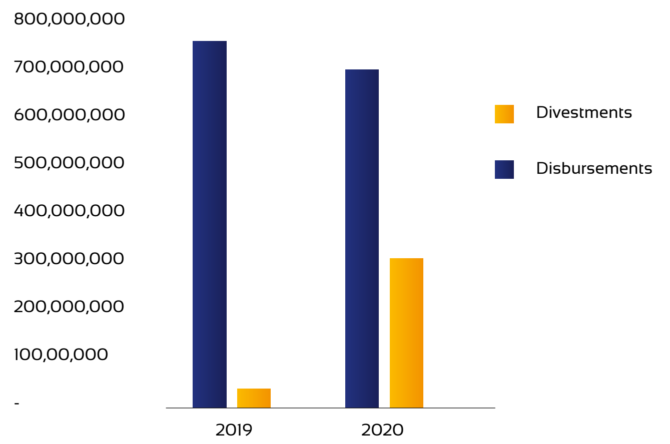
The Corporation's divestment drive continued over the period and remains key in the Corporation's strategy and investment process. The Corporation intends to continue reviewing its portfolio to identify divestment opportunities within the portfolio where investments have reached their life cycle within the Corporation in order to raise much-needed liquidity for new investment opportunities. During the period the Corporation was able to conclude an exit from Investec Asset Management, a partial exit from Sechaba and Letlole La Rona as well as a sell-down of industrial properties in our property portfolio.

During the year to June 2020, the BDC portfolio continued its growth trajectory growing by an impressive 15%, closing the financial year at a record BWP 3.79 billion, against prior year balance of BWP 3.36 billion.

INVESTMENT REPORT CONT.

The noteworthy growth experienced over the period is primarily due to new investments undertaken over the period as well as continued implementation of existing transactions in the portfolio.

BDC Investments Activity



New Business Update

During the financial year, the Corporation disbursed P706 million towards new investments, comparing well with the prior year achievement. As at the end of June 2020 the Corporation had approximately P282 million approved and committed to being disbursed in FY21. Of the funding disbursed, P149 million was disbursed to fund BDC's second regional transaction, whilst a further P120 million was reserved for further investment into a regional transaction.

Services Sector

- An investment of P239 million was disbursed towards one of Southern Africa's leading manufacturing, supply and distribution companies based in Botswana. The company's product range consists of fast-moving consumer goods, pharmaceuticals, liquor, building materials and equipment.

Mining Services

- The Corporation made a follow-on investment of P80 million towards a coal mining and trading company incorporated in Botswana and listed on the Botswana Stock Exchange.

Property

- An Investment of approximately P149 million was made into a Pan African focused real estate income group listed in the Stock Exchange of Mauritius ("SEM"), Johannesburg Stock Exchange ("JSE") and London Stock Exchange ("LSE"). The Group is focused on real estate investment assets in preselected African countries (excluding South Africa) with assets underpinned predominantly by US Dollar and Euro denominated long-term leases with high-quality tenants, delivering strong sustainable long-term income.

Healthcare

- An investment of P49.5 million towards the establishment of an academic healthcare provider. The company is earmarked to offer a 74 bed multi-super specialty hospital in Tati Siding, Francistown.
- A final investment of P27 million was made towards the establishment of a leading international healthcare provider in Block 7 Gaborone bringing our total investment to P150 million. The 110 beds hospital is to provide multi-specialty tertiary healthcare services.

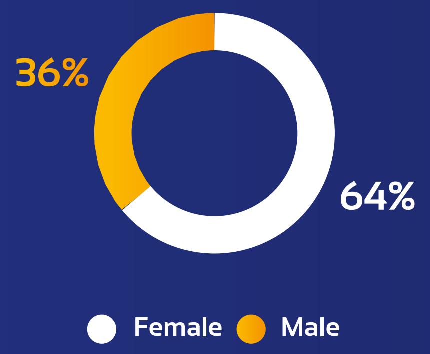
Existing Portfolio Companies

- The Corporation provided P162 million of follow-on capital towards existing portfolio companies to support their growth and working initiatives.

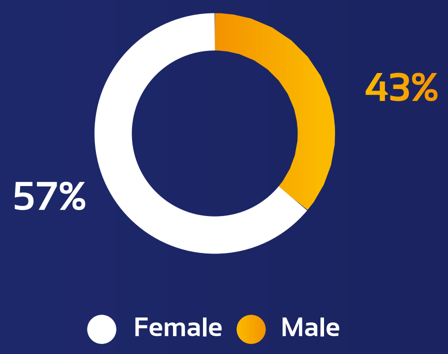
HUMAN CAPITAL REPORT

At the core of our business is our People, the key drivers of our success. We strive to build a high-performance culture, create a thrilling employee experience, promote a culture of excellence, increase employee satisfaction, and drive innovation through strong partnerships with our leaders.

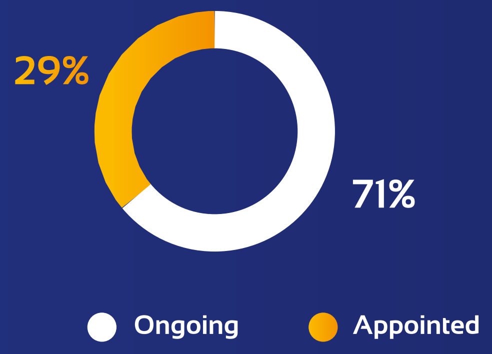
OUR TEAM



MANAGEMENT DIVERSITY



CURRENT GRADUATE



BDC has successfully appointed Trainees/Interns into substantive roles

20%

HUMAN CAPITAL REPORT CONT.

This ambition remains a priority in ensuring efficiency and business continuity as we navigate through a changing world, even as the business world was brought to a standstill by the pandemic restrictions and protocols that were implemented. The year and its challenges reaffirmed the resilience of our business offerings and our people.

As a Corporation, we were challenged to re-examine the relationship between Human Capital and technology as well as embracing the new ways of work in order to effectively deliver on our strategic objectives. The success of the strategy is underpinned by our ethos in working hard to create a safe and inclusive environment and creating opportunities for all to excel, accelerating a strong corporate culture through our positive aspirational unwritten ground rules, enhancing capacity within our team in order to ensure relevance and to strengthen the skills and competencies that employees need to thrive in a fast-changing world, building highly empowered teams by creating meaningful roles and platforms that enable real-time feedback conversations throughout the year, building self-sufficiency through our talent management framework which ensures assessment of our leaderships' ability to deliver value for the Corporation.

Our DNA

Following a deliberate effort to transform our corporate culture, as well as improving employee experience, the Corporation adopted 'Positive Aspirational Ground Rules'-UGRs model, which defines the desired behaviours and values that employees are expected to display across the Corporation. These UGRs have been deliberately adopted in order for employees to recognise the behaviours that influence the way we do things 'around here'. This unique corporate culture is attributed to leadership involvement in driving the people agenda, championing culture change initiatives as well as actively and visibly modelling the desired behaviours across. We celebrate diversity in all its forms as part of creating a vibrant and inclusive place to work, where everyone can bring their whole selves to work through our exciting culture change initiatives.

Developing for success

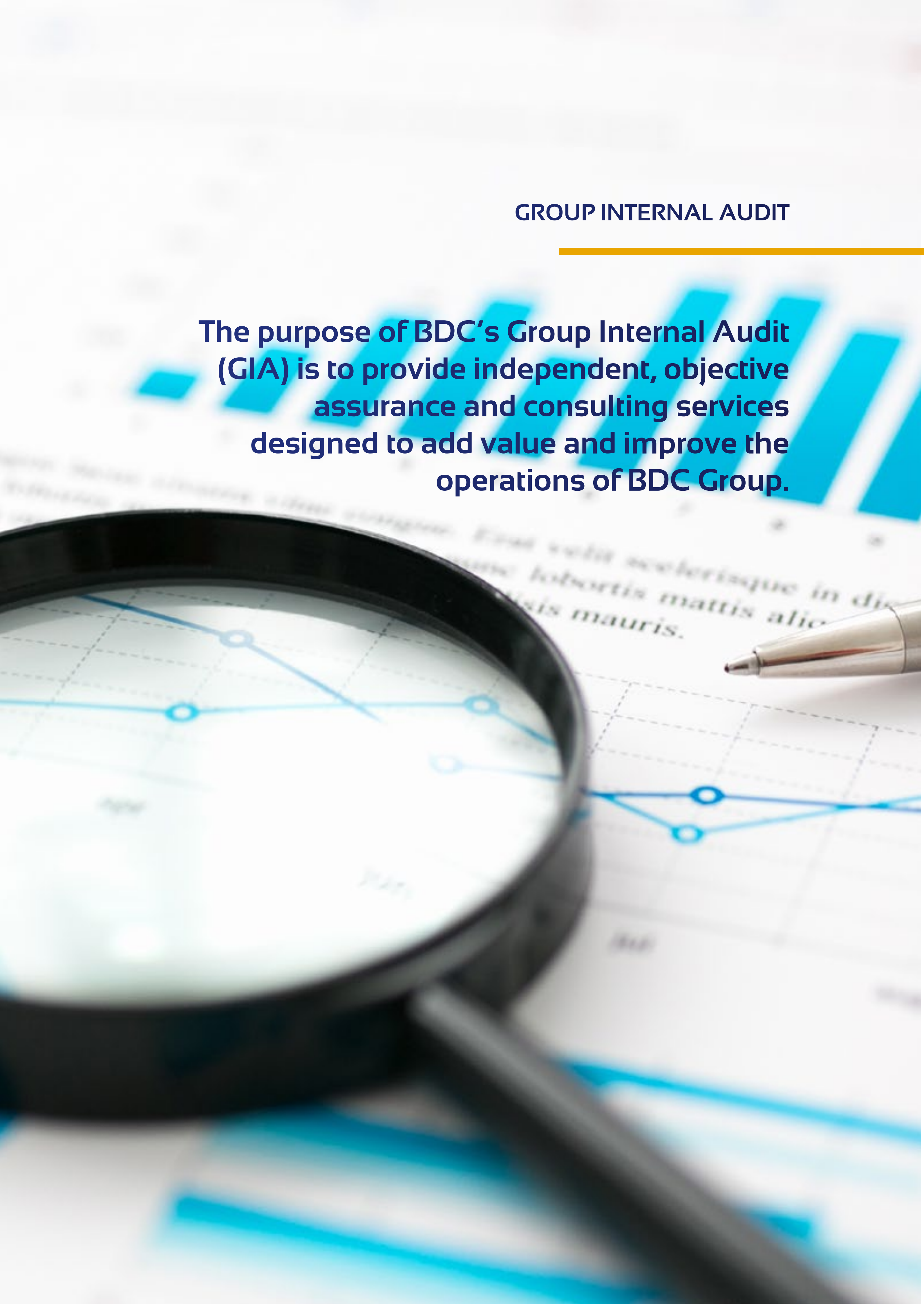
Capability building has remained a high strategic priority for the Corporation. This is necessitated by the changing cultural, technological and business landscape. As a result, we continue to evolve constantly and explore more innovative ways in building inhouse capability to ensure relevance and agility of our employees to succeed in a fast-changing world. We provide learning and development opportunities for all by encouraging a self-paced learning environment. As a way of building our talent pipeline, we also develop employees with breadth and depth of experience through secondment opportunities between functions and across our subsidiaries. This helps our employees to broaden their experience, enhance leadership skills that deliver quality and value, and make a meaningful impact to our key stakeholders.

Value Creation for success

We partner with the business to maintain effective and efficient teams which focus more on maximising career experience, providing meaningful roles to achieve both business and personal goals and encourage a growth mindset. This is evidenced by the inculcation of the Talent Management discussions and Individual development plans into the performance process, which provides real-time feedback periodically. Through our health and wellness programs, we provide a safe and healthy environment to ensure maximum value creation, and as Covid 19 has reshaped the way we live, and work, we continue to effectively navigate our team through the pandemic.

Looking through a lens into the future, Human Capital continues to ensure, through leadership involvement, that as the world of work morphs, we remain vigilant, constantly visualising the future trends and adjusting swiftly without delay in order to ensure that we as a corporation and our employees remain relevant. The Covid-19 pandemic has also provided a moment of clarity for work and Talent Management by highlighting the need for an emphasis on key competencies to support the business. Therefore Human Capital is challenged to better understand that their role is not just about catering to the needs of the employees but rather catering to their needs in a way that ensures business coninutity. As such, there is a need to develop better ways of assessing job effectiveness, and ensuring each employee is meaningfully engaged. In order to achieve this and create value for the Corporation, we recognise the desire to integrate work-life balance for our employees and continue to ensure that they feel valued, rewarded, and are able to maintain balance in their lives.

GROUP INTERNAL AUDIT



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.

Governing and managing Internal Audit

The Internal Audit department provides, independent and objective assurance to the Board that the governance processes, management of risk and internal control systems are adequate and effective in mitigating the most significant risks that threaten the achievement of the Corporation's objectives.

Internal Audit is part of the Corporation's Enterprise Risk Management Framework as the third line of defense. The purpose, authority and responsibilities of the department are set out formally in a charter approved by the Board.

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:

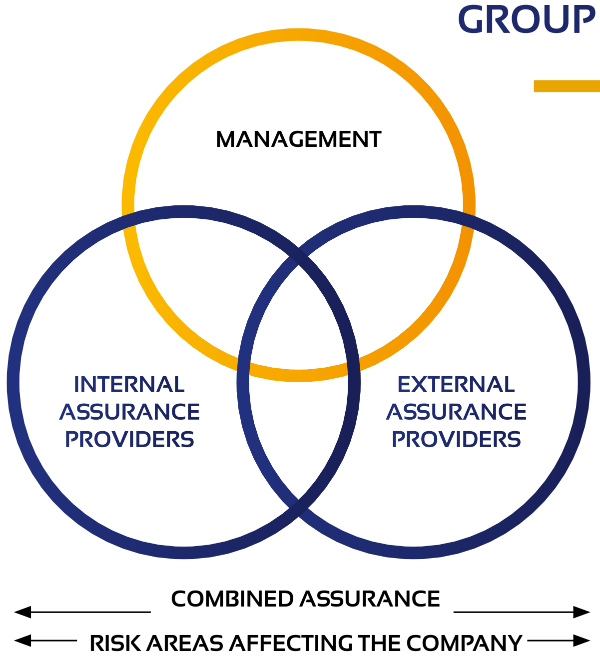
- Approves the internal audit department's charter;
- Approves the risk-based internal audit plan;
- Approves the internal audit budget and resource plan;
- Receive communications from the Chief Audit Executive on the internal audit department's performance relative to its plan and other matters;
- Approves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

Quality Assessment Improvement Program

An independent quality assurance review of the Internal Audit Department was conducted during the period under review as required by the Institute of Internal Auditors. The Department received a "a fully conforms" rating, which is the highest available rating.

The assessment was conducted as part of the Department's quality assurance improvement program and covered all aspects of the internal audit activity. It included evaluation of the internal audit department's conformance with the standards and an evaluation of whether internal auditors apply the IIA's Code of Ethics. The program which was conducted by Deloitte also assessed the efficiency and effectiveness of the internal audit department and identified opportunities for improvement.

Combined assurance overview



BDC's combined assurance model aims to optimise the assurance coverage obtained from management, internal assurance providers and external assurance providers on the risk areas affecting the Corporation. Within BDC there are a number of assurance providers that either directly or indirectly provide the Board and management with certain assurances over the effectiveness of those controls that mitigate the risks as identified during the risk assessment process described in the operating environment. Collectively the activities of these assurance providers are referred to as the combined assurance model.

The nature and significance of risks vary and will require assurance providers with the necessary expertise and experience to provide assurance that risks are adequately mitigated. Assurance providers include external audit, internal audit, regulators, etc.

Below are the Corporation's role players in an assurance framework with each providing a different level and degree of assurance. Collectively they work together to obtain the optimum level of assurance needed.

BDC Assurance Providers			
Objective Co-ordinated approach to Corporation assurance activities.			
Assurance providers are increasingly engaged and meet more frequently.	LEVEL	Role	Assurance providers are increasingly independent.
	1. Management-based assurance	Management oversight including strategy implementation, performance measurements, control self-assessments and continual monitoring mechanisms and systems.	
	2. Governance functions (e.g. Risk, IT and Legal)	Risk management (adopting an effective enterprise risk management framework), legal, compliance, health and safety, and quality assurance are the leaders in this level. They are responsible for maintaining policies, minimum standards, oversight and risk management performance and reporting.	
	3. Independent assurance	Independent and objective assurance of the overall adequacy and effectiveness of risk management, governance and internal control within the Corporation. This is predominantly the role of internal audit, external audit and other credible assurance providers.	
	4. Oversight committees and Board	Properly mandated committees and the Board have an overall oversight role.	

GROUP INTERNAL AUDIT

Tip-Off Anonymous

The Corporation is committed to the highest standards of ethical, moral and legal business conduct. Ethical business behavior is the responsibility of every person in the Corporation and is reflected not only in the management of relationships with each other but also with stakeholders. The Corporation's Ethics Policy and related Policies are a key component of its commitment to high standards of business and personal ethics in the conduct of its business. In line with this commitment, we expect employees and members of the public who may be aware of any unethical conduct of BDC group companies and employees of the Corporation to come forward and communicate these concerns through the appropriate channels provided by the Corporation, without any concerns or fear of victimization. It is recognized that wherever practical, and subject to any legal constraints, matters reported will proceed on a confidential basis.

The Corporation's Ethics Line is a supplementary reporting mechanism through which to raise concerns, if for any reason an employee is uncomfortable with using the normal business channels or unsatisfied with the response from the normal business channels. The system is available for use by all employees, contractors and stakeholders.

