

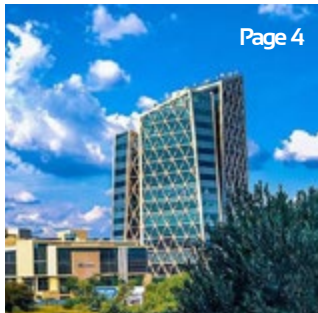


# BDC ANNUAL REPORT 2020 | 2021

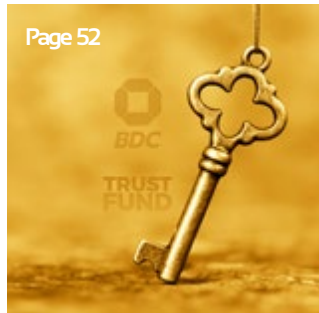


Integrating Botswana Into The World Economy

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## Welcome

I am delighted to be delivering this annual report, summarising BDC’s performance, our preparedness and handling of the pandemic during the 2020/21 financial year. When confronted with unprecedented challenges, businesses must find a way to persevere. They do it by constantly challenging the status quo and striving for even greater levels of excellence. They never stop learning, instead they are asking the hard questions and adapting. They are constantly in motion, anticipating the next challenge or opportunity, staying agile even as they scale; and BDC has been relentless in confronting these challenges.

Mr. Cross Kgosidiile  
Managing Director - BDC

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## BDC STRATEGY BEYOND 2019

BDC has been preparing to charter a New & Bold Strategic Direction, which is aimed at maximising long-term value for the shareholder and create wealth for future generations by deeply integrating Botswana into the global economy through investments and partnerships. Through this strategy, the Corporation envisages to move from Economic Development to Economic Transformation. Beyond 2019 promises to lay a foundation for the future through a 5-year transformation period.

Success is not a random occurrence, but rather a series of right decisions taken at the right instances. Meticulous planning, preparation, and execution determine success, and all this starts with defining the right strategy, deploying resources effectively and making the right choices. Beyond 2019 reflects the Corporation’s readiness for the ‘Next Horizon of Impact’ through a commitment to its strategic intent.

To become an investment partner of choice BDC’s strategic foundation is underpinned by the following:



### STRATEGIC INTENT

“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.”



### MISSION

To create sustainable economic value as a strategic investor of inclusive, impactful and productive enterprises.



### VISION

“To be an investment partner of choice in the transformation of Botswana’s economy”



### VALUES

- Client centricity
- Innovation
- Integrity
- Sustainability

BDC’s strategic intent is further reinforced by several programs and initiatives across five BDC Strategic Pillars aimed at supporting the Corporation’s overarching ambitions.

### BDC Strategic themes:

- Pioneering industries and unlocking value in untapped sectors across Botswana with a focus on citizen economic empowerment.
- 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.
- Expediting positive impact to customers and stakeholders through our commitment to service excellence.

‘Beyond 2019’ places much emphasis on citizen economic empowerment to create an inclusive economy and was developed in cognisance of the Government’s national priorities, as well the country’s Vision 2036 which aims to move Botswana from a Middle-Income to a High-Income Economy. This ambition is the fuel behind turning BDC into ‘a premier investment partner of choice in the transformation of Botswana’s economy’.

This new corporate strategy has identified key initiatives that will guarantee the success of the Corporation and help reach its strategic objectives. These include among other things the development of an Investment and Divestment Strategy, Capital Raising Strategy, Customer Service Strategy and Organisational Structure Review and Job Evaluation Exercise.

#Beyond2019

#ABoldAndNewDirection

# STRATEGY BEYOND 2019





## About BDC – The Investment Arm of Government

A private company established in 1970 under the Companies Act



### Our Mandate

To provide, facilitate and support funding of commercially viable developments in order to contribute to a sustainable and diversified Botswana economy

To stimulate the growth of the private sector, diversify the economy and create wealth for the shareholder

To invest in the region and internationally

To conduct its business on a commercial basis and exercise special care and regard to economic and commercial merits.



### BDC Quick Facts

**Structure:** A private company limited by shares

**Ownership:** 100% Government of Botswana

**Governance:** Independent Board

**Sources of Funding:** Self funding (banks, bonds, divestments, distributions)

**Solutions:** Debt, equity, mezzanine

**Core Industries:** Energy, Infrastructure, Property, Industry, Services, Agriculture, Tourism, Technology.

## Investment Solutions

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### BDC's Role is to:

Provide financial assistance to investors with commercially viable projects that perform one or more of the following functions:

- Pioneer new industries
- Unlock value in existing industries
- Stimulate private sector growth and foster linkages with the local and foreign investors
- Drive diversification and exports
- Create significant employment.

## Financing of Investments starts at P30million



### 1. Debt Funding

BDC provides loan financing tailor made for individual business requirements. The loans are available at competitive interest rates and are repayable over a period of up to 10 years, although in exceptional circumstances a longer repayment period may be considered.



### 2. Equity Funding

BDC can take equity stake in businesses that are aimed at unlocking significant value for the country as defined by its appetite statement from time to time. The Corporation however prefers to take a minority stake up to 26% in any business ventures.



### 3. Mezzanine Funding

Mezzanine funding is a capital resource that sits between (less risky) senior debt and (higher risk) equity that has both debt and equity features.



### Requirements

**Business Plan** - Guide available on our website ([www.bdc.bw](http://www.bdc.bw))

**Contribution by investor** - Minimum 15% of total project cost

**Security** - (The Corporation may require security cover of up to 2X the value of the loan.)

## The Brand



The logo is the visual representation of who and what BDC is and what it stands for. It is a graphic representation of BDC and the important role it plays as a development finance institution. The BDC brand logo represents four “pillars” of Botswana Development Corporation and a “round table”.

The “pillars” element represent the Corporation’s continued support to local and foreign investors through providing financial support to feasible projects, for the benefit of Botswana’s economic growth and development. The pillars identify and reinforce Botswana Development Corporation as a commercial and industrial development agency. The “roundtable” depicts a conversational type of

atmosphere where viable partnerships are forged and cementing lasting relationships which will develop 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 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.

Botswana Development Corporation slogan: **“Your Investment Partner”**



### STRATEGIC INTENT

“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.”



### MISSION

To create sustainable economic value as a strategic investor of inclusive, impactful and productive enterprises.