Commitment to whistleblower protection

The Corporation subscribes to the principle of both encouraging and protecting whistleblowers and accordingly will:

- Ensure protection of employees who submit a disclosure in good faith and use the appropriate reporting channels provided by the Corporation;
- Strive to create a culture which will facilitate the disclosure of information by employees relating to criminal and other unethical or irregular conduct in the workplace in a responsible manner by providing clear guidelines for the disclosure of such information and protection against reprisals as a result of such disclosure;
- Promote zero tolerance to any criminal and other unethical or irregular conduct within the Corporation.

50years of Building Botswana

SUSTAINABILITY REPORT

BDC aims to promote and facilitate economic development for Botswana while respecting the environment. Conducting business sustainably is key for the Corporation in creating and protecting value in the long term, building meaningful partnerships and attracting customers as well as the best suppliers, investors, and employees.

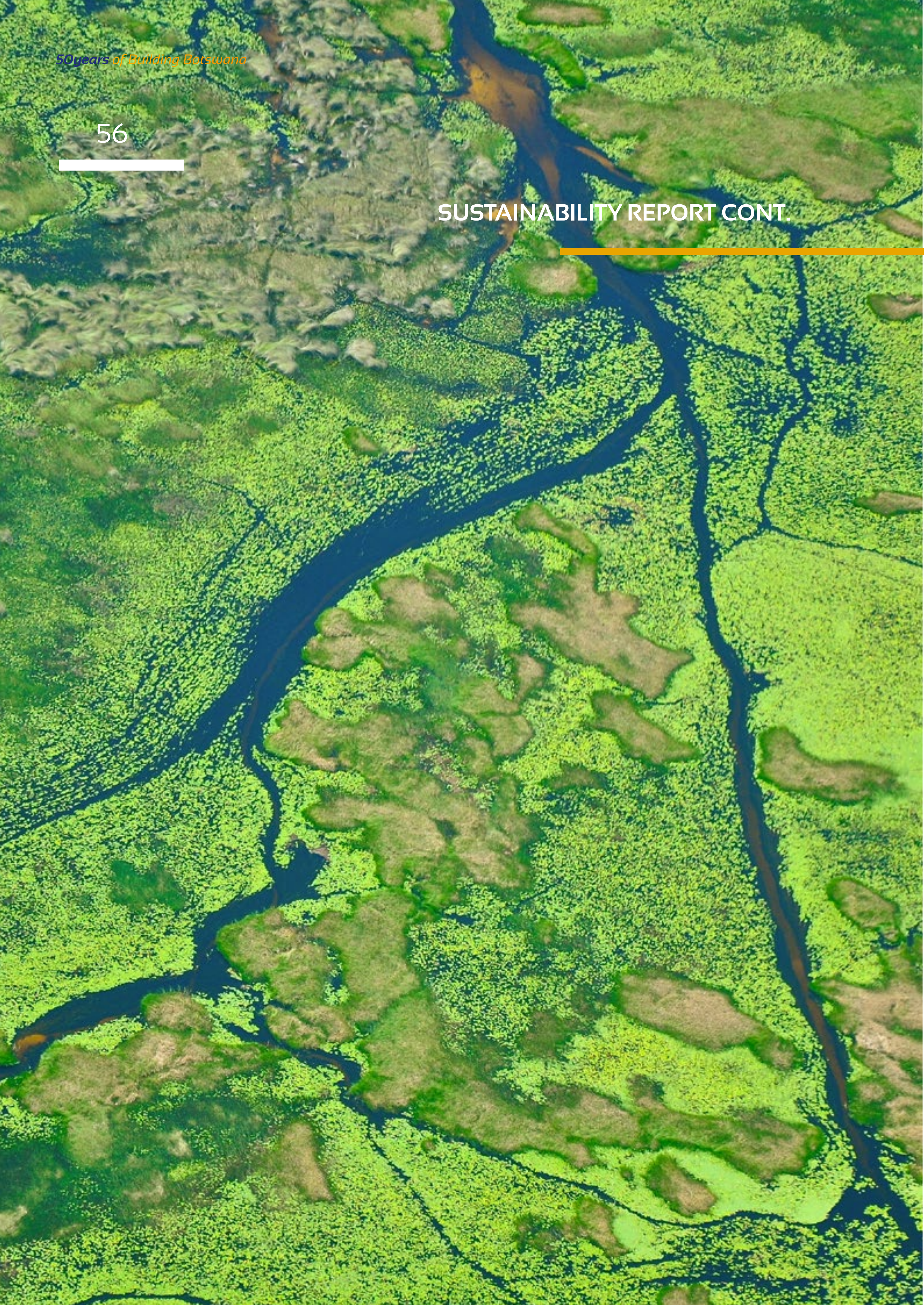
Full Compliance with Applicable Laws and Standards in Force

Systematic Risk and Impact Assessment

Health and Safety

Responsiveness to Climate Change

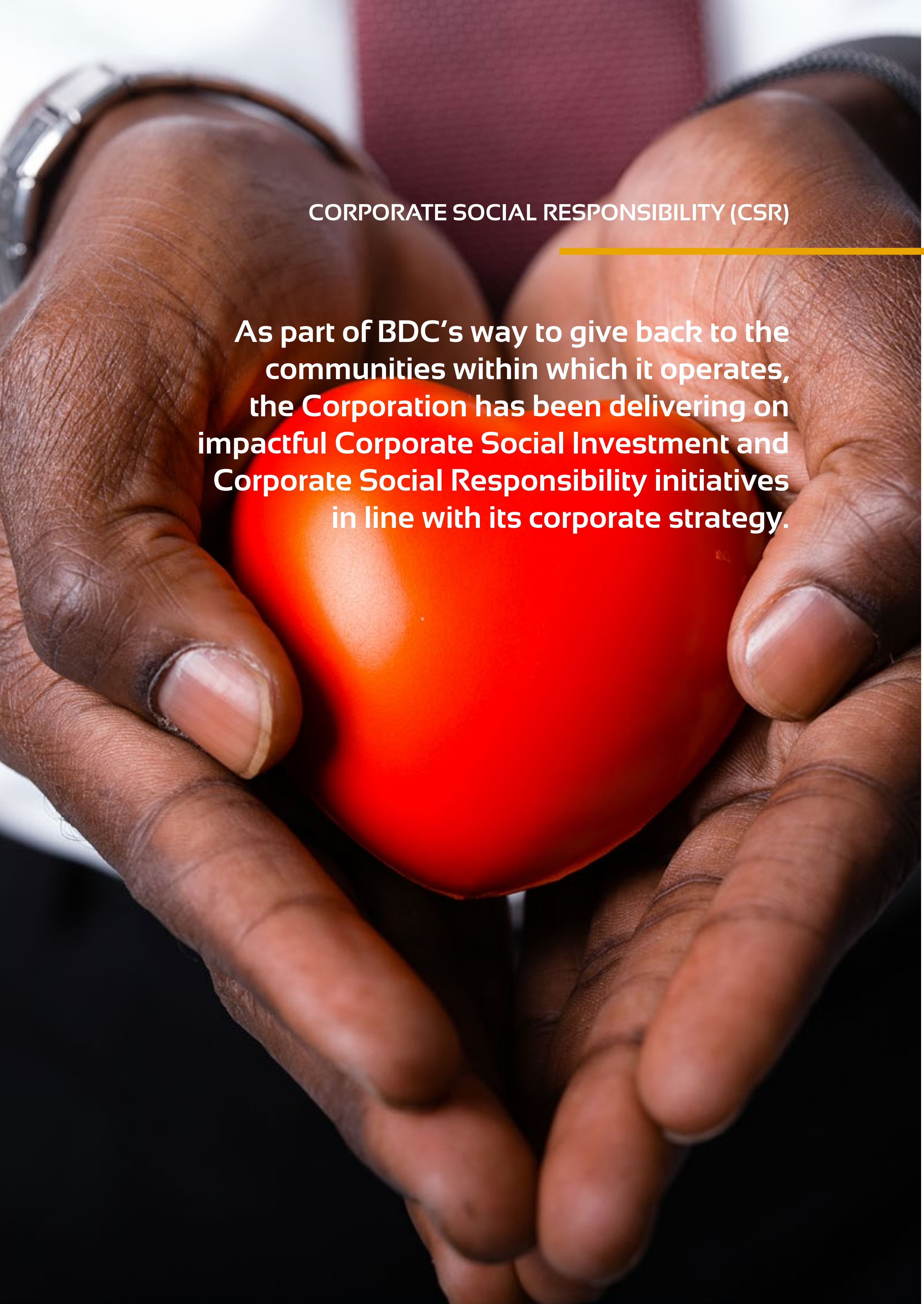
Gender Equality and Youth Empowerment



SUSTAINABILITY REPORT CONT.

Focus Area	Commitments	Targets 2024	Sustainable Development Goals (SDGs) Supported
Full Compliance with Applicable Laws and Standards in Force	•BDC shall only fund investments and projects which are capable of demonstrating that applicable environmental laws, labour laws and as well as any other enforceable regulations issued by competent authorities in the Republic of Botswana will be complied without exception. •In compliance with these legislations and standards, BDC and its clients shall meaningfully engage with its stakeholders through transparent consultative processes to address matters affecting their wellbeing as a result of BDC activities.	Promote awareness of ethical values and principles increase the number of stakeholder perception surveys covering sustainability elements to >4 per year by 2024	SDG 8 – Decent work and economic growth SDG 16 – Peace, justice, and stronginstitutions
Systematic Risk and Impact Assessment	•BDC is committed to full and consistent compliance with its Environmental and Social Management System to ensure that environment and social risks are assessed and evaluated throughout project life cycles. •Screening for environmental and social impacts for appropriate categorisation is an integral part of credit assessment process and credit approval shall not be given where environmental and social risks cannot be avoided or minimised to manageable levels.	Achieve zero environmental and social risk related incidents.	SDG 8 – Decent work and economic growth
Health and Safety	•At the very minimum, BDC and its clients shall adhere to the generally accepted occupational health and safety standards (as stipulated in Botswana Labour Laws) and the International Labour Organisation core labour standards.	Achieve zero work-related fatalities. Achieve zero injury rate	SDG 3 – Good health and well-being SDG 6 – Clean water and sanitation SDG 8 – Decent work and economic growth
Gender Equality and Youth Empowerment	•In line with Government's stated goals, BDC shall actively but responsibly invest in projects that advance the promotion of gender equality and youth economic empowerment.	Maintain a 50% share of women and men at Management level by 2024. Invest in 8 youth owned projects by 2024.	SDG 5 – Gender equality SDG 10 – Reduced inequalities
Responsiveness to Climate Change	•The assessment of the susceptibility to climate change shall form an integral part of BDC's environmental and social assessment process. •Clients will be encouraged to develop projects and initiatives that mitigate against the impacts of climate change with a proper costing mechanism for such projects and initiatives. •A Climate Screening process which entails a pro-active climate risk Management approach enforces the incorporation of climate adaptation measurers into the design of investment projects as may be applicable. Climate Change Screening is performed by Business Development Executives assigned to individual projects, using the 'BDC Climate Screening Guidelines and Tools'.	Achieve zero routine blazing and emission of associated gas by 2024	SDG 7 – Affordable and clean energy SDG 13 – Climate action

CORPORATE SOCIAL RESPONSIBILITY (CSR)



BDC's CSR program is focused on initiatives that promote and support entrepreneurship, support inclusion of people living with disabilities and; promote and expose local talent through music and arts. 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 organisations. In the year under review, BDC has undertaken CSR initiatives worth almost P3 000 000.00. The main objectives of our CSR initiatives is to: Build Sustainable Community Relationships and Investments; and to contribute towards citizen development and empowerment.

- 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 on a more short term basis and is primarily driven towards 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, 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 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.
    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 INITIATIVES SUPPORTED IN 2019-2020.

BDC supports solar lighting power project in Gakuto.

BDC partners with Africa Youth Entrepreneurs Summit

Cresta joins fight against covid-19 by offering its hotels as quarantine sites.

KBL donates sanitizers worth P1.5 million to the Ministry of Health and Wellness.

BDC donates 400 masks to Pilane Primary school.

BDC in partnership with Fairscape tenants donate food hampers and toiletries to Happy Hearts Organisation.

Coca Cola donates a truck full of products valued at P316 000.00 and P200 000.00 cash to the Ministry of Health and Wellness.

LLR donates P1 million to covid-19 relief fund

BDC's Response to COVID-19 Pandemic

The world is in a precarious situation where regional and global economies have been negatively impacted by the unpredictable nature of the COVID-19 pandemic. Botswana has not been spared from the pandemic and the Corporation has made continuous efforts in seeking ways of responding to the pandemic. As we celebrate our golden jubilee and look forward to many more years to come, we are determined to do everything we can to play our part in overcoming COVID-19 and its effects.

Sustaining the economy

BDC has investments in over 30 industry and sector leading companies, some of which operate in the most affected sectors including tourism and hospitality, manufacturing and services. To ensure that jobs are preserved, and businesses are sustained, BDC made available P50million in contingency funds in the form of equity injections and loans to maintain operations of the affected companies. Furthermore, the Corporation made provision for restructuring of loans by the affected businesses through interest holidays and restructuring of loans.

P2 million cash contributions towards COVID-19 Pandemic Relief Fund

A COVID-19 relief fund was set up by the Government of Botswana to alleviate the impact of the pandemic. BDC therefore committed P2 million to aid the government's efforts. The amount was made up of a P1.7 million donation by the Corporation and a P300 000.00 contribution from the employees.

P400 000.00 towards supporting the vulnerable

Working in partnership with a distribution company, Kamoso Africa, which is a BDC investee company, the Corporation identified opportunities to support the most vulnerable members of society in Botswana. There has been an increase in the number of people who need social welfare, as bread winners found it more difficult to provide for their families. BDC and Kamoso Africa provided aid in the form of food hampers to ensure that our people continue to live dignified lives. A total of P400 000.00 has been committed towards this effort.

BDC Group and Investee Companies Contribution

Since the early days of the COVID-19 outbreak, our Group and investee companies have made unprecedented moves to assist in the fight. These efforts were through cash and in-kind donations to the Government relief efforts. We are honoured to be part of this greater effort in the fight against the pandemic.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

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	N Bogatsu (Chairman) C Kgosidiile (Managing) B Mphetlhe R Chilisa T Molebatsi A Ralebala O Tebogo S Moncho O Otlaadisa
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 Limited of Botswana Limited Standard Chartered Bank Botswana Limited
AUDITOR	KPMG
GROUP COMPANY SECRETARY	G Ofetotse

DIRECTORS' RESPONSIBILITIES 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 2020 and the statements 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 2020 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 67.

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 80 to 165 which have been prepared on the going concern basis, were approved by the Board on 16 December 2020 by:

N Bogatsu
Director

C Kgosidiile
Director

DIRECTOR'S 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, 2020.

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

   The consolidated and separate 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.

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

2. **Stated capital**

   The total number of ordinary shares issued and fully paid is 541,769,462 (2019: 541,769,462).

3. **Directorate**

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

DIRECTORS	OFFICE	DESIGNATION	NATIONALITY	CHANGES
N Bogatsu	Chairperson	Non-executive	Motswana	
C Kgosidiile	Managing Director	Executive	Motswana	Appointed 01 April 2020
B Mphetlhe	Other	Non-executive	Motswana	Appointed 1 February, 2020
R Chilisa	Other	Non-executive	Motswana	
T Molebatsi	Other	Non-executive	Motswana	
A Ralebala	Other	Non-executive	Motswana	Appointed 1 February, 2020
O Tebogo	Other	Non-executive	Motswana	
B Marole	Other	Non-executive	Motswana	Resigned 31 January 2020
S M Sekwakwa	Other	Non-executive	Motswana	Resigned 31 January, 2020
P Serame	Other	Non-executive	Motswana	Resigned 5 November, 2019
O Otlaadisa	Other	Non-executive	Motswana	Appointed 1 February 2020
M Lekaukau	Acting - Managing Director	Executive	Motswana	Resigned 31 March, 2020

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 P171 900 and directors emoluments of P3 291 861 (2019:Fees P125 100, Emoluments P2 804 982) for the year to 30 June 2020 be ratified.

6. **Dividends declaration**

   No dividends have been declared post reporting date due to the COVID-19 pandemic to allow for reinvestment opportunities for COVID-19 relief. This position would be evaluated in the next reporting period (2019: P20 million).

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 Auditor's Report

To the shareholder of Botswana Development Corporation Limited

Opinion

We have audited the consolidated and separate financial statements of Botswana Development Corporation Limited (the group and company) set out on pages 80 to 165, which comprise the statements of financial position as at 30 June 2020, and 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 notes to the financial statements.

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 as at 30 June 2020, 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' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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.

1) 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.	
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 P1.129 billion as at 30 June 2020. This accounts for 26.8% 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 respective property, taking into account the	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

1) 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.	
Key audit matter	**How the matter was addressed in our audit**
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.	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: (i) 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

1) 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.	
Key audit matter	**How the matter was addressed in our audit**
	addition, we considered whether the historical data was an appropriate indication for future inputs in line with current market conditions. (a) We traced the fair 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 ensuring that the movement in the property fair values are appropriately recognised. • 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.

2) Impairment of investments in subsidiaries and equity accounted investees This key audit matter is applicable to the 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.	
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 P1.448 billion at the reporting date. This constitutes 38.6% of the company's total non-current assets. The accumulated impairment balance on investments in subsidiaries and equity accounted investees amounted to P173 million. Investment in subsidiaries and equity accounted investees are measured at cost less accumulated impairment losses. The company assesses its investment in subsidiaries and equity accounted investees whenever circumstances may indicate the presence of impairment indicators by amongst other factors comparing the carrying value to the respective net asset values of the investees.	Our audit procedures performed included the following: (a) 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 assessment performed by management.

2) Impairment of investments in subsidiaries and equity accounted investees

This key audit matter is applicable to the 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.

Key audit matter	**How the matter was addressed in our audit**
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).	• We 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. (a) 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.

2) Impairment of investments in subsidiaries and equity accounted investees

This key audit matter is applicable to the 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.

Key audit matter	**How the matter was addressed in our audit**
Given the significance of the 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.	

3) Impairment 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 1.10. 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 note 13 relating to financial assets measured at amortised cost.

Key audit matter	**How the matter was addressed in our audit**
The financial assets measured at	Our audit procedures performed

3) Impairment 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 1.10. 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 note 13 relating to financial assets measured at amortised cost.

Key audit matter	How the matter was addressed in our audit
amortised cost are included under the other investments financial statements caption and amount to P1.388 billion and P1.443 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 expected credit loss which considers Exposure at Default, the Probability of Default, the Loss Given Default, the internally determined	included the following: (a) We evaluated the design and implementation of internal controls over the impairment provisioning of loans to ensure the appropriateness of key assumptions applied, the assessment by the risk department and the directors of the final measurement of expected credit losses applied to the loans. • 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 Financial

3) Impairment 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 1.10. 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 note 13 relating to financial assets measured at amortised cost.

Key audit matter	How the matter was addressed in our audit
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.	Instruments. 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. (i) Re-rating the obligors using approaches deemed appropriate to derive reasonable credit risk ratings for each obligor. (ii) Comparing the unsecured Loss Given

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3) Impairment 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 1.10. 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 note 13 relating to financial assets measured at amortised cost.	
Key audit matter	**How the matter was addressed in our audit**
	Default to global market practice. (iii) 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.

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 and will not express any form of assurance conclusion thereon.

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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 on the other information that we obtained prior to the date of this auditor's report, 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 consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's and 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 company or to cease operations, or have no realistic alternative but to do so.

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

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

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

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 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 and 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 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 fair presentation.

  Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated 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.

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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.

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Certified Auditors
Practicing member: AG Devlin 19960060
31 December 2020
Gaborone

50years of Building Botswana

(Registration number UIN BW00000608814)
Financial Statements for the year ended 30 June 2020

Statements of Profit or Loss and Other Comprehensive Income

Figures in Pula thousand	Note(s)	Group 2020	Group 2019 Restated *	Company 2020	Company 2019
Continuing operations					
Income from trade	2	230,497	151,397	225,916	215,554
Cost of sales		(34,622)	(43,332)	-	-
Gross profit		**195,875**	**108,065**	**225,916**	**215,554**
Rental income	7	96,579	167,620	-	-
Contractual Rental		92,091	157,100	-	-
- Straight line lease rental adjustment		4,488	10,520	-	-
		292,454	275,685	225,916	215,554
Finance Income	3	20,173	13,574	34,739	48,458
Other operating income	4	45,807	33,812	81,076	12,709
Fair value gain on investment properties	7	124,773	42,883	-	-
- As per valuation		120,285	53,404	-	-
- Straight line lease rental adjustment		(4,488)	(10,520)	-	-
Share of profits of equity accounted investees, net of tax	12	17,686	18,107	-	-
Marketing expenses		(5,204)	(6,218)	(3,657)	(4,168)
Occupancy expenses		(31,889)	(34,247)	-	-
Expected credit losses	43	(30,021)	(15,613)	(59,055)	93,021
Other operating expenses		(92,937)	(152,698)	(41,870)	(88,917)
Operating profit		**340,842**	**175,285**	**237,149**	**276,657**
Finance costs	3	(98,257)	(75,167)	(99,840)	(69,542)
Derecognition losses on financial assets at amortised cost		(91,244)	-	-	-
Change in fair value of equity instrument		-	-	93,787	-
Profit before taxation	5	**151,341**	**100,118**	**231,096**	**207,115**
Income tax expense	6	(15,283)	(21,484)	(8,552)	(8,382)
Profit from continuing operations		**136,058**	**78,634**	**222,544**	**198,733**
Loss for the year from discontinued operations, net of tax		-	(24,178)	-	-
Profit for the year		**136,058**	**54,456**	**222,544**	**198,733**
Other comprehensive income:					
Items that will not be subsequently reclassified to profit or loss					
Loss /(gain) on revaluation of land and buildings		1,506	(4,666)	-	-
Deferred taxation on revaluation loss /(gain)		883	1,822	-	-
(Losses) gains on valuation of investments in equity instruments		(38,971)	30,107	(38,971)	30,107
Share of other comprehensive income of equity accounted investees	12	28,145	(20)	-	-
Total items that will not be reclassified to profit or loss		**(8,437)**	**27,243**	**(38,971)**	**30,107**
Other comprehensive income for the year, net of taxation		**(8,437)**	**27,243**	**(38,971)**	**30,107**
Total comprehensive income for the year		**127,621**	**81,699**	**183,573**	**228,840**
Profit attributable to:					
Owners of the Company		131,237	33,310	222,544	198,733
Non-controlling interest		4,821	21,155	-	-
		136,058	**54,465**	**222,544**	**198,733**
Other comprehensive income attributable to:					
Owners of the Company		(8,437)	27,243	(38,971)	30,107
Non-controlling interest		(2,416)	-	-	-
		(10,583)	**27,243**	**(38,971)**	**30,107**

*** See Note 38**

Statements of Financial Position as at 30 June 2020

Figures in Pula thousand	Note(s)	Group 2020	Group 2019 Restated *	Group 2018 Restated *	Company 2020	Company 2019
Assets						
Non-Current Assets						
Investment property	7	1,128,772	1,883,410	2,024,301	-	-
Property, plant and equipment	8	419,994	420,383	392,893	2,064	4,451
Intangible assets	9	2,887	2,827	3,266	2,813	2,639
Right-of-use assets	10	-	2,523	-	124,388	136,938
Investments in subsidiaries	11	-	-	-	900,449	1,217,856
Equity accounted investees	12	722,322	240,759	211,589	547,950	48,247
Other investments	13	1,877,448	1,655,617	847,911	2,049,526	1,759,499
Due from group companies	14	-	-	-	121,567	136,107
Rental straight-line adjustment	7	9,172	60,907	65,496	-	-
Deferred taxation	28	27,124	6,140	10,789	-	-
		4,187,719	**4,272,566**	**3,556,245**	**3,748,757**	**3,305,737**
Current Assets						
Inventories	15	6,661	6,891	7,577	-	-
Trade and other receivables	16	92,560	86,459	75,046	121,277	112,370
Other investments	13	148,577	63,853	80,560	167,355	85,700
Other assets	17	4,706	3,154	11,368	-	-
Cash and cash equivalents	18	485,960	380,571	360,970	447,028	50,803
Current tax receivable		14,329	26,267	25,124	4,310	4,974
		752,793	567,195	560,645	739,970	253,847
Non-current assets classified as held for sale	37	187,284	11,750	42,250	-	-
Total Assets		**5,127,796**	**4,851,511**	**4,159,140**	**4,488,727**	**3,559,584**
Equity and Liabilities						
Equity						
Stated capital	19	888,269	888,269	888,269	888,269	888,269
Fair value reserve	20	318,835	477,137	447,030	318,835	477,137
Other reserves	21	465,499	437,381	450,530	134,775	135,169
Claims equalisation reserve	22	1,207	1,207	4,207	-	-
Retained earnings		1,014,685	784,117	771,330	910,361	588,092
Equity attributable to owners of the Company		**2,688,495**	**2,588,111**	**2,561,366**	**2,252,240**	**2,088,667**
Non-controlling interests	23	109,368	365,841	366,260	-	-
Total equity		**2,797,863**	**2,953,952**	**2,927,626**	**2,252,240**	**2,088,667**
Liabilities						
Non-Current Liabilities						
Borrowings	24	1,097,682	921,895	549,296	1,030,824	611,599
Government grants	25	10,343	10,699	11,055	-	-
Bonds outstanding	26	346,959	345,504	344,015	346,959	345,504
Lease liabilities	10	-	2,522	-	165,851	178,496
Provisions for restoration costs	27	9,904	13,495	12,069	-	-
Deferred taxation	28	128,479	150,139	147,810	-	-
		1,593,367	**1,444,254**	**1,064,245**	**1,543,634**	**1,135,599**
Current Liabilities						
Borrowings	24	444,011	170,838	18,802	430,406	148,678
Government grants	25	356	356	356	-	-
Current tax payable		1,724	757	2,056	757	757
Trade and other payables	29	125,667	171,360	133,327	90,962	86,276
Lease liabilities	10	-	-	-	5,991	-
Bank overdraft	18 & 30	164,808	99,695	5,969	164,737	99,607
Dividend payable		-	10,299	6,759	-	-
		736,566	453,305	167,269	692,853	335,318
Total Liabilities		**2,329,933**	**1,897,559**	**1,231,514**	**2,236,487**	**1,470,917**
Total Equity and Liabilities		**5,127,796**	**4,851,511**	**4,159,140**	**4,488,727**	**3,559,584**

*** See Note 38**

Statements of Changes in Equity

Figures in Pula thousand Year ended 30 June 2020	Stated Capital	Fair Value Reserve	Claims Equalisation Reserve	Other Reserve	Retained earnings	Total Attributable to Members	Non-controlling Interests	Total equity
Group								
Opening balance as previously reported	888,269	447,030	4,207	293,285	905,721	2,538,512	366,260	2,904,772
Adjustments								
Prior period error	-	-	-	157,245	(134,391)	22,854	-	22,854
Adjustments on initial application of IFRS 9	-	-	-	-	(3,311)	(3,311)	-	(3,311)
Other movements	-	-	-	-	(5,496)	(5,496)	-	(5,496)
Restated* Balance at 1 July, 2018 as restated	**888,269**	**447,030**	**4,207**	**450,530**	**762,523**	**2,552,559**	**366,260**	**2,918,819**
Profit for the year - restated	-	-	-	-	33,310	33,310	21,155	54,465
Other comprehensive income	-	30,107	-	(2,864)	-	27,243	-	27,243
Total comprehensive income for the year	**-**	**30,107**	**-**	**(2,864)**	**33,310**	**60,553**	**21,155**	**81,708**
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)
	-	**-**	**(3,000)**	**(10,284)**	**(11,716)**	**(25,000)**	**(20,754)**	**(45,754)**
Balance at 01 July 2019 - restated	**888,269**	**477,137**	**1,207**	**437,382**	**784,117**	**2,588,112**	**366,661**	**2,954,773**
Profit for the year	-	-	-	-	131,237	131,237	4,821	136,058
Other comprehensive income	-	(38,971)	-	28,117	-	(10,854)	(2,416)	(13,270)
Total comprehensive income for the year	**-**	**(38,971)**	**-**	**28,117**	**131,237**	**120,383**	**2,405**	**122,788**
Transfer of investment revaluation reserve upon disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(119,331)	-	-	119,331	-	-	-
Disposal of NCI on loss of control	-	-	-	-	-	-	(259,698)	(259,698)
Dividend paid	-	-	-	-	(20,000)	(20,000)	-	(20,000)
	-	**(119,331)**	**-**	**-**	**99,331**	**(20,000)**	**(259,698)**	**(279,698)**
Balance at 30 June, 2020	**888,269**	**318,835**	**1,207**	**465,499**	**1,014,685**	**2,688,495**	**109,368**	**2,797,863**
Note(s)	19	20	22	21			23	
Company								
Opening balance as previously reported	888,269	447,030	-	101,238	450,210	1,886,747	-	1,886,747
Adjustments								
Change in accounting policy	-	-	-	-	(1,920)	(1,920)	-	(1,920)
Restated* 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	-	30,107	-	-	-	30,107	-	30,107
Total comprehensive income for the year	**-**	**30,107**	**-**	**-**	**198,733**	**228,840**	**-**	**228,840**
Transfer between reserves	-	-	-	33,931	(33,931)	-	-	-
Dividend paid	-	-	-	-	(25,000)	(25,000)	-	(25,000)
Total transactions with owner of the Company	**-**	**-**	**-**	**33,931**	**(58,931)**	**(25,000)**	**-**	**(25,000)**
Balance at 1 July, 2019	**888,269**	**477,137**	**-**	**135,169**	**588,092**	**2,088,667**	**-**	**2,088,667**
Profit for the year	-	-	-	-	222,544	222,544	-	222,544
Other comprehensive income	-	(38,971)	-	-	-	(38,971)	-	(38,971)
Total comprehensive income for the year	**-**	**(38,971)**	**-**	**-**	**222,544**	**183,573**	**-**	**183,573**
Transfer of investment revaluation reserve upon disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(119,331)	-	(394)	119,725	-	-	-
Dividend paid	-	-	-	-	(20,000)	(20,000)	-	(20,000)
Total transactions with owners of the company	**-**	**(119,331)**	**-**	**(394)**	**99,725**	**(20,000)**	**-**	**(20,000)**
Balance at 30 June, 2020	**888,269**	**318,835**	**-**	**134,775**	**910,361**	**2,252,240**	**-**	**2,252,240**
Note(s)	19	20		21			23	

* See Note 38

Statements of Cash Flows

		Group		Company	
Figures in Pula thousand	Note(s)	2020	2019 Restated *	2020	2019
Cash flows from operating activities					
Cash generated from / (used in) operations	34	37,407	140,024	37,645	(92,746)
Tax paid		(21,700)	(20,961)	(7,888)	(1,619)
Net cash from operating activities		**15,707**	**116,326**	**29,757**	**(94,365)**
Cash flows from investing activities					
Purchase of property, plant and equipment	8	(4,496)	(23,118)	(371)	(1,180)
Purchase of shares in subsidiary		-	-	(14,235)	(39,330)
Purchase of intangible assets	9	(186)	(195)	(174)	-
Loans disbursed to subsidiaries		-	-	-	(67,023)
Purchase of shares in associates		-	(33,959)	-	-
Purchase of financial assets		(260,370)	(104,315)	(260,370)	(104,315)
Proceeds on disposal of investments		16,818	-	160,170	-
Loans repaid by other investment companies		62,734	37,477	64,065	37,477
Loans repaid by subsidiaries		-	-	-	19,782
Loans repaid by associated companies		-	4,041	-	-
Loans disbursed to unquoted investment companies		(380,892)	(717,312)	(412,265)	(704,396)
Proceeds from disposal of investment properties and assets held for sale		1,100	290,500	-	-
Proceeds from disposal of property, plant and equipment		-	2	-	-
Purchase of investment properties	7	(22,736)	(90,362)	-	-
Interest Income		20,173	13,574	153,534	81,117
Dividends received		32,254	29,503	72,382	134,437
Net cash from investing activities		**(535,602)**	**(594,164)**	**(237,264)**	**(643,430)**
Cash flows from financing activities					
Long term borrowings raised		833,134	540,545	833,134	500,000
Long term borrowings repaid		(154,706)	(15,910)	(157,494)	-
Dividends paid to group shareholder		(20,000)	(25,000)	(20,000)	(25,000)
Lease liability paid		-	-	(17,198)	-
Debentutre interest and dividends paid to minority interest		-	(20,754)	-	-
Finance costs		(98,257)	(75,167)	(99,840)	(69,542)
Net cash from financing activities		**560,171**	**403,713**	**538,602**	**405,457**
Net movement in cash and cash equivalents for the year		**40,276**	**(74,125)**	**331,095**	**(332,338)**
Cash at the beginning of the year		280,876	355,001	(48,804)	283,534
Total cash at end of the year	18	**321,152**	**280,876**	**282,291**	**(48,804)**

* See Note 38

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, 2020 were signed and authorised for issue on 16 December 2020.

1. Significant accounting policies

The principal accounting policies applied in the preparation of these 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 financial statements .

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

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 financial statements incorporate the 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 financial statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary to the 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.

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.

Significant Accounting Policies *cont.*

1.3 Consolidation (continued)

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. 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.

Significant Accounting Policies *cont.*

1.3 Consolidation (continued)

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

Critical judgements in applying accounting policies

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

Significant Accounting Policies *cont.*

1.5 Significant judgements and sources of estimation uncertainty (continued)

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 P1.287 billion as at 30 June 2020 (2019: P1.883 billion, restated). 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.

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. The Group has applied the exemption in IAS 40.53 as the fair value of the land is not reliably measurable until construction is completed. Once construction is completed, the property will be recognised at fair value. Construction commenced in the financial year ended 30 June 2020.

Impairment of investments in subsidiaries and associates

The carrying value of the company's investments in subsidiaries and associates amounted to P1 448 million (2019: P1 266 million) at the reporting date. This constitutes 39% (2019: 41%) 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.

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.

Significant Accounting Policies *cont*.

1.5 Significant judgements and sources of estimation uncertainty (continued)

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 the default rate together with forward looking information in terms of the simplified approach under IFRS 9 (refer Note 1.10). 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 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 determining the Probability of 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.

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.

Significant Accounting Policies *cont*.

1.6 Investment property (continued)

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 revalaution 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.

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.

Significant Accounting Policies *cont.*

1.7 Property, plant and equipment (continued)

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.

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
Land and buildings	Straight line	25-50 years
Plant and machinery	Straight line	14-25 years
Furniture and fixtures	Straight line	4-10 years
Motor vehicles	Straight line	3-5 years
IT 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.

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.

Significant Accounting Policies *cont.*

1.8 Site restoration and dismantling cost (continued)

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:

- 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 recongnition, 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

Significant Accounting Policies *cont*.

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
- 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.

Significant Accounting Policies *cont*.

1.10 Financial instruments (continued)

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

Interest income is calculated using the effective interest method, and is included in profit or loss in finance income and finance cost (note 3).

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).

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.

Significant Accounting Policies *cont.*

1.10 Financial instruments (continued)

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 counter parties 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.

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

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 16).

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

Significant Accounting Policies *cont.*

1.10 Financial instruments (continued)

Recognition and measurement

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

They are subsequently measured at amortised cost.