### VISION

“To be an investment partner of choice in the transformation of Botswana’s economy”

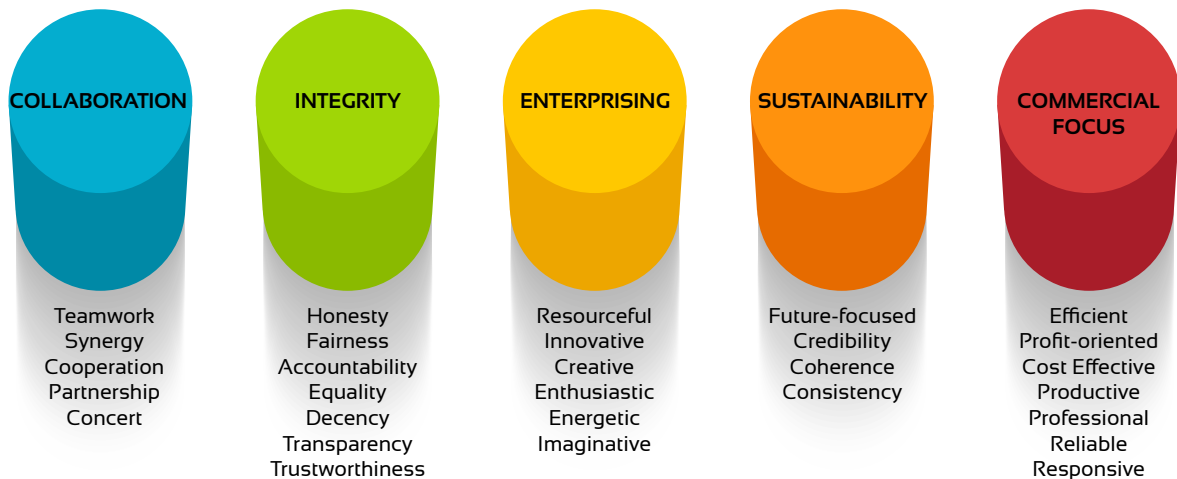


### VALUES

- Client centricity
- Innovation
- Integrity
- Sustainability

## Brand Pillars

The brand pillars below are the points that set BDC apart from its competitors and counterparts. They help to sharpen the outlook on the things that matter most to customers, and where it naturally fits, and to reinforce those ideas in content that is to be produced. These brand pillars fully pound on the key elements that BDC binds itself with and helps to achieve its core mandate of being a development financial institution.



## Clients Service Commitment

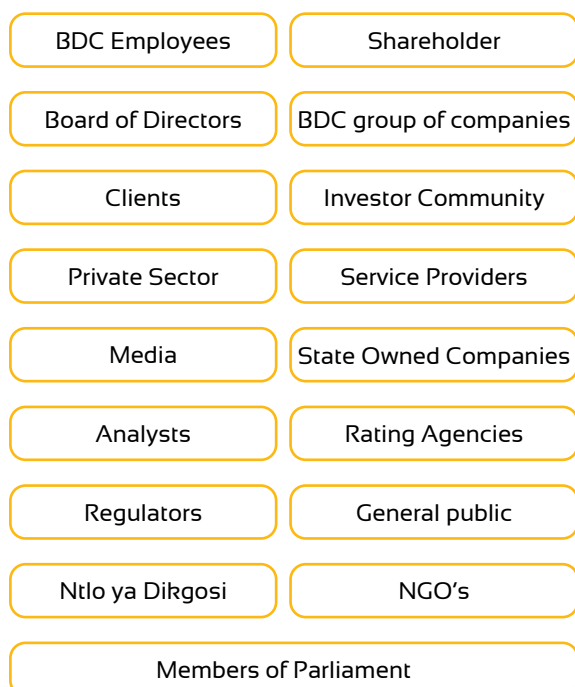
“BDC is committed to delivering excellent client satisfaction at all times and customer primacy is central to our values. We are always striving to exceed client’s expectations. The Corporation has a Client Complaints Handling Policy that ensures that all complaints are dealt with fairly, effectively, and promptly. We value your feedback and advice that if any of our staff has impressed you in any way, please let us know so that we can continue to deliver a great service experience. If we have not delivered to your expectations, please bring it to our attention by following the client’s complaints procedure available on our website.”

### Our Commitment

- At BDC, we are serious about business, and driving results
- We are malleable to changes in the markets, always ready to listen and appreciate what happens on the ground
- Have embarked on an ambitious 5-year strategy that we are confident will achieve its milestones and considerably transform Botswana’s economic landscape
- BDC has a qualified, capable, passionate team that is committed to making a difference in Botswana’s industries and promoting the strong, sustainable growth of the economy

### Our Stakeholders and Strategic Partners

Our Stakeholders and Partnerships are critical for us to succeed in our chosen geographies and industries or sectors.



### Corona Virus (Covid-19) BDC Covid-19 Response

As a response to the Covid-19 pandemic, BDC availed P75 million in contingency funds towards affected companies in the form of equity injections and loans.

This was meant to help the affected investee companies to maintain operations and to ensure that jobs are preserved and that the businesses are also sustained.

A further provision for restructuring of loans through payment holidays was made available for the affected businesses.

### Industry Support Fund

As a response to the Covid-19 pandemic the Government of Botswana prepared a medium to long term Economic Recovery and Transformation Plan (ERTP) for mitigating the effects of the COVID -19 pandemic.

This resulted in Government appropriating resources in the form of the Industry Support Facility to the tune of **P1.3 billion**.

BDC has been mandated to administer a **P300 million** Facility on behalf of the Government for large businesses, which administration shall include, inter alia, receipt of the application for the loan from eligible businesses, assessing the loan application, disbursing the funds and monitoring the loan performance post disbursements.

By year end;

BDC had received requests amounting to **P291.2 million** through the ISF route.

Two applicants have been approved to the value of **P50 million** by June 2021.

The Corporation is at an advanced stage with different entities for additional uptake of the Industry Support Facility. It is expected that there will be further uptake in the next financial year. BDC continues to engage with the market to find suitable candidates for the uptake of the ISF.



## Some of Our Activities and Events

The outbreak of Covid-19 has affected the number of activities the Corporation had planned for the year. Below are a few major activities carried out for the period:



### BDC 50th Anniversary

The Corporation spent half of 2020 celebrating 50 years of building Botswana. Highlighting our impact, past projects and where we are today.



### The Annual Service Bridges Consulting (SBC) Diamond Service-Learning Journey (DSLJ) Awards 2020

Three BDC officers were nominated to be part of the Annual Service Bridges Consulting (SBC) Diamond Service-Learning Journey (DSLJ) Awards 2020. The awards were aimed at recognising over a thousand nominees from different organisations and across various categories of service excellence in Botswana.



### Kromberg and Schubert

BDC hosted the Groundbreaking ceremony for the funding of the Kromberg and Schubert warehouse expansion. BDC invested P64million into the expansion of the 7320sqm warehouse. The event was officiated by the Former Minister of Investment Trade and Industry, Hon Peggy O Serame.



### Project Visits

During this period, we have had the pleasure of visiting BDC's projects in the Northern Tuli Block (Mashatu Nature Reserve and Kwenantle Farmers), Transport Holdings, Lobatse Projects (Milk Afric, Lobatse Clay Works), Kamoso, and many more. The tour was to give the Managing Director (appointed April 2020) an appreciation of the projects. On one of the visits, the MD hosted the Assistant Minister of Investment Trade and Industry on a tour of Kwenantle Farmers



### Virtual Mission By Moody's Investors Services March 29 2021

BDC has contributed towards Botswana's review exercise by Moody's Investors Services by providing the Corporation's updates on how it has been impacted by the COVID-19 pandemic. The objective of the review was to assess the economic and political developments in Botswana since the last review in 2020 and to grade the country on the basis of the review.



### SADC DFRC and AFRECO Webinar

BDC participated in a webinar, where the SADC DFRC member DFI's presented their mandates, highlighted projects they were pursuing and that require private sector participation, in order to make them bankable. The Corporation presented to AFRECO, which is a group of Japanese private sector companies that seek to invest specifically within the African continent.

## Some of Our Activities and Events

(cont.)



### Review of the Investment Strategy for Botswana

BDC has also been nominated to be a part of the Reference Group for the Review of the Investment Strategy for Botswana. Engagements under this initiative have begun.



### Industry Support Fund Launch

BDC launched the Industry Support Facility to help sustain businesses and preserve jobs. BDC has been mandated by Government to administer P300 million that has been set aside to assist large-scale corporations with working capital and development funding.



### Ass. Minister of Agricultural Development & Food Security Project Tours

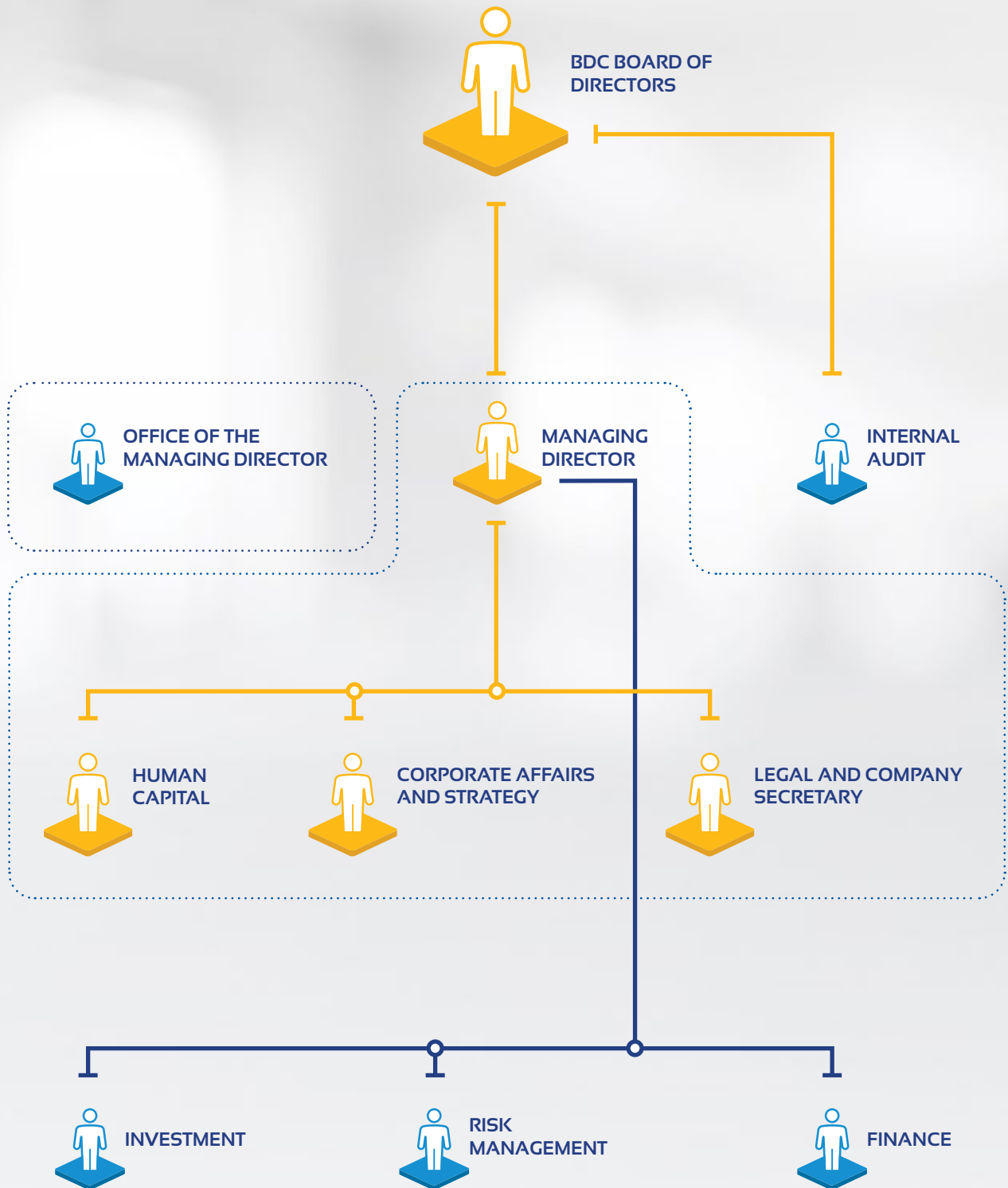
BDC participated in the roadshow by the Assistant Minister of Agricultural Development and Food Security to assess agricultural value chains and industrialisation programmes and to align them to the nation's economic diversification drive. The tour has explored the SPEDU, Mahalapye, Chobe, Southern, Kgalagadi, Ngamiland, Boteti and Francistown regions.



### Business Support

In response to the Covid-19 pandemic, BDC availed P75 million in contingency funds towards affected companies in the form of equity injections and loans.

## Organisational Structure



## Financial Highlights

### COMPANY TRADE REVENUE

**14%**  $\frac{2021}{2020}$   $\frac{P\ 258M}{P\ 226M}$  ↑

### COMPANY DIVIDENDS RECEIVED

**50%**  $\frac{2021}{2020}$   $\frac{P\ 108M}{P\ 72M}$  ↑

### COMPANY INTEREST INCOME

**-3%**  $\frac{2021}{2020}$   $\frac{P\ 149M}{P\ 154M}$  ↓

### COMPANY INVESTMENT ASSET

**10%**  $\frac{2021}{2020}$   $\frac{P\ 4.0M}{P\ 3.7M}$  ↑

### GROUP ASSET BASE

**-3%**  $\frac{2021}{2020}$   $\frac{P\ 5.0B}{P\ 5.1B}$  ↓

### INVESTMENT PROPERTY

**5%**  $\frac{2021}{2020}$   $\frac{P\ 1.2B}{P\ 1.1B}$  ↑



# BDC CORPORATE GOVERNANCE



## Board Chair's Statement

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A handwritten signature in blue ink, appearing to read 'Maleho Mothibatsela'.