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

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

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 using the simplified approach which takes into account historical loss ratios 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.

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 income from trade (note 2).

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.

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).

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.

Significant Accounting Policies *cont.*

1.10 Financial instruments (continued)

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.

1.11 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.

Significant Accounting Policies *cont*.

1.11 Tax (continued)

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 and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits 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.

1.12 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).

Significant Accounting Policies *cont*.

1.12 Leases (continued)

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.

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.

Significant Accounting Policies *cont.*

1.12 Leases (continued)

Lease payments included in the measurement of the right of use asset 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.

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.

1.13 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.

Significant Accounting Policies *cont.*

1.13 Inventories (continued)

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.

1.14 Other investments

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

1.15 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.

1.16 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.

Significant Accounting Policies *cont.*

1.16 Impairment of assets (continued)

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.

1.17 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.

1.18 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.

1.19 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.

Significant Accounting Policies *cont.*

1.20 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 31.

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.

Significant Accounting Policies *cont*.

1.20 Provisions and contingencies (continued)

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.

1.21 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 as previously reported 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.

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.

1.22 Revenue

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. Payment terms are within funding agreements which typically require quarterly payments. .

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.

Significant Accounting Policies *cont*.

1.22 Revenue (continued)

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. The period of contracts average less than a year.

1.23 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.

1.24 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.

1.25 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 2020	Group 2019	Company 2020	Company 2019
2. Income from trade				
Income from trade:				
Revenue from the sale of goods and rendering of services	54,827	68,544	-	-
Interest on loans:				
Subsidiaries	-	-	10,118	19,534
Associated companies	7,419	-	7,419	8,233
Other investments	135,997	53,350	135,997	53,350
Dividends received:				
Subsidiaries	-	-	31,916	93,002
Associated companies	-	-	8,212	11,932
Quoted investments	32,254	29,503	32,254	29,503
	230,497	**151,397**	**225,916**	**215,554**
3. Finance income and Finance cost				
Finance income:				
- Cash and cash equivalents	11,025	11,490	7,154	8,852
- Debenture interest	-	-	18,437	37,522
- Preference shares interest	9,148	2,084	9,148	2,084
	20,173	**13,574**	**34,739**	**48,458**
Finance costs:				
- Bank borrowings	(49,619)	(33,077)	(40,662)	(13,880)
- Long-term borrowings	(19,028)	(11,473)	(19,024)	(11,473)
- Bonds	(29,610)	(30,617)	(29,610)	(30,617)
- Lease interest	-	-	(10,544)	(13,572)
	(98,257)	**(75,167)**	**(99,840)**	**(69,542)**
4. Other operating income				
Recoveries received*	4,264	3,367	-	-
Management fees	6,128	11,615	6,348	11,647
Arrangement and monitoring fees	3,717	-	3,717	-
African Development Bank training grant	84	1,012	59	1,012
Other income	5,218	3,432	2,358	50
Gain on disposal of investments	20,088	8,036	68,594	-
Debt collection and broker fees	2,395	1,929	-	-
Levies	3,913	4,412	-	-
	45,807	**33,803**	**81,076**	**12,709**

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

*Recoveries includes cost recoveries from tenants for service fees

Notes to the Financial Statements *cont.*

Figures in Pula thousand	Group 2020	Group 2019	Company 2020	Company 2019
5. Profit before tax				
The following items have been accounted for in arriving at profit before tax, in addition to the amounts already disclosed in notes 2, 3 and 4				
Amortisation of government grant (note 25)	355	356	-	-
Auditors remuneration - external auditors	(1,904)	(1,362)	(739)	(786)
Auditors remuneration - non-audit services	-	(641)	-	-
Bad debts and doubtful debts on trade and other receivables (note16)	(4,321)	13,196	(893)	576
Consulting and professional fees	(13,487)	(16,723)	(10,318)	(8,211)
Consulting and professional fees - legal fees	(2,941)	(3,428)	(1,903)	(1,748)
Amortisation of intangible assets (note 9)	(126)	(634)	-	-
Depreciation (note 8)	(10,125)	(11,068)	(2,716)	(2,713)
Directors' fees	(1,465)	(2,430)	(172)	(125)
Staff costs (as below)	(71,450)	(65,640)	(49,276)	(40,831)
Directors' emoluments	(3,291)	(2,611)	(3,291)	(2,611)
Net foreign exchange gains	-	(1,215)	-	(1,215)
Repairs and maintenance	(1,970)	(2,310)	(270)	(356)
Subscriptions	(2,945)	(3,205)	(2,435)	(2,643)
Training	(1,559)	(2,678)	(1,046)	(1,994)
Staff costs				
Salaries and wages	(68,986)	(63,471)	(48,230)	(39,963)
Terminal benefits	(1,418)	(1,301)	-	-
Medical aid - company contributions	(1,046)	(868)	(1,046)	(868)

Notes to the Financial Statements *cont.*

Figures in Pula thousand	Group 2020	Group 2019	Company 2020	Company 2019
6. Income tax expense				
Major components of the tax expense				
Botswana company taxation				
Normal taxation at 22%/15%	1,839	3,892	-	-
Group tax relief	413	(5,484)	1,500	(5,057)
Withholding tax on dividends	6,415	10,362	6,212	10,359
Total normal taxation	8,667	8,770	7,712	5,302
Deferred tax - current year	4,760	8,707	-	-
Deferred tax for changes in estimates relating to prior years	(714)	926	-	-
Withholding tax on debenture interest	840	3,081	840	3,080
Deferred tax recognised in OCI	1,730	-	-	-
	15,283	**21,484**	**8,552**	**8,382**

Reconciliation of the tax expense

The tax on the profit before tax differs from the theoretical amount as follows:

Figures in Pula thousand	Group 2020	Group 2019	Company 2020	Company 2019
Accounting profit	151,341	100,118	231,096	207,115
Tax calculated at 22%/15%	33,301	21,351	50,842	45,565
Income not subject to tax	(16,109)	(10,973)	(15,923)	(29,576)
Deferred tax for changes in estimates relating to prior years	(714)	926	-	-
Deferred tax - capital gains tax	5,193	-	-	-
Gain on disposal of investment assets exempt from taxation	(15,085)	-	(35,719)	-
Expense not deductible for tax purposes	5,026	2,315	(125)	631
Utilisation of previously unrecognised tax losses	(1,808)	-	-	-
Withholding tax on debenture interest	840	3,081	840	3,080
Fair value adjustments subject to capital gains tax	(1,773)	(10,284)	-	-
Withholding tax on dividends received	6,415	10,362	6,212	6,815
Unrecognised deferred tax balances	(413)	10,190	925	(13,076)
Group tax relief	410	(5,484)	1,500	(5,057)
	15,283	**21,484**	**8,552**	**8,382**

Income not subject to tax

The Income Tax Act of Botswana details in Part 2 of the Second Schedule the gross income items that are exempted from taxation.

Expenses not deductible for tax purposes

Section 50 of the Income Tax Act of Botswana details the types of expenditure which are not allowable as a deduction in arriving at taxable income for the year. These comprise expected credit loss adjustments and lease interest adjustments.

Group

The amount of income tax relating to revaluation of land and buildings recognised in other comprehensive income amounted to P883,000 (2019: Nil). Other movements in other comprehensive income did not have a tax impact on the group.

Notes to the Financial Statements *cont.*

6. Income tax expense (continued)

Unrecognised deferred tax balances

At 30 June 2020, there was a deferred tax liability of P102million (2019: P150 million) for temporary differences of P463.1 million (2019: P682 million) related to investments in subsidiaries. However, this liability was not recognised because the Group controls the dividend policy of its subsidiaries – 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.

The company 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:

Figures in Pula thousand	Group 2020	Group 2019	Company 2020	Company 2019
Tax year:				
2014/2015	-	57,363	-	96,647
2015/2016	112,987	116,069	110,567	110,567
2016/2017	37,225	41,657	18,914	18,914
2017/2018	46,672	46,672	34,487	34,487
2018/2019	60,022	60,022	-	-
2019/2020	1,582	-	1,582	-
	258,488	**321,783**	**165,550**	**260,615**

Figures in Pula thousand	Group 2020	Group 2019	Company 2020	Company 2019
7. Investment property				
Reconciliation of investment property - Group				
Land and buildings at fair value	1,137,944	1,944,317	-	-
Rental Straight Line Adjustment	(9,172)	(60,907)	-	-
Balance at the end of the year	**1,128,772**	**1,883,410**	**-**	**-**
Reconciliation of fair value				
Balance at beginning of the year	1,883,410	2,024,301	-	-
- At valuation	1,944,317	2,089,797	-	-
- Straight line lease rental adjustment	(60,907)	(65,496)	-	-
Additions during the year - subsequent expenditure	-	58,862	-	-
Additions during the year - acquisitions	22,736	30,334		
Disposals during the year	-	(265,569)	-	-
Transfers to assets classified as held for sale	(187,285)	(9,000)	-	-
Rental deferral account	1,650	1,599	-	-
Disposal on loss of control in subsidiary (Note 11)	(716,512)	-	-	-
Fair value gain of investment properties	124,773	42,883	-	-
- Increase in fair value during the year*	120,285	53,403	-	-
- Straight line lease rental adjustment	4,488	(10,520)	-	-
Balance at end of the year	**1,128,772**	**1,883,410**	**-**	**-**

Notes to the Financial Statements *cont.*

	Company 2020	Company 2019

7. **Investment property (continued)**

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 (2020:2-4%,weighted average 4%; (2019: 3–6%, weighted average 6%)). Void periods (2020 :4-6 months on the basis of marketing of vacant space 2019: average 3 to 6 months after the end of each lease). Occupancy rate (2020: 50–70%,weighted average 60%; 2019: 60–80%, weighted average 70%). Rent-free periods (2020 and 2019:1-6 months period on new leases). Risk-adjusted discount rates (2020:9–15%, weighted average 12%; 2019: 9–15%, weighted average 12%).

The COVID-19 pandemic resulted in the need for deferred rentals and tenant leniency. Though a one time event, it could have significant loss implications on tenant business models which in turn could lead to a decline in rental uptakes in the final quarter of 2020 into 2021.

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 2020 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 2020. All of the Group's investment property is held under freehold interests.

Investment properties held for sale
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 P187.28million (2019: P11.75million) 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:

	2020	2019
Rental income	96,578	167,620
Repairs and maintenance expenses	(3,624)	(2,310)

A subsidiary company had reassessed the classification of property owned between owner occupied at cost and investment property at fair value. In reviewing this assessment, a material error was noted in the classification resulting in a prior period error. The impact noted below is described in full at Note 38

Notes to the Financial Statements *cont.*

7. **Investment property (continued)**

Cost	
At 30 June 2018 (previously stated)	2,208,051
Prior period error corrected (note 38)	(183,750)
At 30 June 2018 (restated)	**2,024,301**
Carrying amount	
Cost	2,024,301
At 30 June, 2018	**2,024,301**

Registers with details of land and buildings are available for inspection by shareholders or their duly authorised representatives at the registered office of the company.

8. **Property, plant and equipment**

Group	2020 Cost or Revaluation	2020 Accumulated Depreciation	2020 Carrying Value	2019 Cost or Revaluation	2019 Accumulated Depreciation	2019 Carrying Value
Land and buildings	363,574	(3,187)	360,387	352,782	(2,953)	349,829
Plant and machinery	151,299	(97,414)	53,885	152,442	(91,743)	60,699
Furniture and fixtures	18,277	(15,591)	2,686	18,640	(13,709)	4,931
Motor vehicles	3,593	(2,320)	1,273	4,228	(2,264)	1,964
IT equipment	9,398	(7,772)	1,626	10,905	(7,945)	2,960
Capital - Work in progress	137	-	137	-	-	-
Total	**546,278**	**(126,284)**	**419,994**	**538,997**	**(118,614)**	**420,383**

Company	2020 Cost Revaluation	2020 Accumulated Depreciation	2020 Carrying Value	2019 Cost or Revaluation	2019 Accumulated Depreciation	2019 Carrying Value
Furniture and fixtures	10,046	(9,354)	692	10,071	(7,633)	2,438
Motor vehicles	1,176	(636)	540	1,176	(507)	669
IT equipment	4,877	(4,045)	832	4,985	(3,641)	1,344
Total	**16,099**	**(14,035)**	**2,064**	**16,232**	**(11,781)**	**4,451**

Notes to the Financial Statements *cont.*

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 2020

	Land and Buildings	Plant and Machinery	Furniture and Fixtures	Motor Vehicles	IT Equipment	Capital work in progress	Total
Cost or revaluation	363,574	151,299	18,277	3,593	9,398	137	546,278
Accumulated depreciation and impairment	(3,187)	(97,414)	(15,591)	(2,320)	(7,772)	-	(126,284)
Net book value at 30 June, 2020	**360,387**	**53,885**	**2,686**	**1,273**	**1,626**	**137**	**419,994**
Net book value at beginning of year	**349,829**	**60,699**	**4,931**	**1,964**	**2,960**	**-**	**420,242**
Additions	1,422	2,032	592	-	450	-	4,496
Disposals and scrappings - cost	-	(158)	(494)	(162)	(801)	-	(1,615)
Disposals and scrapping - accumulated depreciation and impairment	-	105	480	125	780	-	1,490
Transfers on disposal or loss of control	(2,564)	(2,976)	(373)	(277)	(525)	137	(6,578)
Revaluations	12,484	-	-	-	-	-	12,484
Depreciation	(784)	(5,817)	(2,450)	(377)	(1,238)	-	(10,666)
	360,387	**53,885**	**2,686**	**1,273**	**1,626**	**137**	**419,994**

Notes to the Financial Statements *cont.*

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 2019

	Land and Buildings	Plant and Machinery	Furniture and Fixtures	Motor Vehicles	IT Equipment	Total
Cost or revaluation - restated (note 38)	352,782	152,442	18,640	4,228	10,905	538,997
Accumulated depreciation and impairment	(2,953)	(91,743)	(13,709)	(2,264)	(7,945)	(118,614)
Net book value at 30 June 2019 (restated)	**349,829**	**60,699**	**4,931**	**1,964**	**2,960**	**420,383**
Net book value at beginning of year	**325,878**	**52,072**	**7,404**	**1,087**	**2,951**	**420,383**
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	366	2,030
Depreciation	(485)	(5,869)	(2,655)	(647)	(1,413)	(11,069)
Depreciation on disposals	-	1,315	323	-	-	1,638
	349,829	**60,699**	**4,931**	**1,964**	**2,960**	**420,383**

Notes to the Financial Statements *cont.*

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Company - 2020

	Furniture and Fixtures	Motor Vehicles	IT Equipment	Total
Cost or revaluation	10,046	1,176	4,877	16,099
Accumulated depreciation and impairment	(9,354)	(636)	(4,045)	(14,035)
Net book value at 30 June, 2020	**692**	**540**	**832**	**2,064**
Net book value at beginning of year	**2,438**	**669**	**1,344**	**4,451**
Additions	-	-	458	458
Disposals and scrappings - cost	-	(129)	-	(129)
Depreciation	(1,746)	-	(970)	(2,716)
	692	**540**	**832**	**2,064**

Reconciliation of property, plant and equipment - Company - 2019

	Furniture and Fixtures	Motor Vehicles	IT 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**	**4,984**
Additions	147	714	319	1,180
Depreciation	(1,912)	(68)	(733)	(2,713)
	2,438	**669**	**1,344**	**4,451**

Revaluations

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. Revaluations are performed every 3 years and in intervening years if the carrying amount of the land and buildings differs materially from their fair value.

Refer to note 7 for specific details regarding the valuation of the land and buildings.

Registers with details of land and buildings are available for inspection by shareholders or their duly authorised representatives at the registered office of the company and its respective subsidiaries.

Notes to the Financial Statements *cont.*

9. Intangible assets

Group	**2020**			**2019**		
	Cost/ valuation	**Accumulated amortisation**	**Carrying value**	**Cost**	**Accumulated amortisation**	**Carrying value**
Computer software, other	6,511	(3,624)	2,887	6,381	(3,554)	2,827

Company	**2020**			**2019**		
	Cost/ valuation	**Accumulated amortisation**	**Carrying value**	**Cost**	**Accumulated amortisation**	**Carrying value**
Computer software, other	2,813	-	2,813	2,639	-	2,639

Reconciliation of intangible assets - Group - 2020

	Opening balance	**Additions**	**Amortisation**	**Closing balance**
Computer software, other	2,827	186	(126)	2,887

Reconciliation of intangible assets - Group - 2019

Computer software, other	3,266	195	(634)	2,827

Reconciliation of intangible assets - Company - 2020

	Opening balance	**Additions**	**Closing balance**
Computer software, other	2,639	174	2,813

Reconciliation of intangible assets - Company - 2019

	Opening balance	**Closing balance**
Computer software, other	2,639	2,639

Notes to the Financial Statements *cont.*

Figures in Pula thousand	Group 2020	Group 2019	Company 2020	Company 2019

10. Leases (group as lessee)

The group leases several assets, including buildings. The average lease term for buildings is 5 years (2019: 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 low value exemption for leases of motor vehicles.

Net carrying amounts of right-of-use assets

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

	Group 2020	Group 2019	Company 2020	Company 2019
Buildings	-	2,523	124,388	136,938

Depreciation recognised on right-of-use assets

Depreciation recognised on each class of right-of-use assets, is presented below.

	Group 2020	Group 2019	Company 2020	Company 2019
Buildings	-	444	12,550	15,726

Other disclosures

	Group 2020	Group 2019	Company 2020	Company 2019
Interest expense on lease liabilities	-	-	10,544	13,564
Total cash outflow from leases	-	-	17,197	15,924

At 30 June, 2020, the group is committed to Pnil (2019: P 58 623) for short-term leases.