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**Mr. Maleho Mothibatsela**  
**Board Chairperson**

The previous year tested everyone with families struggling with the COVID-19 pandemic and personal loss. People and businesses grappled with a steep decline in global economic activity as subdued demand for goods and services depressed sales and employment.

All these events have increased uncertainty about the future and raised questions about the role that businesses such as ours have in their commitment to providing value to stakeholders and leading the country's economic recovery. Our people showed tremendous resilience, responsibility and resolve to support one another, our customers, our communities and in doing so, have served our shareholders. Our ways of work may have changed because of the pandemic, but we have displayed integrity, remained client-centric and have lived up to the Corporation's values.

We take pride in our ability to evolve, innovate and stay resilient as this gives us a picture of how we will be able to deal with future events that may have a similar shock. For more than 50 years, we have navigated challenges in a wide range of economic cycles, market conditions and global dynamics.

Despite our resilience, we have not been immune to risks and a dampened economy. The Corporation went through a tough financial year, facing challenges that negatively impacted and delayed the rate of implementation of the business commitments. Despite these challenges, we continue to maintain our strong balance sheet and healthy credit profile for future capital deployment, including steady returns to shareholders.

I'm pleased to note that our corporate strategy "Beyond 2019" will kickstart our economic transformation journey. Our strategic plan will be an effective framework to hold us accountable and chart our path forward, as we lead Botswana through economic transformation, in alignment with the national strategy to become a high-income country by 2036.





## Board of Directors



**MALEHO MOTHIBATSELA**  
CHAIRPERSON

**Appointed 24 August 2021**

Mr Mothibatsela is a graduate of economics and accounting from the University of Botswana, with core professional experience and expertise in Investments, Finance, and Economics. Maleho has spent 24 years in financial services, 23 years of which have been dedicated to institutional, retail, and private high net-worth investment management, both locally and abroad, as well as in investment advisory. Maleho is currently executive director and Chief Investment Officer at BlackThread Capital, which he founded in 2007.

Maleho has served in various other public fiduciary including, maiden Chairman of the Investment Committee of the Botswana Public Officers Medical Aid Scheme; Independent member of the Investment Committee of Fleming Asset Management Botswana; Treasurer to the Anglican Diocese of Botswana as well as Trustee to the Anglican Bishopric Endowment Fund. Among other private directorships, Maleho is presently Chairman of the Board of Pula Medical Aid Fund, where he has served as Trustee since 2011, and Chairman of the board, since 2016. He is also a director on the board of Okavango Diamond Company and Mosokelatsebeng Cellular.



**CROSS KGOSIDIILE**  
MANAGING DIRECTOR

**Appointed 01 April 2020**

Mr.Kgosiile has over 20 years of experience of building high performance teams having served in a variety of leadership roles at BPC, MVA Fund and the national airline, Air Botswana. Prior to joining BDC, Mr. Kgosiile served as the Acting Chief Executive Officer at BPC. His experience in leadership capacities boasts of strengths across key commercial areas such as Corporate Finance and Strategy, Information Technology, Supply Chain Management and Business transformation to name a few.

Mr. Kgosiile 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.

Mr. Kgosiile 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.

## Board of Directors

(cont.)



**ARYL RALEBALA**  
BOARD MEMBER

**Appointed 01 February 2020**

Mr. Ralebala is the Executive Chairman of LSG Group. The LSG Group of companies 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 later followed 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 State Owned Enterprises at board level and is an active philanthropist contributing to the wellbeing of Botswana.



**SHIRLEY MONCHO**  
BOARD MEMBER

**Appointed 01 February 2020**

Ms Moncho is currently the Interim CEO of Botswana Trade Commission and joined the Board whilst holding the position of 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.

## Board of Directors

(cont.)



**ONALENNA OTLAADISA**  
BOARD MEMBER

**Appointed 01 February 2020**

Ms. Otladisa 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.

She 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.



**BONIFACE G. MPHETLHE**  
BOARD MEMBER

**Appointed 01 February 2020**

Mr. Mphetlhe is currently the Public Private Partnerships Coordinator at the Ministry of Finance and Economic Development and has joined the Board whilst he was the Deputy Secretary for Development Programmes still within the same Ministry. He has also 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.

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, Botswana Innovation Hub, Competition Commission as well as the Botswana National Productivity Boards. 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) from Columbia University in the USA and B.A. Social Sciences (Economics & Accounting) from the University of Botswana.

## Board of Directors

(cont.)



**PAULINE MONARE**  
BOARD MEMBER

**Appointed April 2020**  
(Retired – 24 August 2021)

Ms. Monare 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 on 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 at 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.



**NEO BOGATSU**  
ACTING BOARD CHAIRPERSON

**Appointed 01 July 2016**  
(Retired – 30 June 2021)

Ms. Bogatsu is a business leader with 20 years working experience in the financial services industry, including but not limited to auditing, accounting, taxation, and compliance. She is currently employed by Botswana Insurance Fund Management ("BIFM"), as Chief Executive Officer.

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.

## Board of Directors

(cont.)



**RICHARD CHILISA**  
BOARD MEMBER

**Appointed 01 May 2017**  
(Retired - 30 April 2021)

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 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).



**THULAGANYO A W MOLEBATSI**  
BOARD MEMBER

**Appointed 01 May 2017**  
(Retired – 30 April 2021)

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 to 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).

## Board of Directors

(cont.)