Lease liabilities

The maturity analysis of lease liabilities in relation to the company as a lessee is as follows:

	Group 2020	Group 2019	Company 2020	Company 2019
Within one year	-	-	17,518	15,220
Two to five years	-	-	85,253	78,938
More than five years	-	2,522	132,822	156,655
	-	**2,522**	**235,593**	**250,813**

Leases (group as lessor)
The group leases its properties under operating lease arrangements to various customers, the leases are typically for 3 to 10 years and escalate annually with rates linked to inflation and are renewable. The maturity analysis (contractual undiscounted rentals receivable) are as follows:

	Group 2020	Group 2019	Company 2020	Company 2019
Less than one year	51,639	48,631	-	-
More than a year	563,261	141,490	-	-
	614,900	**190,121**	**-**	**-**

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

Group - 2020	Ordinary shares at cost	Preference shares at cost	Total investment	% of shares held
Agriculture	**101,226**	**-**	**101,226**	
Farm Development Company (Pty) Ltd	-	-	-	100%
Talana Farms (Pty) Ltd	9,237	-	9,237	100%
LP Amusements (Pty) Ltd	59,026	-	59,026	100%
Malutu Investments (Pty) Ltd	16,196	-	16,196	100%
Milk Afric (Pty) Ltd	16,767	-	16,767	100%
Industry	**75,000**	**-**	**75,000**	
Lobatse Clay Works (Pty) Ltd	75,000	-	75,000	100%
Golden Fruit 97 (Pty) Ltd*	-	-	-	100%
Can Manufacturers (Pty) Ltd*	-	-	-	100%
Services	**29,343**	**5,200**	**34,543**	
Export Credit Insurance & Guarantee (Pty) Ltd	14,584	-	14,584	100%
Coast-to-Coast Inn (Pty) Ltd	14,759	5,200	19,959	100%
Property management	**845,818**	**-**	**845,818**	
Botswana Hotel Development Co. (Pty) Ltd	104,098	-	104,098	100%
Commercial Holdings (Pty) Ltd	376,845	-	376,845	100%
Fairground Holdings (Pty) Ltd	8,615	-	8,615	51%
NPC Investments (Pty) Ltd	1,321	-	1,321	100%
Residential Holdings (Pty) Ltd	41,360	-	41,360	100%
Western Industrial Estate (Pty) Ltd	313,069	-	313,069	100%
Phakalane Property Development (Pty) Ltd	510	-	510	51%
	1,051,387	**5,200**	**1,056,587**	
Less: Accumulated impairment			(156,138)	
			900,449	

Notes to the Financial Statements *cont.*

11. Subsidiaries (continued)

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

All the above subsidiaries are registered in Botswana

The Company reduced its shareholding in Letlole La Rona Limited to 40.36% (2019:66%) resulting in loss of control and the remaining shareholding equity accounted in note 12.

Golden Fruit 97 Proprietary Limited and Can Manufactures Proprietary Limited were deregistered and thus removed from the register of Companies on 26 November 2019.

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.

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. A material decline in impairments year on year was as a result of reassesment of the valuation of securities held at a subsidiary company as well as the release of the provision held on disposal of fully impaired subsidiaries.

Notes to the Financial Statements *cont.*

11. Subsidiaries (continued)

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.

Subsidiaries for which control was lost during the year

The group lost control of subsidiary Letlole La Rona Limited on 1 November, 2019.The company swapped a number of shares in Letlole La Rona Limited (LLR) in return for shares in another listed entity. This transaction resulted in the change in shareholding in LLR from 66% to 40.36% as at 30 June 2020.

Effect of disposal on financial position of the group

In thousands of Pula	BWP '000
Investment property	768,159
Operating lease asset	2,259
Property, plant and equipment	2,040
Investment assets	46,247
Deferred taxation	5,193
Current assets	237,277
Borrowings	(232,905)
Lease liability	(2,405)
Deferred taxation liability	(48,265)
Current liabilities	(13,784)
	763,816
Consideration received for shares	(149,895)
Non controlling interest	(259,697)
Fair value of remaining shareholding at 01 November 2019	(264,825)
Net effect of disposal recognised in profit/loss	89,399

The loss has been included in "Derecofgnition losses on financial assets at amortised costs" on the face of the statement of profit and loss.

Notes to the Financial Statements *cont*.

12. Equity accounted investees

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

Equity Accounted Investees

	Ordinary shares at cost	Post Acquisition Reserve	Total investment	2019 Total investment	% of shares held
Group - 2020					
Agriculture	**4,432**	**(4,031)**	**401**	**401**	
Marekisetso A Merogo (Pty) Ltd	4,432	(4,031)	401	401	23%
Industry	**44,370**	**(8,385)**	**35,985**	**21,698**	
Nampak	23,077	(7,077)	16,000	21,698	26%
Indus Healthcare (Pty) Ltd	21,293	(1,308)	19,985	-	26%
Services	**263,376**	**175,548**	**438,924**	**183,472**	
Peermont Global (Botswana) Ltd	3,000	46,243	49,243	58,094	40%
Investec Holdings Botswana Ltd	-	-	-	1,981	25%
TransUnion (Pty) Ltd	147	8,648	8,795	6,902	49%
Transport Holdings (Pty) Ltd	10,865	8,501	19,366	18,755	20%
Mashatu Nature Reserve (Pty) Ltd	10,287	108,402	118,689	97,740	33%
Kamoso Africa (Pty) Ltd	239,077	3,754	242,831	-	24%
Property management	**264,825**	**(1,413)**	**263,412**	**39,620**	
NBC Developments Partnership	-	-	-	39,620	33%
Letlole La Rona Limited	264,825	(1,413)	263,412	-	40%
Total all sectors			**738,722**	**245,191**	
Less: Accumulated impairment			(16,400)	(4,432)	
			722,322	**240,759**	

Notes to the Financial Statements *cont*.

12. Equity accounted investees (continued)

Group - 2019	Ordinary shares at cost	Post Acquisition Reserve	Total investment	% of shares held
Agriculture	**4,432**	**(4,031)**	**401**	
Marekisetso A Merogo (Pty) Ltd	4,432	(4,031)	401	23%
Industry	**23,077**	**(1,379)**	**21,698**	
Nampak	23,077	(1,379)	21,698	26%
Services	**25,169**	**158,303**	**183,472**	
Peermont Global (Botswana) Ltd	3,000	55,094	58,094	40%
Investec Holdings Botswana Ltd	870	1,111	1,981	25%
TransUnion (Pty) Ltd	147	6,755	6,902	49%
Transport Holdings (Pty) Ltd	10,865	7,890	18,755	20%
Mashatu Nature Reserve (Pty) Ltd	10,287	87,453	97,740	33%
Property management	**35,000**	**4,620**	**39,620**	
NBC Developments Partnership	35,000	4,620	39,620	33%
Total all sectors			**245,191**	
Less: Accumulated impairment			(4,432)	
			240,759	

Notes to the Financial Statements *cont.*

Figures in Pula thousand	Group 2020	Group 2019	Company 2020	Company 2019
12. Equity accounted investees (continued)				
Group investment as disclosed above	-	-	738,722	245,191
Less post acquisition reserves	-	-	(161,720)	(157,512)
	-	-	577,002	87,679
Less: NBC Developments Partnership	-	-	-	(35,000)
Less: Accumulated impairment	-	-	(29,052)	(4,432)
	-	-	547,950	48,247
	-	**-**	**547,950**	**48,247**

All associated companies/partnerships are registered in Botswana.

During the year a 26% stake was attained in Indus Healthcare (Pty) Ltd and 24% in Kamoso Africa (Proprietary) Limited in the months of January and March 2020 respectively. Letlole la Rona Limited which was previously held as a subsidiary was reduced to 40.36% shareholding in November 2019.

Included in post acquisition reserves are the following:

	Group 2020	Group 2019	Company 2020	Company 2019
Current year share of associates profits	24,078	20,374	-	-
Current year share of associates tax charge	(6,392)	(2,267)	-	-
Net profit after tax	17,686	18,107	-	-
Share of other comprehensive income of associates, net of tax	28,145	(20)	-	-
	45,831	**18,087**	**-**	**-**

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.

Notes to the Financial Statements *cont.*

13. Other investments

Group	2020 Current Investments	2020 Non-Current Investments	2020 Total	2020 % Interest	2019 Current Investments	2019 Non-Current Investments	2019 Total	2019 % Interest
Financial assets at amortised cost								
Long term placements								
Deposits with RMB Botswana	-	109,579	109,579	5.25%	-	104,315	104,315	5.25%
- To associate companies								
Mashatu (Pty) Ltd	-	10,934	10,934	7.50%	-	-	-	-%
Transport Holdings (Pty) Ltd	19,783	41,204	60,987	11.00%	22,949	40,289	63,238	11.00%
- To non-affiliated entities								
Botswana based entities	208,870	519,195	728,065	14.00%	122,257	514,983	637,240	14.00%
Regional entities	12,746	465,391	478,137	15.00%	11,469	370,868	382,337	15.00%
Total financial assets at amortised cost	241,399	1,146,303	1,387,702	-	156,675	1,030,455	1,187,130	-
Equity securities at fair value through profit/loss								
Preference shares								
PASDEC Automotives (Pty) Ltd	-	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%
Indus Healthcare (Pty) Ltd	-	28,204	28,204	9.65%	-	-	-	-%
Minergy Coal (Pty) Ltd	-	79,999	79,999	18.00%	-	-	-	-%
Total Equity securities at fair value through profit/loss	-	172,097	172,097	-	-	63,894	63,894	-

Notes to the Financial Statements *cont.*

13. Other investments (continued)

Group	2020 Current Invest-ments	2020 Non-Current Invest-ments	2020 Total	2020 % Interest	2019 Current Invest-ments	2019 Non-Current Invest-ments	2019 Total	2019 % Interest
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	-	44,407	44,407	19.00%	-	57,205	57,205	25.00%
Cresta Marakanelo Limited shares at cost	-	77,940	77,940	27.00%	-	77,940	77,940	27.00%
Grit Real Estate (Pty) Ltd	-	160,953	160,953	3.14%	-	-	-	-%
Net gain in fair value reserve (Note 20)	-	318,835	318,835	-%	-	477,137	477,137	-%
Total Equity securities - designated at fair value through other comprehensive income	-	602,135	602,135	-	-	618,532	618,532	-
	241,399	**1,920,535**	**2,161,934**		**156,675**	**1,712,881**	**1,869,556**	
Less: Accumulated impairment	(92,822)	(43,087)	(135,909)	-	(92,822)	(57,264)	(150,086)	-
	148,577	**1,877,448**	**2,026,025**		**63,853**	**1,655,617**	**1,719,470**	

The Company holds 20,812,462 (2019: 26,820,924) and 50,283,975 (2019: 50,283,975) ordinary shares in Sechaba Brewery Holdings Ltd and Cresta Marakanelo Ltd, respectively. The equity method of accounting is not followed as the Company only holds 19% of the shares of the company as at 30 June 2020. For the year ended 30 June 2019, the company did not exercise significant influence over Sechaba Breweries Holdings Ltd's financial and operating policies. The Company had only one board seat and did not participate in the process of appointing senior management, neither did it have direct influence over the operational strategies of Sechaba Brewery Holdings Limited. The Company owns 27% (2019: 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 had not taken up boad seats during the year 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. During the year ended 30 June 2020, BDC no longer had a controlling stake in this subsidiary.

Notes to the Financial Statements *cont.*

Figures in Pula thousand	Group 2020	Group 2019	Company 2020	Company 2019

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 2020	Group 2019	Company 2020	Company 2019
Consolidated other investments as above:			2,054,170	1,719,612
Add back loans to subsidiaries:				
Lobatse Clay Works (Pty) Ltd			72,292	35,787
Botswana Hotel Development Corporation (Pty) Ltd			53,213	53,213
Commercial Holdings (Pty) Ltd			-	-
Western Industrial Estate (Pty) Ltd			19,678	19,542
Milk Afric (Pty) Ltd			34,958	31,367
Subtotal			2,234,311	1,859,521
Less: subsidiary investments in equity instruments at FVOCI			-	(6,250)
Accumulated impairment			(17,430)	(8,072)
			2,216,881	**1,845,199**
Classified as follows:				
Current assets		-	167,335	85,700
Non-current assets		-	2,049,526	1,759,499
		-	**2,216,861**	**1,845,199**

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

Maturity analysis of gross loans financial assets at amortised costs	Group 2020	Group 2019	Company 2020	Company 2019
Up to 1 year	134,028	156,675	167,335	173,696
1-5 years	667,359	880,597	710,385	925,736
>5 years	371,891	150,000	485,879	150,000
	1,173,278	**1,187,272**	**1,363,599**	**1,249,432**

Notes to the Financial Statements *cont.*

13. Other investments (continued)

Figures in Pula thousand	Group Fair value	Group Dividends	Company Fair value	Company Dividends
2020				
Equity securities designated at FVOCI				
Sechaba Brewery Holdings Limited	449,549	26,582	449,549	26,582
Cresta Marakanelo Limited	67,883	-	67,883	-
GRIT Real Estate Income Group	84,703	5,672	84,703	5,672
Subtotal	602,135	32,254	602,135	32,254
	602,135	**32,254**	**602,135**	**32,254**
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	-
Subtotal	618,532	29,503	612,282	29,503
	618,532	**29,503**	**612,282**	**29,503**

In the year ended 30 June 2019, a subsidiary that was later disposed (refer note 11) held 15% of shares and linked debentures in Mogo'lori mall Limited which were 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.

Total financial assets at amortised cost for the group and company at the end of the year amounted to P1.387 billion (2019: P1.037 million) and P1.567 billion (2019: P1.116 million) respectively.

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 across 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 2020	Group 2019	Company 2020	Company 2019
Export Credit Insurance and Guarantee(Pty) Ltd	-	-	1,565	2,341
Lobatse Clay Works(Pty) Ltd	-	-	(7,606)	(5,228)
Commercial Holdings(Pty)	-	-	7,977	7,977
Botswana Hotel Development Company(Pty) Ltd	-	-	40,664	38,825
NPC Investment (Pty) Ltd	-	-	1	1
Residential Holdings (Pty) Ltd	-	-	14,638	14,938
Talana Farms(Pty) Ltd	-	-	459	459
Western Industrial Estates(Pty) Ltd	-	-	64,969	64,969
LP Amusement Centre (Pty) Ltd	-	-	(2,779)	(2,779)
Malutu Enterprises (Pty) Ltd	-	-	1,679	1,752
CAN Manufactures (Pty)Ltd	-	-	-	12,852
	-	**-**	**121,567**	**136,107**

Notes to the Financial Statements *cont.*

Figures in Pula thousand	Group 2020	Group 2019	Company 2020	Company 2019
15. Inventories				
Raw materials, components	2,715	2,663	-	-
Work in progress	3,743	3,722	-	-
Finished goods and consumables	1,689	1,992	-	-
	8,147	8,377	-	-
Inventories (write-downs)	(1,486)	(1,486)	-	-
	6,661	**6,891**	**-**	**-**

Amounts of inventory recognised as an expense in the period (purchases) amounts to P34.6million (2019:P42.6 million)

16. Trade and other receivables

Figures in Pula thousand	Group 2020	Group 2019	Company 2020	Company 2019
Gross trade receivables	42,636	39,758	7,178	32,385
Allowance for doubtful debts	(24,215)	(20,572)	-	-
Net trade receivables	18,421	19,186	7,178	32,385
Prepayments	18,025	8,466	16,286	5,027
Advances to officers	175	305	305	305
Preference shares interest	16,997	7,848	16,997	7,848
Value Added Tax (VAT)	5,755	4,924	2,873	2,925
Due from related parties	-	(28)	60,907	61,115
Other	24,888	38,494	16,731	2,765
Refundable taxes	8,299	7,264	-	-
Total trade and other receivables	**92,560**	**86,459**	**121,277**	**112,370**

The average credit period is 30 days (2019: 30 days). No interest is charged on overdue trade debtors. The Group has provided for all trade debtors based on estimated irrecoverable amounts.

Expected credit loss assessment for trade and other receivables
The Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss, (including but not limited to management accouns, audited financial statements, cash flow projections etc) and applying experienced credit judgement. The nature of the company's trade receivables are such that credit gradings are applied on a simplistic basis using qualitative and quantitative factors that are indicative of a risk of default. The expected credit losses for the Company are not material.

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

Figures in Pula thousand	Group 2020	Group 2019	Company 2020	Company 2019
Past due analysis - days past due but not impaired				
1 - 30 days	1,772	2,440	257	-
31 - 60 days	6,267	3,337	1,987	773
61 - 90 days	3,486	12,767	3,470	398
Total	**11,525**	**18,544**	**5,714**	**1,171**
Movement in the allowance for doubtful debts				
Balance at beginning of the year	19,635	15,109	283	859
Allowance charged /(reversed) during the year	6,677	4,526	893	(576)
Amounts written off as uncollectable	(2,097)	-	-	-
Balance at end of the year	**24,215**	**19,635**	**1,176**	**283**

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 and other receivables.

Notes to the Financial Statements *cont.*

Figures in Pula thousand	Group 2020	Group 2019	Company 2020	Company 2019

16. Trade and other receivables (continued)

Fair value of trade and other receivables

The fair value of trade and other receivables approximates their carrying amounts due to their short term nature.