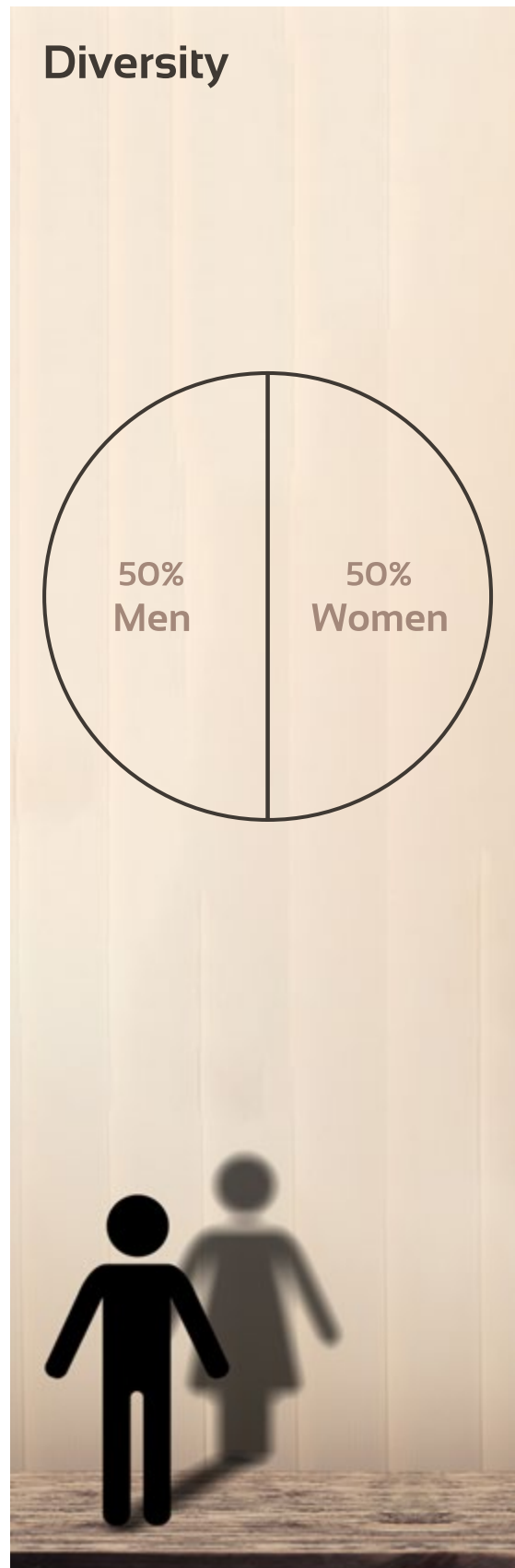
**ODUETSE TEBOGO**  
BOARD MEMBER

**Appointed 01 May 2017**  
**(Retired – 30 April 2021)**

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 in-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.

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.



## New Appointments – Board Members

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### WELCOME TO THE BDC BOARD



**JULIA SEGOMOTSO NTSHOLE**  
**BOARD MEMBER**

**Appointed 24 August 2021**

Ms Ntshole is a Risk Management professional. She previously held the position of Head of Risk Management at BBS Limited. Julia has extensive experience and skill in finance, treasury, and risk management in the financial services sector. Her career commenced at Ernst and Young as an Audit Senior. She later joined Investec Bank as the Financial Accountant before joining Stanbic Bank as Financial Accountant and later appointed Assets and Liabilities Manager and thereafter Market Risk Manager at Stanbic Bank.

Ms Ntshole is a holder of Bachelor of Commerce (Accounting) from the University of Botswana. She is a member of the Association of Chartered Certified Accountants (ACCA). Julia holds various certificates that enhance her technical skills. She holds an ACI Operations Certificate (Financial Markets Association), ICAAP Principles, Basel II and Capital Management Certificate, IFRS 9 Enterprise-wide risk management principles, and Operational Risk Management and Basel II from Dupleix Institute.

## New Appointments – Board Members

(cont.)



**NDINABO MAX SETAELO**  
BOARD MEMBER

**Appointed 25 August 2021**

Mr Setaelo is the Founder and Director of Petrohyper (Pty) Ltd, Firstwatch Holdings (Pty) Ltd, Hi-Lift Services (Pty) Ltd and First Energy Botswana (Pty) Ltd, operating in Civil Works, Fuel logistics and Sales, Retail and Supplies. He brings with him a rich skill set based on immense experience in the petroleum and gas industry, and his outstanding business acumen garnered from his diversified businesses and investments. Mr Setaelo has held various key positions in the petroleum and gas industry structure and value chain. With over 20 years in the industry, 18 years of which were at Management level and 12 years at Executive level, Mr Setaelo possesses key technical industry knowledge, together with a strong focus on stakeholder value and satisfaction.

A graduate in Bachelor of Arts in Social Sciences (Business Economics), Ndinabo started his career at Shell Oil Botswana as Depot Operations Supervisor and thereafter as Area Business Manager before establishing his business ventures.

Mr Setaelo is highly experienced and competent in financial management, crisis management, retail fundamentals as well as retail business finance amongst many others.



**MMOLOKI RAMAEBEA**  
BOARD MEMBER

**Appointed 24 August 2021**

Mr Ramaeba is a seasoned banking and finance executive with over 25 years of experience in several senior banking management roles. Mmoloki is a transactions expert who has worked across numerous products, including, inter alia; debt and equity, capital markets, mergers and acquisitions, as well as balance sheet and liability management.

Mmoloki is the CEO and Founder of Lambda Capital (Pty) Ltd, a licensed private equity institution based in Botswana that invests in businesses across the pan-African region. At the inception of his career, he worked as Money Market and Foreign Exchange Dealer (First National Bank), Treasury FX Dealer (Bank of Botswana), Treasury Senior FX Dealer (African Banking Corporation of Botswana Limited), Head of Treasury (BancABC, Mozambique), Head of Corporate and Investment Banking (BancABC, Botswana), Chief of Staff (secondment) (Atlas Mara CEO Office, Dubai UAE), and Regional Chief Operating Officer – Front Office.

Mr Ramaeba holds a BA (single major in Economics) from the University of Botswana, Management Leadership Development Programme, and the Executive Leadership Development Programme from the Gordons Institute of Business Science – University of Pretoria. He also has acquired Banking and Finance training from International Development Ireland.



## Independent Board Committee Members

When appropriate, the Board brings in independent professionals to assist the Board to better execute its duties and responsibilities. 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 to 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 Finance and 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 at 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 from the 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).

## Governance Framework

BDC as a Public Interest Entity under the Financial Reporting Act, 2010, has adopted a Corporate Governance Code as recommended best practice corporate governance model for Botswana, by Botswana Accountancy Oversight Authority (BAOA). In addition to the recommended best practice corporate governance model, BDC adheres to local and international best practices and principles of good corporate governance to ensure that optimum governance, fairness, accountability, transparency, and responsiveness are achieved.



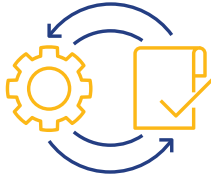
BDC Constitution



Board Charter



BDC Corporate Scorecard



BDC Risk Appetite Statement



BDC Processes Manual



Credit Pricing Policy



Treasury Policy and Framework



Credit and Investment Policy



IT Security Policy



Credit Risk and Portfolio Management Framework

## ROLE OF THE BOARD

The Board as an oversight body, is accountable to the Shareholder for creating, protecting wealth, and ensuring optimum utilisation of the Corporation’s resources and to report on its performance in a timely manner. Independence of the Board is a priority. 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.

### 5.1 Mandate of the Board

The Board’s mandate is enshrined in the Constitution, the Board Charter and Governance Policy. The Board ensures an effective system of internal controls, 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.

### 5.2 Composition

The Board composes 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.

#### Skills and Experience



Legal



Strategic Leadership



International Trade



Finance, Financial Services



Policy Development



Human Capital



Real Estate and Property Development



Audit and Tax



Business Management

## ROLE OF THE BOARD

(cont.)

### Participation and Attendance

Ordinarily, the Board has four (4) scheduled quarterly meetings. However, to timeously execute its mandate, the Board meets outside the scheduled meetings where the delegated authority requires Board intervention. Below is a summary of the Board members attendance in the year.

DIRECTOR	MAIN BOARD (10 meetings FY20/21)	FAC (6 meetings FY20/21)	HCC (5 meetings FY20/21)	BRIC (7 meetings FY20/21)	BTC (6 meetings FY20/21)	Amounts Paid P
Neo Lele Bogatsu	10	*	*	*	*	33,750
Cross Kgosidiile	10	*	4	7	6	*
Richard Chilisa	6	6	*	5	*	32,400
Oduetse Vinolia Tebogo	8	6	3	0	1	43,200
Boniface G. Mphethe	9	1	*	1	4	22,900
Aryl Ralebala	10	2	2	7	6	46,350
Onalenna Otladisa	8	2	5	1	6	44,550
Pauline Monare	1	1	*	1	*	1,800
Shirley Moncho	7	*	2	*	*	*
Michael Lesolle	*	6	*	*	*	16,200
Mosimolodi Lefhoko	*	*	*	*	*	*
Thulaganyo Molebatsi	5	2	1	6	*	21,600
Sean Rasebotsa	*	*	*	1	*	1,800

Key: \* - Not Applicable

### 5.3 Evaluation of the Board

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. Fiduciary duties, risk management, strategic leadership, and direction are the focus areas for the assessment.

#### 5.3.1 Overall Evaluation Outcome

The Board evaluation focused on the role of the Committees, remuneration of the Board members, competency of the Board in line with BDC's mandate and statutory requirements, the size of the Board as well as the ability of the Board to meet as mandated. The outcomes of the evaluation across the scope highlighted above reflected that the Board scored and/or ranged from 70% to 80%.

Following the evaluation recommendations were made that would continue to have the BDC Board exercise its mandate in line with corporate governance best practices, and improve where necessary. Management continues to explore and/or implement the recommendations.

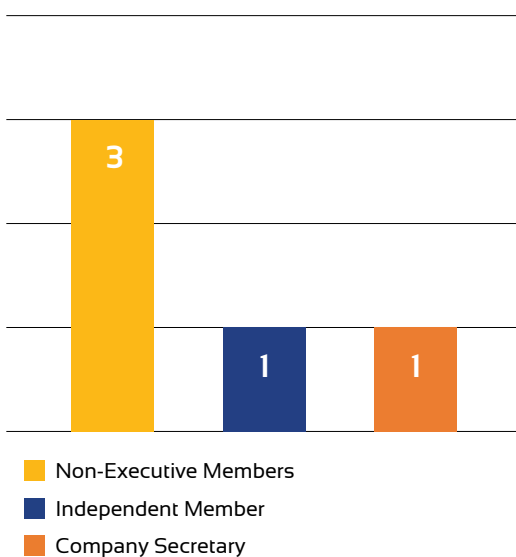
### 5.4 Director Development

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 and development programmes aimed at empowering and upskilling the Board with current key trends. It is imperative 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.

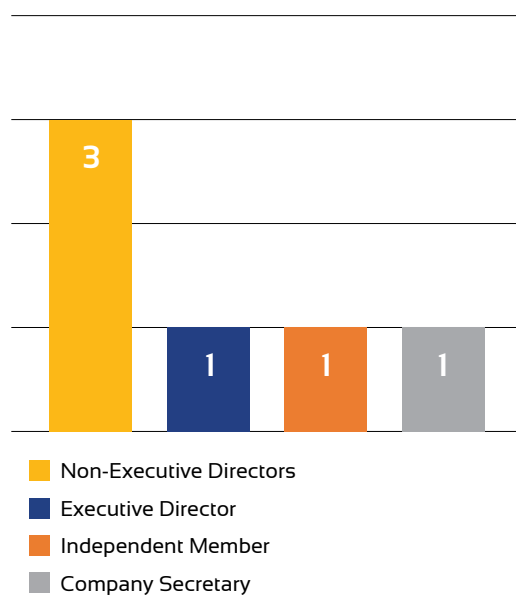
## BOARD COMMITTEES

The Board is assisted by various Board committees in the fulfilment and execution of its mandate and/or authority. There are four standing committees that the Board has delegated its authority to improve effectiveness and efficiency of decisions. Through the Committees the Board fulfils its financial reporting duties, managing risk, executing BDC’s investment strategy as well as manage BDC’s human capital. Whilst the Board has delegated its authority, the Board remains accountable for the decisions.

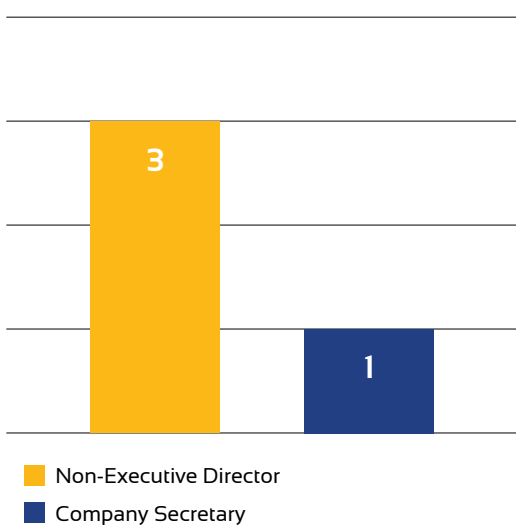
**Finance and Audit Committee (FAC)**



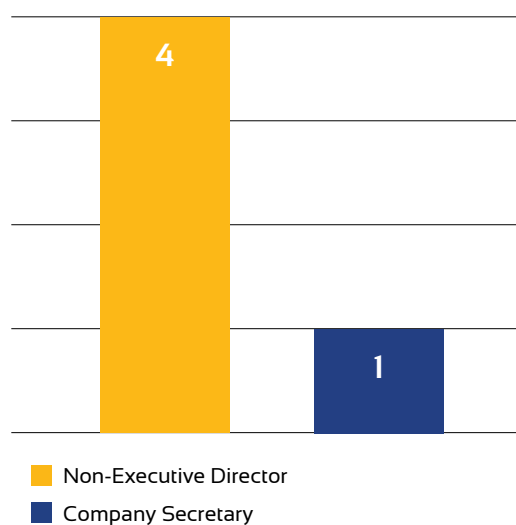
**Board Tender Committee (BTC)**



**Human Capital Committee (HCC)**



**Board Risk and Investment Committee (BRIC)**



## MANAGEMENT COMMITTEES

### 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.

### Executive Committee (EXCO)

The Executive Committee is made up of Senior Management. EXCO is responsible to the Board for implementing strategies and policies approved by the Board, formulating, and implementing operational decisions, and the overall management of BDC. The objectives of the EXCO are to ensure that BDC in carrying out its business is compliant with legislation and regulations; that the integrity of the operational, control, compliance, and governance framework of BDC is maintained; and that the effective implementation of BDC's policies and governance arrangements across all functions of the business.