17. Other assets

Figures in Pula thousand	Group 2020	Group 2019	Company 2020	Company 2019
Balance at beginning of the year	3,154	11,368	-	-
Interest income - reinvested	150	316	-	-
Net deposits /(withdrawals)	1,402	(8,530)	-	-
Balance at end of the year	**4,706**	**3,154**	**-**	**-**

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

Cash and cash equivalents consist of:

Figures in Pula thousand	Group 2020	Group 2019	Company 2020	Company 2019
Cash on hand	117	14	-	5
Bank balances	72,727	311,453	55,888	47,059
Money market funds	410,788	69,104	391,140	3,739
Other cash and cash equivalents	2,328	-	-	-
Bank overdraft	(164,808)	(99,695)	(164,737)	(99,607)
	321,152	**280,876**	**282,291**	**(48,804)**
Current assets	485,960	380,571	447,028	50,803
Current liabilities	(164,808)	(99,695)	(164,737)	(99,607)
	321,152	**280,876**	**282,291**	**(48,804)**

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 4.5% (2019: 4.9%).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 2020	Group 2019	Company 2020	Company 2019
Ordinary shares 541 769 462 Ordinary shares of Nil Par value (2019: 541 769 462)	888,269	888,269	888,269	888,269

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.

P20 million (2019: P25 million) dividends were declared during the yearin respect of the company's 541 769 462 (2019: 541 769 462) ordinary shares resulting in dividends per share of 4t per share (2019: 5t per share).

Notes to the Financial Statements *cont.*

20. Fair value reserve

Figures in Pula thousand	Group 2020	Group 2019	Company 2020	Company 2019
Balance at beginning of the year	477,137	447,030	477,137	447,030
Fair value movement during the year	(158,302)	30,107	(158,302)	30,107
	318,835	**477,137**	**318,835**	**477,137**
Comprising:				
Sechaba Breweries Holdings Ltd	405,141	494,233	405,141	494,233
Cresta Marakanelo Ltd	(10,056)	(17,096)	(10,056)	(17,096)
Grit Real Estate Income Group Limited	(76,250)	-	(76,250)	-
	318,835	**477,137**	**318,835**	**477,137**

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 contingent consideration. The fair value and dividend information on these securities are disclosed in Note 13.

21. Other Reserves

Company	**Debt and Capital Reserve**	**Statutory Capital and Solvency Reserves**	**Revaluation Reserve**	**Total**
Balance as 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
Transfers during the year	(394)	-	-	(394)
Balance at 30 June, 2020	**134,775**	**-**	**-**	**134,775**
Consolidated				
Subsidiaries				
Balance as at 30 June 2018	-	2,262	96,288	98,550
Transfers from/(to) retained earnings	-	-	154,401	154,401
Balance at 30 June 2019	**-**	**2,262**	**250,689**	**252,951**
Balance at 30 June, 2020	**-**	**2,262**	**250,689**	**252,951**
Associates				
Balance as at 30 June 2018	-	-	93,497	93,497
Share of other comprehensive loss of associates	-	-	(20)	(20)
Disposal of investment	-	-	(44,215)	(44,215)
Restated* Balance at 30 June, 2019	**-**	**-**	**49,262**	**49,262**
Other movements	-	-	28,511	28,511
Balance at 30 June, 2020	**-**	**-**	**77,773**	**77,773**
Total Other reserves at 2019	**135,169**	**2,262**	**299,951**	**437,382**
Total Other reserves at 2020	**134,775**	**2,262**	**328,462**	**465,499**

Notes to the Financial Statements *cont.*

Figures in Pula thousand	Group 2020	Group 2019	Company 2020	Company 2019

21. Other Reserves (continued)

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.

During the year, the company made a transfer into the account of P24.8million (2019: P28.4million) in accordance with policy and utilised P31million (2019: NIL). The funds were invested in an interest bearing account and earned P6million (2019: P5.5million)

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.

22. Claims Equalisation Reserve

	Group 2020	Group 2019	Company 2020	Company 2019
Balance at beginning of the year	1,207	4,207	-	-
Transfers to retained earnings	-	(3,000)	-	-
Balance at end of the year	**1,207**	**1,207**	**-**	**-**

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. A transfer amounting to PNil (2019: P3 million) was made to retained earnings to reduce the impact of abnormal claims.

23. Non-controlling interest

	Group 2020	Group 2019	Company 2020	Company 2019
Balance at beginning of the year	366,661	366,260	-	-
Share of profit and OCI for the year of subsidiaries	2,405	20,335	-	-
Debenture interest declared during the year	-	(19,392)	-	-
Dividends paid	-	(1,362)	-	-
NCI relating to disposal of majority stake in a subsidiary (note 11)	(259,698)	-	-	-
Balance at end of the year	**109,368**	**365,841**	**-**	**-**

In November 2019 the Company disposed some of its shares in Letlole La Rona Limited remaining with a 40.36% shareholding (2019:66%), as a result the remaining shareholding is accounted under equity accounting

Notes to the Financial Statements *cont.*

24. Borrowings

Figures in Pula thousand	Group 2020	Group 2019	Company 2020	Company 2019
Held at amortised cost				
Syndicate - RMB and Stanbic Bank Botswana Limited A maximum secured loan of P450million, that bore interest at prime lending rate, currently 5.75% (2019: 6.25%) 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 was secured through BDC's shareholding in Letlole la Rona Limited and Sechaba Brewery Holdings Limited, Western Industrial Estates Limited and Debt service reserve.	-	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	80,463	95,505	-	-
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 was 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	-	-
Bank Gaborone Loan facility of P47 756 million that accrued interest at prime rate (currently 5.75%; 2019: 6.25%) plus 1% margin. The loan was repayable in 180 months instalments from the signature date in structured capital instalments and interest payments. The loan was 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	-	-
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	53,213	53,213	53,213

Notes to the Financial Statements *cont.*

Figures in Pula thousand	Group 2020	Group 2019	Company 2020	Company 2019
24. Borrowings (continued)				
Barclays Bank of Botswana Limited 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	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.	65,406	58,386	65,406	58,386
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 cash collateral (refer note 13).	150,000	150,000	150,000	150,000
SCB Bridge facility Short term loan facility of P230 000 000 bearing repayable in in 180 days.The bridge facility bearing interest at a rate of prime plus 0.5% margin. Interest is payable monthly in arrears and all outstanding amounts to be paid in full at maturity date. The facility is secured by first draw down on AfDB facility funds.	230,000	-	230,000	-
SCB Revolving facility A revolving 1-year term facility bearing interest at a rate of prime less 0.3% margin. Interest is payable monthly in arrears and all outstanding facility amounts to be paid in full at maturity date.	135,000	-	135,000	-
African Development Bank Non-sovereign guaranteed line of credit facility of USD80 million bearing interest rate at 6 months Libor plus 3% per annum. Repayable by semi-annual instalments,amortised with a 2-year principal grace period and balance payable in 16 equal and consecutive payments for a period of 8 years.	477,611	-	477,611	-

Notes to the Financial Statements *cont.*

Figures in Pula thousand	Group 2020	Group 2019	Company 2020	Company 2019
24. Borrowings (continued)				
Bonds				
Issued	356,060	356,060	356,060	356,060
Debt issuance costs	(5,123)	(6,131)	(5,123)	(6,131)
	350,937	349,929	350,937	349,929
Discount on bonds	(3,978)	(4,425)	(3,978)	(4,425)
	346,959	**345,504**	**346,959**	**345,504**

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.

Refer note 26 for more details

	Group 2020	Group 2019	Company 2020	Company 2019
Gross borrowings (Loans and bonds)	**1,888,652**	**1,438,237**	**1,808,189**	**1,105,781**
	1,888,652	1,438,237	1,808,189	1,105,781
Less: Current portion included under current liabilities	(444,011)	(170,838)	(430,406)	(148,678)
	1,444,641	**1,267,399**	**1,377,783**	**957,103**
Analysis of term borrowings				
Term borrowings - long term portion	1,097,682	921,895	1,030,824	611,599
Term borrowings - short term portion	444,011	170,838	430,406	148,678
Bonds outstanding	346,959	345,504	346,959	345,504
	1,888,652	**1,438,237**	**1,808,189**	**1,105,781**
Analysis of gross borrowings				
Not later than 1 year	444,011	170,838	430,406	148,678
Later than 1 year, but not later than 5 years	243,014	313,164	343,240	299,998
Later than 5 years	1,201,557	954,235	1,034,543	657,105
Gross borrowings	**1,888,582**	**1,438,237**	**1,808,189**	**1,105,781**
Amortised cost of borrowings:	53,213	53,213	53,213	53,213
Balance at beginning of the year	-	-	(53,213)	(58,039)
Transfer from provisions arising on repayments	-	-	-	4,826
Balance at end of the year	-	-	**(53,213)**	**(53,213)**

Notes to the Financial Statements *cont.*

Figures in Pula thousand	Group 2020	Group 2019	Company 2020	Company 2019
25. Government grants				
Non-current liabilities	10,343	10,699	-	-
Current liabilities	356	356	-	-
	10,699	**11,055**	**-**	**-**
Balance at beginning of the year	11,055	11,410	-	-
Amortisation during the year	(356)	(356)	-	-
	10,699	**11,055**	**-**	**-**

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 2020	Group 2019	Company 2020	Company 2019
Gross Government grants	32,456	32,456	-	-
Amortisation	(11,757)	(11,401)	-	-
Utilised as provision for impairment loss	(10,000)	(10,000)	-	-
	10,699	**11,055**	**-**	**-**

Figures in Pula thousand	Group 2020	Group 2019	Company 2020	Company 2019
26. Bonds outstanding				
At amortised cost				
BDC 001 Unsecured bond of interest coupon rate of Botswana prime rate plus 2.25% with tenors up-to 13 years.	82,030	82,030	82,030	82,030
BDC 002 Senior secured bond of interest coupon rate of Botswana prime rate plus 1.25% with tenors up-to 5 years.	131,500	131,500	131,500	131,500
BDC 003 Senior secured bond, interest coupon of Botswana prime plus 1.75% with tenors up-to 11 years.	142,530	142,530	142,530	142,530
Bond Discount	(3,979)	(4,425)	(3,979)	(4,425)
Issuance Costs on BDC 001	(3,730)	(4,099)	(3,730)	(4,099)
Issuance Costs on BDC 003	(78)	(87)	(78)	(87)
Issunce Costs on BDC 002	(1,314)	(1,945)	(1,314)	(1,945)
	346,959	**345,504**	**346,959**	**345,504**
Split between non-current and current portions				
Non-current liabilities	346,959	345,504	346,959	345,504

Notes to the Financial Statements *cont.*

Figures in Pula thousand	Group 2020	Group 2019	Company 2020	Company 2019
27. Provisions for restoration costs				
Balance at beginning of year	13,495	12,069	-	-
Change in estimate	(3,59)	1,426	-	-
Charge to the profit or loss	(3,591)	1,426	-	-
Balance at end of the year	**9,904**	**13,495**	**-**	**-**

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 2020 and 2019, 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% (2019:5.22%) 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% (2019:5.22%) 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.

Figures in Pula thousand	Group 2020	Group 2019	Company 2020	Company 2019
28. Deferred taxation				
Deferred tax				
Property plant and equipment	(128,478)	(150,139)	-	-
Provisions	-	-	-	-
Accumulated tax losses	-	-	-	-
Total deferred tax liability	**(128,478)**	**(150,139)**	**-**	**-**
Deferred tax asset				
Prepaid expenses	-	-	-	-
Investment properties, property, plant and equipment	(530)	(6,140)	-	-
Provisions	(1,486)	-	-	-
Deferred tax balance from temporary differences other than unused tax losses	(2,016)	(6,140)	-	-
Tax losses available for set off against future tax income	(25,108)	-	-	-
	(27,124)	(6,140)	-	-
Total deferred tax asset	**(27,124)**	**(6,140)**	**-**	**-**
Deferred tax liability	(128,479)	(150,139)	-	-
Deferred tax asset	27,124	6,140	-	-
Total net deferred tax liability	**(101,355)**	**(143,999)**	**-**	**-**

Notes to the Financial Statements *cont.*

Figures in Pula thousand	Group 2020	Group 2019	Company 2020	Company 2019
28. Deferred taxation (continued)				
Reconciliation of deferred tax asset / (liability)				
At beginning of year	143,999	130,575	-	-
Charged to statement of profit or loss - current year	4,760	7,906	-	-
Charged to statement of profit or loss - prior year	(4,537)	2,749	-	-
Charged to statement of profit or loss - capital gains tax	5,397	2,769	-	-
Write off of deferred taxation balances on loss of control of subsidiary (note 11)	(48,265)	-	-	-
	101,354	**143,999**	**-**	**-**

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 2020	Group 2019	Company 2020	Company 2019
29. Trade and other payables				
Financial instruments:				
Trade payables	19,002	18,011	47,592	2,939
Trade payables - related parties	260	2,675	20	49,429
Interest accruals	5,295	4,862	1,043	6,601
Accrued expenses	12,878	29,084	21,993	11,750
Payroll accruals	18,477	18,344	14,263	13,466
Deposits	49,730	56,774	6,051	863
Non-financial instruments:				
Amounts received in advance	12,420	2,280	-	-
Value Added Taxation	7,605	39,330	-	1,228
	125,667	**171,360**	**90,962**	**86,276**
30. Bank Overdrafts				
Bank overdraft	164,808	99,695	164,737	99,607
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	-	-
- Stanbic Bank Botswana Limited	150,000	153,500	150,000	150,000
	220,000	**226,500**	**220,000**	**220,000**

<u>The facilities are secured over:</u>
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 P4 720 000 over Lot 14405, Gaborone.

Notes to the Financial Statements *cont.*

Figures in Pula thousand	Group 2020	Group 2019	Company 2020	Company 2019
31. Contingent liabilities				
Legal matters against certain subsidiaries	(1,600)	(1,600)	-	-
Guarantees and Bonds outstanding	(284,381)	(343,373)	-	-
	(285,981)	**(344,973)**	**-**	**-**

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 loan guaranteed 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.

32. 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 included in staff costs was P2.5 million (2019: P2.2 million).

33. Related parties

Relationships		
Ultimate holding company	The company 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 Director Executive Management	

Related party balances

Figures in Pula thousand	Group and Company 2020	Group and Company 2019
Phakalane Property Development (Pty) Ltd		
Due to Phakalane Estates	-	915
Western Industrial Estates (Pty) Ltd		
Cash invested on behalf of subsidiaries	27,114	30,972
Group tax relief with BDC	64,969	64,969
Loan from BDC	19,678	19,529
Payables to BDC	61,115	61,115
Dividend due to BDC	-	10,000
Commercial Holdings (Pty) Ltd		
Cash invested on behalf of subsidiary by BDC	3,031	1,217
Group tax relief	7,977	7,977
Dividend due to BDC	-	2,500

Notes to the Financial Statements *cont.*

33. Related parties (continued)

Figures in Pula thousand	Group and Company 2020	2019
Letlole la Rona Limited		
Deferred tax recoverable	-	5,213
Debenture interest and dividend due to BDC	2,039	19,801
Botswana Hotel Development Company (Pty) Ltd		
Group tax relief with BDC	40,664	38,825
Loan from BDC	53,212	53,212
Cash invested on behalf of subsidiary	6,048	3,910
Talana Farms (Pty) Ltd		
Group tax relief	459	459
Cash invested on behalf of subsidiaries	2,328	3,304
NPC Investments (Pty) Ltd		
Group tax relief	1	1
Cash invested on behalf of subsidiary	1,796	1,851
Malutu Enterprises (Pty) Ltd		
Group tax relief with BDC	1,679	1,751
Residential Holdings (Pty) Ltd		
Group tax relief with BDC	14,639	14,939
Cash invested on behlaf of subsidiary by BDC	817	4,412
LP Amusement Centre (Pty) Ltd		
Cash invested on behalf of subsidiary	3,780	3,633
Group tax relief with BDC	(2,779)	(2,779)
Export Credit Insurance & Guarantee (Pty) Ltd		
Group tax relief with BDC	1,565	2,341
Can Manufacturers (Pty) Ltd		
Group tax relief with BDC	-	12,852
Lobatse Clay Works (Pty) Ltd		
Loan from BDC	72,222	35,787
Group tax relief	(7,606)	(5,228)
Milk Afric (Pty) Ltd		
Loan from BDC	34,958	31,367
Transport Holdings (Pty) Ltd		
Loan from BDC	60,987	63,238
Related party transactions		
Transactions during the year		
Directors' fees paid		
Botswana Development Corporation	174	125
Botswana Hotel Development Company (Pty) Ltd	36	26
Commercial Holdings (Pty) Ltd	45	34
Export Credit Insurance & Guarantee (Pty) Ltd	265	232
Fairgrounds Holdings (Pty) Ltd	280	244
Malutu Enterprises (Pty) Ltd	-	7
Western Industrial Estates (Pty) Ltd	60	52

Notes to the Financial Statements *cont.*

33. Related parties (continued)

Figures in Pula thousand	Group and Company 2020	2019
Talana Farms (Pty) Ltd	5	10
Letlole La Rona Limited	1,999	1,623
LP Amusement Centre (Pty) Ltd	56	51
Residential Holdings (Pty) Ltd	35	26
Directors' remuneration for executive services - short term benefits		
Botswana Development Corporation	3,292	2,805
Investec Holdings Botswana Limited	-	2,513
Management fees paid to BDC		
Botswana Hotel Development Company (Pty) Ltd	161	304
Commercial Holdings (Pty) Ltd	-	258
Western Industrial Estates (Pty) Ltd	-	167
Residential Holdings (Pty) Ltd	-	45
Key management renumeration - short term benefits		
Botswana Development Corporation	17,915	15,321
Fairground Holdings (Pty) Ltd	3,419	2,697
Letlole La Rona Limited	4,684	4,558
LP Amusement Centre (Pty) Ltd	1,121	998
Export Credit Insurance & Guarantee (Pty) Ltd	3,612	3,299
Dividends Received		
Botswana Hotel Development Company (Pty) Ltd	15,000	27,000
Western Industrial Estates (Pty) Ltd	-	22,000
Letlole La Rona Limited	115	184
Residential Holdings (Pty) Ltd	-	40,000
Commercial Holdings (Pty) Ltd	15,000	2,500
Fairgrounds Holdings (Pty) Ltd	-	1,317
Peermont Global Botswana (Pty) Ltd	4,000	8,000
Marekisetso a merogo (Pty) Ltd	-	206
Transport Holdings (Pty) Ltd	1,709	1,028
Golden Fruit (Pty) Ltd	916	-
Finance costs paid to BDC		
Commercial Holdings (Pty) Ltd	-	12,769
Western Industrial Estate (Pty) Ltd	1,467	1,453
Lobatse Clay Works (Pty) Ltd	5,131	2,233
Mashatu (Pty) Ltd	434	-
Pasdec Automotive (Pty) Ltd	4,846	-
Transport Holdings (Pty) Ltd	6,986	8,013
Rental income from BDC		
Commercial Holdings (Pty) Ltd	17,198	15,929
Interest income on debentures		
Letlole La Rona Limited	18,437	37,522
Share of profit and dividend paid to Letlole La Rona Limited		
NBC Development -dividend received	1,550	2,300
NBC development-share of profit	378	1,798