### Management Tender Committee (MTC)

The Management Tender Committee adjudicates on procurement of works, services, supplies and disposal of assets as well as matters relating to these procedures. It is responsible for ensuring that procurement plans developed by BDC are aligned to the budget and that they are consistent with organisational goals and objectives. The Committee ensures that all tenders are subjected to rigorous examination prior to recommendation to the Board Tender Committee and the Board, depending on the threshold.

### Asset and Liabilities Committee

The Asset and Liability Management Committee ("ALCO") is to manage BDC's assets and liabilities in order to maximize shareholder value, to enhance profitability, to promote growth in capital, and to protect BDC from adverse financial consequences stemming from in market risk environment.



## CORPORATE VALUES

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The Corporation is to conduct its business and interact with stakeholders in conformity with its Corporate Values in force from time to time. It is the Board's mandate to ensure that the Corporation's activities align with the values to ensure that strong and sustainable corporate performance is achieved across all aspects, in line with the business model and governance framework, which includes the Governance Policy, Board Charter, Delegation of Authority Policy and a Shareholder's Compact. BDC's strategic essence is to leverage good governance and partnerships to create and grow commercially viable businesses. Through the corporate values and the governance framework, those charged with governance and assurance can perform their duties effectively. 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.

## INFORMATION TECHNOLOGY GOVERNANCE

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At BDC, information systems have been aligned with the long-term strategy of the Corporation, to ensure the Corporation works more efficiently and operates at the entrepreneurial levels of today.

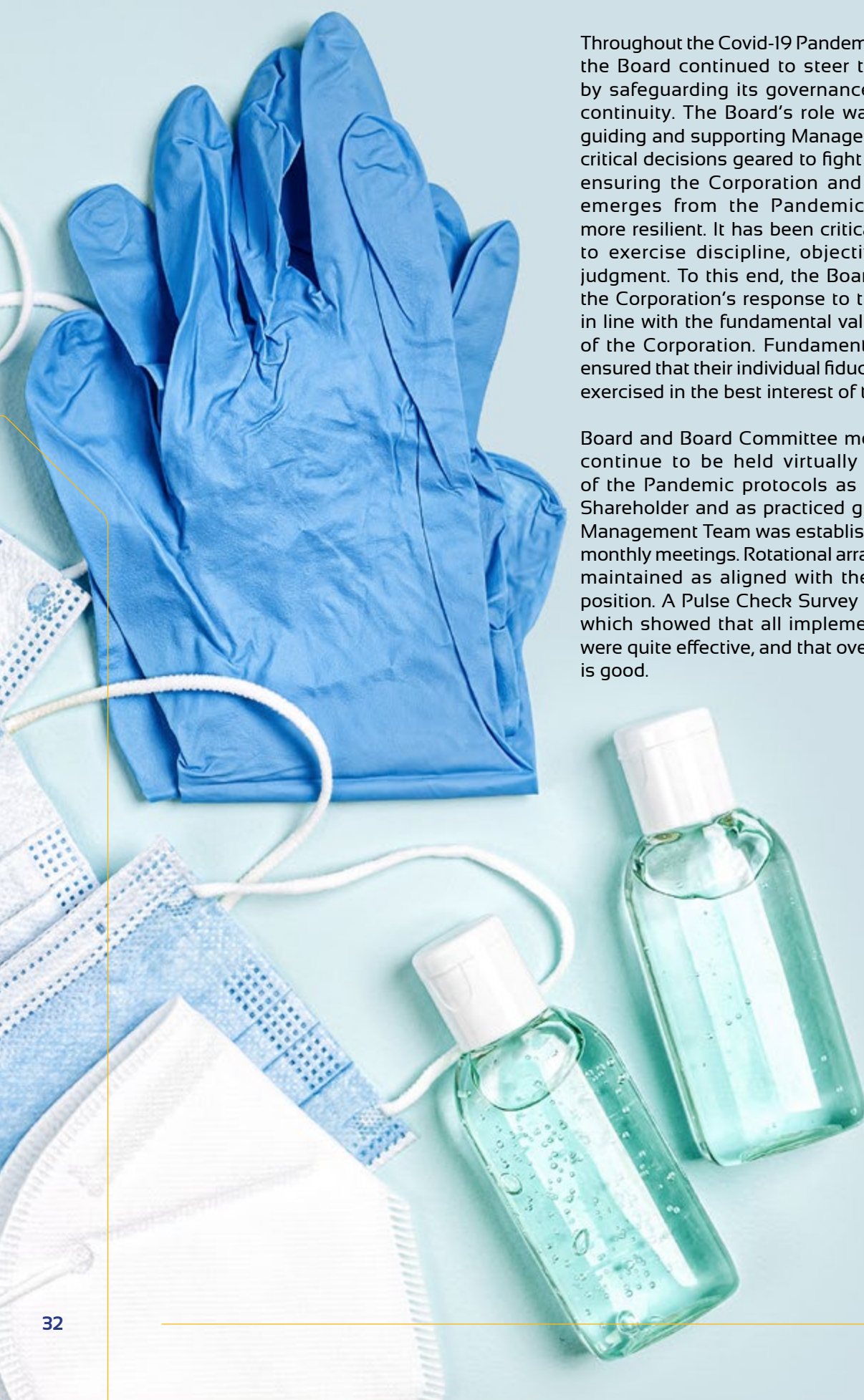
Over and above the information Systems, critical to IT Governance is Information Management especially as it relates to Information Security. The Corporation continuously reviews its information and data security to ensure that critical information of both the Corporation and its clients is fully secured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





## THE BOARD'S RESPONSE TO THE COVID 19 PANDEMIC

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Throughout the Covid-19 Pandemic ("Pandemic"), the Board continued to steer the Corporation by safeguarding its governance and business continuity. The Board's role was exercised by guiding and supporting Management in making critical decisions geared to fight for survival and ensuring the Corporation and its employees 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. Fundamentally, the Board ensured that their individual fiduciary duties were exercised in the best interest of the company.

Board and Board Committee meetings are and continue to be held virtually in observance of the Pandemic protocols as laid out by the Shareholder and as practiced globally. A Crisis Management Team was established; which held monthly meetings. Rotational arrangements were maintained as aligned with the government's position. A Pulse Check Survey was conducted, which showed that all implemented initiatives were quite effective, and that overall productivity is good.