Notes to the Financial Statements *cont.*

Figures in Pula thousand	Group 2020	Group 2019	Company 2020	Company 2019
34. Cash (used in)/generated from operations				
Profit before tax - continued and discontinued operations	151,341	100,118	231,096	207,115
Adjustments for:				
Depreciation and amortisation	10,792	11,702	15,308	2,713
Government grants	(356)	(356)	-	-
Loss on disposal of property, plant and equipment	125	704	-	-
Impairment loss on assets held for sale	2,863	-	-	-
Derecognition losses on financial assets at amortised cost	91,244	(14,127)	(64,573)	-
Share of profits of equity accounted investees	(17,686)	(18,107)	-	-
Dividends received	(32,254)	(29,503)	(72,382)	(134,437)
Finance income	(20,173)	(13,574)	(153,534)	(81,117)
Finance costs	98,257	75,167	99,840	69,542
Fair value adjustment of investment properties	(116,985)	(39,996)	-	-
Interest on lease liabilities	-	-	10,545	-
Net (gain)/loss on disposal of investment properties	(15,595)	14,000	(17,500)	-
Movements in provisions	(3,591)	(2,013)	53,461	26,202
Movement in allowances for losses on investments	(40,053)	21,017	-	(90,258)
Unrealised gain on revaluation of foreign loans	(56,416)	-	(56,416)	-
Discount on bonds	(3,978)	(4,425)	(3,978)	(4,425)
Changes in working capital:				
Inventories	230	686	-	-
Trade and other receivables	(6,101)	(10,708)	(8,907)	(10,304)
Rental straight-line adjustment	51,735	4,589	-	-
Short-term investments	-	8,214	-	-
Unrealised (loss) / profit on revaluation of foreign loans	-	1,213	-	1,213
Trade and other payables	(55,992)	35,423	4,685	(78,990)
	37,407	**140,024**	**37,645**	**(92,746)**

35. 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

Notes to the Financial Statements *cont.*

Figures in Pula thousand	Note(s)	Group 2020	Group 2019	Company 2020	Company 2019
35. Fair value information (continued)					
Equity investments at fair value through other comprehensive income	13				
Listed shares		602,135	612,282	602,135	612,282
Financial assets mandatorily at fair value through profit or loss	13				
Other assets		4,706	3,154	-	-
Total		**606,841**	**615,436**	**602,135**	**612,282**
Level 3					
Recurring fair value measurements					
Assets					
Equity investments at fair value through other comprehensive income	13				
Equity-linked debentures		-	6,250	-	-
Financial assets mandatorily at fair value through profit or loss					
Preference shares		172,097	63,894	172,097	63,894
Total		**172,097**	**70,144**	**172,097**	**63,894**
Non recurring fair value measurements					
Assets held for sale and disposal groups in accordance with IFRS 5					
Investment property		187,284	11,750	-	-
Total		**187,284**	**11,750**	**-**	**-**

Level 1

These instuments 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 expected 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.

Notes to the Financial Statements *cont*.

Figures in Pula thousand	Group 2020	Group 2019	Company 2020	Company 2019

35. Fair value information (continued)

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 2020.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 DCF 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.

Level 3

Recurring fair value measurements

Assets	Note(s)	Group 2020	Group 2019	Company 2020	Company 2019
Assets	7				
Investment property		1,128,772	1,883,410	-	-
Land and buildings		209,550	274,061	-	-
Total investment property		**1,338,322**	**2,157,471**	**-**	**-**

Reconciliation of assets and liabilities measured at level 3

Group - 2020

Assets	Notes(s)	Opening balance	Gains/Loss in P/L	Purchases	Sales	Closing balance
Investment property						
Investment property		1,883,410	126,423	22,736	(903,797)	1,128,772
Property, plant and equipment	8					
Land and Buildings		274,061	(64,511)	-	-	209,550
Total		**274,061**	**(64,511)**	**-**	**-**	**209,550**

Group - 2019

Assets	Notes(s)	Opening balance	Gains/Loss in P/L	Purchases	Sales	Closing balance
Investment property	7					
Investment property		2,024,301	39,816	93,862	(274,569)	1,883,410
Property, plant and equipment	8					
Land and buildings		274,681	(620)	-	-	274,061
Total		**2,298,982**	**39,196**	**93,862**	**(274,569)**	**2,157,471**

* Gains and losses recognised in other comprehensive income are included in Gains and losses on property revaluation.

The valuation of investment properties is primarily driven by market growth and occupancy rates. Given that the group has long term lease contracts with relatively stable customers, a reasonable change in market assumption is not expected to have a signiicant impact on the value of investment properties and land and buildings.

Notes to the Financial Statements *cont*.

36. Interests in other entities

36.1 Entities with non-controlling interests and material associate companies

Name of subsidiary	Phakalane Property Development	Fairground Holdings (Pty) Ltd	Letlole la Rona
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% (2019:49%)	49% (2019: 49%)	0% (2019: 34%)
Proportion of voting rights held by NCI	49% (2019:49%)	49% (2019:49%)	0% (2019: 34%)
Profit / (loss) allocated to NCI of SUB in P'000s	47 (2019: 47)	(4 524) (2019: (1821)	- (2019: 18 047)
Accummulated NCI of SUB in P'000s	10 061 (2019: 10 061)	90 225 (2019: 90 225)	- (2019: 265 556)
Dividend paid to NCI in P'000s	- (2019: -)	- (2019: 1266)	- (2019: 19 487)
Name of Associated Company	**Peermont Global Resort**	**Kamoso Africa (Pty) Ltd**	**Mashatu Nature Reserve**
Nature of Business	Operation of Casinos, Hotels, conference centres in Botswana	Manufacturing supply and distribution of fast moving consumer goods in Southern Africa	Game safaris and accomodation in northern Botswana
Pricipal Place of Business	Gaborone	Gaborone	Gaborone
Proportion of ownership interest held by entity	40% (2019: 40%)	24% (2019: 0%)	33% (2019: 33%)
Investment measure - fair value or equity method	Equity method	Equity method	Equity method
Dividends received from associate in P'000	8 000 (2019: 8 000)	0 (2019: 0)	- (2019:1 316)

Notes to the Financial Statements *cont.*

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

Subsidiary companies Statements of Comprehensive Income	Fairground Holdings	Phakalane Property Development
Revenue	31,104	-
Cost of sales	(17,516)	-
Gross profit	13,588	-
Operating income	684	-
Finance income	207	-
Fair value adjustment	-	280
Operating expenses	(18,693)	-
Profit before tax	(4,214)	280
Income tax credit/(expense)	(87)	62
Profit for the year from continuing operations	(4,301)	342
Loss on revaluation of land and buildings	(6,663)	-
Deferred taxation on revaluation loss	1,731	-
Total comprehensive income for the year	**(9,233)**	**342**
Statements of Financial Position		
Non-current assets	210,832	26,357
Current assets	7,014	-
Total assets	**217,846**	**26,357**
Capital and reserves	197,864	25,336
Non-current liabilities	14,522	1,021
Current liabilities	5,460	-
Total equity and liabilities	**217,846**	**26,357**

Associated companies

Statements of Comprehensive Income	**Letlole La Rona**	**Peermont Global Resorts**	**Mashatu Nature Reserve**	**Kamoso Africa (Pty) Ltd**
Year end	June	December	June	-
Revenue	81,155	49,330	546	1,374,172
Profit for the year from continuing operations	60,563	(15,468)	(1,226)	53,401
Total comprehensive income for the year	62,351	(15,468)	(1,226)	53,401
Statements of Financial Position				
Non-current assets	978,797	235,204	287,608	543,861
Current assets	133,018	36,324	24,148	485,641
Total assets	**1,111,815**	**271,528**	**311,756**	**1,029,502**
Capital and reserves	771,141	138,575	301,486	717,900
Non-current liabilities	297,634	101,722	-	25,695
Current liabilities	43,040	31,231	10,270	285,997
Total equity and liabilities	**1,111,815**	**271,528**	**311,756**	**1,029,592**

Notes to the Financial Statements *cont.*

	Group		Company	
Figures in Pula thousand	2020	2019	2020	2019

36. Interests in other entities (continued)

Interest in immaterial associates

	Group 2020	Group 2019	Company 2020	Company 2019
Carrying amount of interest in associates			722,322	240,758
Share of profit from continuing operations			15,758	16,487
OCI			28,146	(20)
Total equity and liabilities			**5,575**	**4,577**

Associated company results are disclosed for the year or period ended 30 June 2020. Total comprehensive income has been derived from the latest available results.

37. Non-current assets classified as held for sale

Assets held for sale in the current year financial statements relates to Investment property held by a subsidiary Western Industrial Estate (Pty) Ltd and Residential Holdings (Pty) Ltd amounting to P174 400 000 and P12 884 000 respectively and these were mostly disposed off subsequent to year end (refer note 39). In addition, in the prior year, a susidiary company resolved to dispose all the investment properties in the Leisure Sector to an identified party who occupied these properties. By 30 June 2019, most of the properties were disposed and ownerships transferred save for one of the properties. Since all the other properties in the Leisure sector of the subsidiary had been disposed of, the property retained by the subsidiary at the year-end was classified as a discontinued operation and information required under IFRS 5 was presented.

Below are the details:

Profit and loss	Group 2020	Group 2019	Company 2020	Company 2019
Revenue	-	2,887	-	-
Expenses	-	(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	187,284	2,750	-	-
Assets of disposal groups				
Investment property	-	9,000	-	-
	187,284	**11,750**	**-**	**-**

	Group	
Figures in Pula thousand	**2020**	**2019**
Opening balance	11,750	42,250
Disposals	(1,100)	(39,500)
Transfers in/additions	184,422	22,065
Decrease/Increase in fair value	1,212	(13,065)
Disposal of subsidiary	(9,000)	-
	187,284	**11,750**

Notes to the Financial Statements *cont*.

38. Prior period errors

A subsidiary company is a key player in the Meetings, Incentives, Conferences and Exhibitions (MICE) sector of the Hospitality and Tourism industry. Its core business is Conference Incentives Meetings and Exhibitions supported by Food and beverage facilities such as the Restaurant and Bars. The company existence is underpinned by customers utilising its facilities being the Conference rooms, Exhibition Hall, and the open spaces to host all meetings conferences, exhibitions, events and in the processes consuming food and beverage services.

The company's highest generator of revenue for the business is clearly meetings & conferences, exhibitions, and banquets in that a single business transaction in respect of the MICE will impact revenue generation in several other revenue streams of the business.

Based on the analysis of both historical and projected future performance, the revenues generated from the ancillary services are significant, dominated by the food & beverages. However, the provision of food and beverages, while a support service are an integral part to the success of the core business.

The company has previously classified its properties as Investment properties under IAS 40 - *Investment properties*. However, its business model does not support this classification. As a result, this necessitated a restatement of the affected captions to align to the requirements of IAS 40 - *Investment properties and IFRS 16 - Property plant and equipment*.

In addition, the company owns a piece of land which was previously omitted in the general ledger. As a result, of this, the value of properties was understated in the previous years.

The affected captions were reinstated to correct this error in line with the requirements of IAS 8 - *Accounting Policies, Changes in Accounting Estimates and Errors*.

The effect of the restatement on the financial statements is described below. The effect in the current year financial year has been corrected in the current statement of profit or loss and other comprehensive income, statement of financial position and the statement of changes in equity. The restatement did not have any impact on the statement of cash flows.

Statement of profit or loss and other comprehensive income
The investment fair value adjustment and the related deferred tax impact was reclassified from profit or loss to other comprehensive income.

There is no impact on the Statement of Cashflows for the year ended 30 June 2019.

Notes to the Financial Statements *cont*.

38. Prior period errors (continued)

The correction of the error(s) results in adjustments as follows:

Statement of Financial Position - 01 July 2019	As Previously Reported	Adjustments	Restated Balance
Property, plant and equipment	210,692	209,550	420,242
Investment properties	2,063,660	(180,250)	1,883,410
Revaluation reserve	(282,981)	(154,400)	(437,381)
Retained earnings	(915,805)	131,546	(784,259)
Deferred taxation liability	(143,693)	(6,446)	(150,139)
Statement of Financial Position - 01 July 2018			
Property, plant and equipment	179,842	213,051	392,893
Investment properties	2,208,051	(183,750)	2,024,341
Revaluation reserve	(293,285)	(157,245)	450,530
Retained earnings	(905,721)	134,291	771,430
Deferred taxation liability	(141,364)	(6,446)	(147,810)
Statement of comprehensive income			
Fair value gain on Investment properties	38,217	4,666	42,883
Income tax expense	(19,663)	(1,822)	(21,484)
	18,554	**2,844**	**21,399**

Impairment of Other Investments (Note 13)
In the prior year, the impairment of other investments was not allocated accurately when ageing the long and short term portions of the asset. This error has been corrected in the current year to accurately reflect the impairment relating to the short term portion of other investments. The total impact was a reclassification of P92,822,000 which resulted in the carrying amount of Non-current investments increasing from P1,562,937,000 to P1,655,759,000 while Current investments decreased from P156,675,000 to P63,853,000.

Notes to the Financial Statements *cont.*

39. Events after the reporting period and going concern

The Capital reserve fund for the Company stood at P135 million (2019: P135 million) as at 30 June 2020. Additional allocation of P24.8 million was approved subsequent to year end in line with policy.

Subsequent to year end the Company concluded a P162million Bond issuance on 25 September 2020.The bond note is issued at a fixed rate of 8% on an unsecured basis for a weighted average life of 11 years.

BDC is currently in the process of acquiring shares held by the other shareholder in its subsidiary Milk Afric (Pty) Ltd. The transaction is expected to be concluded by 31 December 2020.

In August 2020 the short term facility of P230million was settled by the Company. Further to this an amount of P100million was paid to reduce the revolving facility held with Stanchart Limited.

In December 2020, the Government of Botswana launched an Industry Support Fund through which P300million has been allocated to the Company to be used to provide relief to investee companies that meet set requirements.

Subsequent to year end, Western Industrial Estates (Pty) Ltd disposed of part of its portfolio of properties (Lot 6371-72, Lot 69365, Lot 69368, Lot 69369, Lot 22047, Lot 54060) to a listed company that is part of the group for P174.4 million. The settlement of the purchase consideration for five properties was received in July 2020 while one property is to be settled at a later date once ownership per the title deeds has been changed to the purchaser.

Going Concern
During the year ended 30 June 2020, a coronavirus disease (COVID-19) was discovered in the Wuhan province of China and rapidly spread across the globe. To that end, it was declared to be a pandemic in March 2020 by the World Health Organisation. The first cases of the disease were noted in Botswana late March 2020 causing the Government to take measures with the views to combat the spread of the virus. These measures included complete shutdown of the country for an extended period which in turn had a negative impact on the economy.

As at the date of this report, the directors made an assessment of the Group and Company's ability to continue as a going concern taking into account all available information about the future including an analysis of the possible impacts in relation to COVID-19, which is at least, but is not limited to, twelve months from the date of approval of these financial statements and confirm that they have not identified events or conditions that may cast significant doubt on the Group and Company's ability to continue as a going concern.

The Board of Directors has assessed that there are sufficient cash resources available to settle the obligations up to 12 months from the date of the approval of these financial statements. The Board will continue to monitor the impact of COVID-19 on the group and company and reflect the consequences as appropriate in the accounting and reporting. The Group and Company also keeps track of the Botswana government initiatives to protect the economy and will participate as appropriate. Measures already in place, such as the establishment of the Industry Support Fund by Government and the Company's allocation as stated above.

The financial statements have thus been prepared on the basis of accounting policies applicable to a going concern. The basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Except as disclosed above, there has been no material events after the reporting date, which would require disclosure or adjustment to the financial statements for the year ended 30 June 2020.

Notes to the Financial Statements *cont.*

40. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

Group - 2020

	Note(s)	Fair value through other comprehensive income-equity instruments	Fair value through profit or loss-Mandatory	Amortised cost	Total	Fair value
Trade and other receivables	16	-	-	60,481	60,481	60,481
Short term investments	13	-	-	148,577	148,577	148,577
Cash and cash equivalents	18	-	-	486,960	486,960	485,960
Other investments	13	602,135	168,906	1,106,407	1,877,448	1,905,593
Other assets	17	-	-	4,706	4,706	4,706
		602,135	**168,906**	**1,807,131**	**2,578,172**	**2,605,317**

Group - 2019

	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
Other investments - short term portion	13	-	-	63,853	63,853	63,853
Cash and cash equivalents	18	-	-	380,571	380,571	380,571
Other investments	13	63,894	618,532	973,191	1,655,617	1,655,759
Other assets	17	-	-	3,154	3,154	3,154
		63,894	**618,532**	**1,486,574**	**2,169,000**	**2,169,142**

Notes to the Financial Statements *cont.*

40. Financial instruments and risk management (continued)

Company - 2020

	Note(s)	Fair value through other comprehensive income-equity instruments	Fair value through profit or loss-Mandatory	Amortised cost	Total	Fair value
Trade and other receivables	16	-	-	102,118	102,118	102,118
Other investments - short term portion	13	-	-	167,355	167,355	167,355
Cash and cash equivalents	18	-	-	447,028	447,028	447,028
Other investments	13	602,135	168,906	1,278,485	2,049,526	2,049,526
		602,135	**168,906**	**1,994,986**	**2,766,027**	**2,766,027**

Company - 2019

	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	-	-	104,418	104,418	104,418
Short term investments	13	-	-	85,700	85,700	85,700
Cash and cash equivalents	18	-	-	155,118	155,118	155,118
Other investments	13	63,894	612,282	930,621	1,606,797	1,606,797
		63,894	**612,282**	**1,275,857**	**1,952,033**	**1,952,033**

Categories of financial liabilities

Group - 2020

	Note(s)	Amortised cost	Total	Fair value
Trade and other payables	29	105,642	105,642	105,642
Borrowings	24	1,541,693	1,541,693	1,541,693
Bonds outstanding	26	346,959	346,959	346,959
Bank overdraft	18	164,737	164,737	164,727
		2,159,031	**2,159,031**	**2,159,021**

Group - 2019

	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
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**

Notes to the Financial Statements *cont.*

	Group		Company	
Figures in Pula thousand	**2020**	**2019**	**2020**	**2019**

40. Financial instruments and risk management (continued)

Company - 2020

	Note(s)	Amortised cost	Leases	Total	Fair value
Trade and other payables	29	90,962	-	90,962	90,962
Borrowings	24	1,461,230	-	1,461,230	1,461,230
Finance lease liabilities	10	-	171,842	171,842	171,842
Bonds outstanding	26	346,959	-	346,959	346,959
Bank overdraft	18	164,737	-	164,737	164,737
		2,063,888	**171,842**	**2,235,730**	**2,235,730**

Company - 2019

	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
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**

Capital risk management

The group's objective when managing capital (which includes share 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 at the reporting date was as follows:

	Note(s)	Group 2020	Group 2019	Company 2020	Company 2019
Bonds outstanding	26	346,959	345,504	346,959	345,504
Borrowings	24	1,541,693	1,092,733	1,461,230	707,064
Lease liabilities	10	-	2,522	171,842	178,496
Trade and other payables	29	125,667	171,360	90,962	86,275
Total borrowings		**2,014,319**	**1,612,119**	**2,070,993**	**1,317,339**
Cash and cash equivalents	18	(321,152)	(385,191)	(282,291)	(55,511)
Net borrowings		**1,693,167**	**1,226,928**	**1,788,702**	**1,261,828**
Equity		2,797,863	2,931,240	2,252,240	2,088,667
Gearing ratio		61%	42%	79%	60%

Notes to the Financial Statements *cont.*

40. Financial instruments and risk management (continued)

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 (at amortised cost), debt instruments at fair value through oci, 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.

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 loans 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.

Notes to the Financial Statements *cont.*

40. Financial instruments and risk management (continued)

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:

Group		**2020**			**2019**		
		Gross carrying amount	**Credit loss allowance**	**Amortised cost/fair value**	**Gross carrying amount**	**Credit Loss allowance**	**Amortised cost/fair value**
Loans receivable	13	1,146,303	(43,087)	1,103,216	1,030,455	(57,264)	973,191
Trade and other receivables	16	84,696	(24,215)	60,481	86,377	(20,572)	65,805
Short term investments	13	241,399	(92,822)	148,577	156,675	(92,822)	63,853
Cash and cash equivalents	18	485,960	-	485,960	380,571	-	380,571
		1,958,358	**(160,124)**	**1,798,234**	**1,654,078**	**(170,658)**	**1,483,420**

Notes to the Financial Statements *cont.*

40. Financial instruments and risk management (continued)

Company		2020 Gross carrying amount	Credit loss allowance	Amortised cost/fair value	2019 Gross carrying amount	Credit Loss allowance	Amortised cost/fair value
Loans receivable	13	1,310,539	(32,305)	1,278,234	1,164,256	(100,894)	1,063,362
Trade and other receivables	16	102,118	-	102,118	104,418	-	104,418
Short term investments	13	257,304	(89,630)	167,674	178,522	(92,822)	85,700
Cash and cash equivalents	18	447,028	-	447,028	155,118	-	155,118
		2,116,989	**(121,935)**	**1,995,054**	**1,602,314**	**(193,716)**	**1,408,598**

Amounts are presented at amortised cost or fair value depending on the accounting treatment of the item presented. The above analysis excludes invesments in equity instruments which are not subject to credit risk. The impact of the current economic conditions and the impact of COVID-19 pandemic was taken into account in the determination of expected credit loss as they resulted in an increase in credit risk for all loans receivable.

The following table provides information about the exposure to credit risk and ECLs for other investments as at 30 June. 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. Refer to note 43 on the analysis of the charge recognised in profit or loss.

Group	Weighted average loss rate %	Gross carrying amount	Impairment loss allowance	Credit impaired
2020				
Credit rating B to AAA	12.00%	813,006	(2,283)	No
Credit rating B- to CCC-	25.00%	159,126	(225)	No
Credit grade C or lower	52.00%	305,991	(102,226)	Yes
	-%	**1,278,123**	**(104,734)**	
Company				
2020				
Credit rating B to AAA	21.00%	885,897	(2,577)	No
Credit rating B- to CCC-	25.00%	159,126	(335)	No
Credit grade C or lower	47.00%	413,241	(119,023)	Yes
	-%	**1,458,264**	**(121,935)**	
Group				
2019				
Credit rating B to AAA	2%	757,169	(2,442)	No
Credit rating B- to CCC-	5%	-	-	No
Credit grade C or lower	45%	213,810	(72,875)	Yes
	-	**970,979**	**(75,317)**	-

Notes to the Financial Statements *cont.*

40. Financial instruments and risk management (continued)

Company	Weighted average loss rate %	Gross carrying amount	Impairment loss allowance	Credit impaired
2019				
Credit rating B to AAA	2%	940,041	(2,714)	No
Credit rating B- to CCC-	5%	-	-	No
Credit grade C or lower	45%	281,007	(126,668)	Yes
	-	**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.

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 - 2020		Less than 1 year	1 to 5 years	Over 5 years	Total	Carrying amount
Non-current liabilities						
Borrowings	24	-	339,544	916,460	1,256,004	1,097,682
Bonds outstanding	26	-	103,635	391,373	495,008	346,959
Current liabilities						
Trade and other payables	29	105,642	-	-	105,642	105,642
Borrowings	24	473,621	-	-	473,621	444,011
Bank overdraft	18	164,808	-	-	164,808	164,808
		744,071	**443,179**	**1,307,833**	**2,495,083**	**2,159,102**

Group - 2019		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
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**

Notes to the Financial Statements *cont.*

40. Financial instruments and risk management (continued)

Company - 2020		**Less than 1 year**	**1 to 5 years**	**Over 5 years**	**Total**	**Carrying amount**
Non-current liabilities						
Borrowings	24	-	193,750	783,861	977,611	977,611
Bonds outstanding	26	-	103,635	391,373	495,008	346,959
Finance lease liabilities	10	-	47,040	118,812	165,852	171,842
Current liabilities						
Trade and other payables	29	90,962	-	-	90,962	90,962
Borrowings	24	430,406	-	-	430,406	430,406
Lease liabilities		5,990	-	-	5,990	5,990
Bank overdraft	18	164,737	-	-	164,737	164,737
		692,095	**344,425**	**1,294,046**	**2,330,566**	**2,188,507**

Company - 2019						
Non-current liabilities						
Borrowings	24	-	252,136	306,250	558,386	558,386
Bonds outsanding	26	-	-	345,504	345,504	345,504
Lease liabilities		-	-	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**

Financing facilities

Unsecured bank overdraft facility, reviewed annually and payable on call:						
Used			164,808	99,695	164,737	99,607
Unused			61,692	126,805	55,263	120,393
			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 group also keeps foreign currency denominated bank balances to manage foreign currency exchange risk on its borrowings. 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.

Notes to the Financial Statements *cont.*

		Group		**Company**	
Figures in Pula thousand		**2020**	**2019**	**2020**	**2019**

40. Financial instruments and risk management (continued)

Exposure in Pula

The net carrying amounts, in Pula, of the various exposures, are denominated in US Dollar. The amounts have been presented in Pula by converting the foreign currency amounts at the closing rate at the reporting date:

US Dollar exposure:

Non-current assets:					
Loans receivable	13	478,137	385,178	478,137	385,178
Equity investments at FV OCI		84,703	-	84,703	-
Current assets:					
Cash and cash equivalents	18	410,636	2,717	410,636	2,717
Non-current liabilities:					
Borrowings	24	(543,017)	(58,386)	(543,017)	(58,386)
Net US Dollar exposure		**430,459**	**329,509**	**430,459**	**329,509**

Exposure in foreign currency amounts

The net carrying amounts, in foreign currency of the above exposure was as follows:

US Dollar exposure:

Non-current assets:					
Loans receivable	13	41,444	35,864	41,444	35,864
Equity investments at FVOCI		7,182	-	7,182	-
Current assets:					
Cash and cash equivalents	18	34,822	253	34,822	253
Non-current liabilities:					
Borrowings	24	(46,048)	(5,434)	(46,048)	(5,43)
Net US Dollar exposure		**37,400**	**30,683**	**37,400**	**30,683**

Exchange rates

Pula per unit of foreign currency:					
US Dollar		11.790	10.740	11.790	10.740

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.

Notes to the Financial Statements *cont.*

40. Financial instruments and risk management (continued)

Group and Company	2020	2020	2019	2019
Increase or decrease in rate	**Increase**	**Decrease**	**Increase**	**Decrease**
Impact on profit or loss:				
US Dollar 2% (2019: 2 %)	8,609	(8,609)	6,476	(6,476)

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.

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		Carrying amount	
Group		**2020**	**2019**	**2020**	**2019**
Assets					
Loans receivable	13	13.50%	13.50%	323,936	192,740
Cash and cash equivalents	18	4.75%	4.08%	485,843	279,366
Short term investments	13	5.08%	5.00%	4,706	3,154
				814,485	**475,260**
Liabilities					
Borrowings	24	5.60%	5.40%	1,541,693	1,461,230
Bonds outstanding	26	7.50%	8.00%	346,959	345,504
Bank overdraft	18	6.50%	6.00%	164,808	99,695
				2,053,460	**1,906,429**

Notes to the Financial Statements *cont.*

40. Financial instruments and risk management (continued)

	Note	Average effective interest rate		Carrying amount	
		2020	**2019**	**2020**	**2019**
Assets					
Other investments	13	13.50%	13.50%	958,922	1,249,578
Company					
Assets					
Loans receivable		13.50%	13.50%	323,936	192,740
Cash and cash equivalents	18	4.75%	5.25%	387,028	50,798
				710,964	**243,538**
Liabilities					
Borrowings	24	5.60%	6.94%	1,514,443	813,490
Bonds outstanding	26	7.50%	8.00%	346,959	345,504
Bank overdraft	18	7.50%	7.50%	164,737	99,607
				2,026,139	**1,258,601**
Assets					
Other investments	13	13.50%	13.50%	1,121,971	1,412,627

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.

Group	2020	2020	2019	2019
Increase or decrease in rate	**Increase**	**Decrease**	**Increase**	**Decrease**
Impact on profit or loss and equity:				
Bonds and other borrowings 1% (2019: 2%)	(833)	833	(777)	777
Bank overdraft 1% (2019: 1%)	(99)	99	(60)	60
Cash and cash equivalents 1% (2019: 1%)	198	(198)	198	(198)
Short term investments 1% (2019: 1%)	2	(2)	2	(2)
Other investments 1% (2019: 1%)	437	(437)	520	(520)
	(295)	**295**	**(117)**	**117**
Company				
Impact on profit or loss and equity:				
Bonds and other borrowings 1% (2019: 2%)	(1,292)	1,292	(767)	767
Bank overdraft 1% (2019: 1%)	(99)	99	(60)	60
Cash and cash equivalents 1% (2019: 1%)	194	(194)	78	(78)
Other investments 1% (2019: 1%)	437	(437)	520	(520)
	(760)	**760**	**(229)**	**229**

Notes to the Financial Statements *cont.*

40. Financial instruments and risk management (continued)

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	2020	2020	2019	2019
Increase or decrease in rate	**Increase**	**Decrease**	**Increase**	**Decrease**
Impact on equity:				
Sechaba Brewery Holdings Limited shares 10% (2019: 15%)	45,787	(45,787)	88,509	(88,509)
Cresta Marakanelo Limited shares 10% (2019: 15%)	11,113	(11,113)	16,669	(16,669)
GRIT Real Estate Income Group 5% (2019: Nil)	4,130	(4,130)	-	-
	61,030	**(61,030)**	**105,178**	**(105,178)**
Impact on profit or loss				
Letlole La Rona Limited 10% (2019: Nil)	39,462	(39,462)	-	-
Total impact on profit or loss and equity	**100,492**	**(100,492)**	**105,178**	**(105,178)**

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.

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

Notes to the Financial Statements *cont.*

41. Segmental information (continued)

The segment information provided to the Board for the reportable segments for the year ended 30 June is as follows:

30 June, 2020	Rental	Trade	Other	Services	Total
Revenue	81,437	40,113	-	182,966	304,516
Profit for the year	137,599	(19,100)	-	222,698	341,197
Included in operating profit					
Finance cost	(5,016)	(1,702)	-	(91,253)	(97,971)
Finance income	2,013	357	-	7,312	9,682
Fair value gain on investment properties	134,262	(6,663)	-	-	127,599
Intangible assets	-	52	-	2,813	2,865
Cash and cash equivalents	52,934	9,150	59	405,735	467,878
Non current assets held for sale	187,283	-	-	-	187,283
Total liabilities	**497,723**	**15,147**	**1,879,759**	**1,889,224**	**4,281,853**
30 June, 2019					
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
Equity accounted investees	1,623	-	18,751	-	20,374
Fair value gain on investment property	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**
Equity accounted investees	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
Non current assets held for sale	11,750	-	-	-	11,750
Total liabilities	**572,960**	**91,879**	**3,184**	**1,222,033**	**1,890,056**

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, 2020 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 01 January, 2020.

The group expects to adopt the amendment for the first time in the 2021 financial statements.

It is unlikely that the amendment will have a material impact on the group's 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 01 January, 2020.

The group expects to adopt the amendment for the first time in the 2021 financial statements.

It is unlikely that the amendment will have a material impact on the group's financial statements.

Accounting Policies, Changes in Accounting Estimates and Errors: 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 01 January, 2020.

The group expects to adopt the amendment for the first time in the 2021 financial statements.

It is unlikely that the amendment will have a material impact on the group's 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 01 January, 2020.

The group expects to adopt the standard for the first time in the 2022 financial statements.

The group is unable to reliably estimate the impact of the standard on the financial statements.

Notes to the Financial Statements *cont.*

	Group		Company	
Figures in Pula thousand	**2020**	2019	**2020**	2019
43. Expected credit losses				
Impairment losses recognised (reversed) in profit and loss relating to:				
Investments in Subsidiaries	-	-	18,610	35,677
Equity accounted investees	11,968	-	23,077	-
Other investments	18,053	15,509	17,368	15,509
Reversal of impairment	-	-	-	(144,207)
The reversal of impairment losses arises mainly from a previously non-performing loan of a 100% subsidiary that became recoverable due to the subsidiary's improved profitability and restructuring of the debt.				
	30,021	**15,509**	**59,055**	**(93,021)**

44. Changes in liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities - Group - 2020

	Opening balance	Interest expense	Fair value changes	Other non-cash move-ments	Total non-cash move-ments	Cash flows	Closing balance
Borrowings	1,092,733	68,647	-	-	68,647	380,313	1,541,693
Bonds outstanding	345,504	29,610	(3,978)	5,123	30,755	(29,300)	346,959
Government grant	11,055	-	-	(356)	(356)	-	10,699
Lease liabilities	2,522	-	-	(2,522)	(2,522)	-	-
Dividends payable	10,299	-	-	9,701	9,701	(20,000)	-
	1,462,113	**98,257**	**(3,978)**	**11,946**	**106,225**	**331,013**	**1,899,351**
Total liabilities from financing activities	**1,462,113**	**98,257**	**(3,978)**	**11,946**	**106,225**	**331,013**	**1,899,351**

Reconciliation of liabilities arising from financing activities - Group - 2019

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
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**

Notes to the Financial Statements *cont.*

44. Changes in liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities - Company - 2020

	Opening balance	Interest expense	Fair value changes movements	Total non-cash	Cash flows	Closing balance
Borrowings	707,064	44,550	14,752	59,302	641,651	1,408,017
Bonds outsanding	345,504	34,231	(3,476)	30,755	(29,300)	346,959
Lease liabilities	178,496	-	-	-	(6,654)	171,842
	1,231,064	**78,781**	**11,276**	**90,057**	**605,697**	**1,926,818**
Total liabilities from financing activities	**1,231,064**	**78,781**	**11,276**	**90,057**	**605,697**	**1,926,818**

Reconciliation of liabilities arising from financing activities - Company - 2019

	Opening balance	Foreign exchange movement	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
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**

Notes to the Financial Statements *cont.*

45. Directors' emoluments

P171 900 (2019: P125 100) directors fees were paid to the non-executive directors or any individuals holding a prescribed office during the year.

Executive

2020

	Emoluments	Other benefits*	Compen-sation for loss of office	Total
Directors emoluments	320	504	2,468	3,292

2019

	Emoluments	Other benefits*	Compen-sation for loss of office	Director's fees	Total
Directors emoluments	1,238	839	721	7	2,805

Notes

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