## STATEMENT OF COMPLIANCE

The Board is satisfied that there is consistent compliance 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:

**KEY:** | ✓ Applied | – Partially Applied | ✗ Not Applicable |

Principle	Description of Principle	Compliance
<b>Ethical leadership and corporate citizenship</b>		
Principle 1	Effective leadership based on an ethical foundation	✓
Principle 2	Responsive corporate citizen	✓
Principle 3	Effective management of company's ethics	✓
<b>Board of Directors</b>		
Principle 4	The Board is the custodian of corporate governance	✓
Principle 5	Strategy, risk, performance and sustainability are inseparable	✓
Principle 6	The Board should consider business rescue proceedings when appropriate	✗
Principle 7	Directors act in the best interests of the company	✓
Principle 8	The Chairman of the Board is an independent non-executive director	✓
Principle 9	Framework for the delegation of authority has been established	✓
Principle 10	The Board comprises a balance of power, with a majority of non-executive directors who are independent	✓
Principle 11	Directors are appointed through a formal process	✗
Principle 12	Formal induction and ongoing training of directors is conducted	✓
Principle 13	The Board is assisted by a competent, suitably qualified and experienced Company Secretary	✓
Principle 14	Regular performance evaluations of the Board, its committees and the individual directors	✓
Principle 15	Appointment of well-structured committees and oversight of key functions	✓
Principle 16	A governance framework is agreed between the Corporation and its subsidiaries	✓
Principle 17	Directors are fairly and responsibly remunerated	–
Principle 18	Remuneration of directors is disclosed in the annual report	✓
Principle 19	The Corporation's remuneration policy is approved by its shareholders	✓
<b>Internal Audit</b>		
Principle 20	Effective risk based Internal Audit	✓
Principle 21	Written assessment of the effectiveness of the company's system of internal controls and risk management	✓
Principle 22	Internal Audit is strategically positioned to achieve its objectives	✓
<b>Audit Committee</b>		
Principle 23	Effective and independent	✓
Principle 24	Suitably skilled and experienced independent non-executive directors	✓
Principle 25	Chaired by an independent non-executive director	✓
Principle 26	Oversees integrated reporting	✓
Principle 27	A combined assurance model is applied to improve efficiency in assurance activities	✓
Principle 28	Satisfied itself of the expertise, resources and experience of the company's finance function	✓
Principle 29	Oversees the external audit process	✓
Principle 30	Reports to the Board and shareholders on how it has discharged its duties	✓

## STATEMENT OF COMPLIANCE

(cont.)

KEY: | ✓ Applied | – Partially Applied | ✗ Not Applicable |


Principle	Description of Principle	Compliance
<b>Compliance with laws, codes, rules and standards</b>		
Principle 31	The Board ensures the company complies with relevant laws	✓
Principle 32	The Board and its directors have a working understanding of the relevance and implications of non-compliance	✓
Principle 33	Compliance risk forms an integral part of the company's risk management process	✓
Principle 34	The Board has delegated to management the implementation of an effective compliance framework and process	✓
<b>Governing stakeholder relationships</b>		
Principle 35	Appreciation that stakeholders' perceptions affect a company's reputation	✓
Principle 36	Management actively deals with stakeholder relationships	✓
Principle 37	There is an appropriate balance between its various stakeholder groupings	✓
Principle 38	Equitable treatment of shareholders	✗
Principle 39	Transparent and effective communication to stakeholders	✓
Principle 40	Disputes are resolved effectively and timeously	✓
<b>The government of information technology</b>		
Principle 41	The Board is responsible for information technology (IT) governance	✓
Principle 42	IT is aligned with the performance and sustainability objectives of the Corporation	✓
Principle 43	Management is responsible for the implementation of an IT governance framework	✓
Principle 44	The Board monitors and evaluates significant IT investments and expenditure	✓
Principle 45	IT is an integral part of the Corporation's risk management	✓
Principle 46	Information assets are managed effectively	✓
Principle 47	The risk Committee assists the Board in carrying out IT responsibilities	✓
<b>The governance of risk</b>		
Principle 48	The Board is responsible for the governance of risk and setting levels of risk tolerance	✓
Principle 49	The Board determines the levels of risk tolerance	✓
Principle 50	The Audit and Risk Committees assist the Board in carrying out its risk responsibilities	✓
Principle 51	The Board delegates the risk management plan to management	✓
Principle 52	The Board ensures that risk assessments and monitoring are performed on a continual basis	✓
Principle 53	Framework and methodologies are implemented to increase the probability of anticipating unpredictable risks	✓
Principle 54	Management implements appropriate risk responses	✓
Principle 55	The Board receives assurance on the effectiveness of the risk management process	✓
Principle 56	Sufficient risk disclosure to stakeholders	✓
<b>Integrated reporting and disclosure</b>		
Principle 57	Ensures the integrity of the Corporation's integrated report	✓
Principle 58	Sustainability reporting and disclosure is integrated with the Corporation's financial reporting	✓
Principle 59	Sustainability reporting and disclosure is independently assured	✓




# Tip-Offs Anonymous

**Trust us, Talk to us anytime**

Call the Tip-Offs Anonymous free hotline with any information you may have regarding fraud, corruption or other workplace crime.

 Toll free: 0800 600 644 (BTC) | 1144 (Orange) | 71119773 (Mascom)

 Free fax: 0800 00 77 88

 Email: [bdc@tip-offs.com](mailto:bdc@tip-offs.com)

 Website: [www.tip-offs.com](http://www.tip-offs.com)

All reports made are treated with complete anonymity. The Hotline covers BDC and all its group of companies.

## GROUP INTERNAL AUDIT (GIA)

# Internal audit

## Governing and managing Internal Audit

The Internal Audit department provides, independent, 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 objectives.

Internal Audit is part of the Corporations 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.

## Emerging Risks

During the current financial year Group Internal Audit (GIA) continued to expand its impact within the group through the delivery of value adding advisory services as well as assurance processes around the most important risks facing the group. Below are some of the emerging risks that we used to prioritize and develop our Financial Year (FY)21 Audit Plan:

- **Business resilience:** Given the impact of Covid 19 pandemic, the focus of some of our audit interventions were aimed at establishing whether the business had carried out reviews to determine how well it is coping with the crisis and whether the business continuity or crisis response plans were fit for purpose, are followed and whether they required updating.
- **Fraud:** The risk profile changed to some extent because of the crisis management of the pandemic more especially fraud risk. Due to the remote working arrangements and reduction in headcounts within the group the control framework and monitoring of potential criminal activity may have been weakened during this time leaving gaps in fraud detection and creating opportunities for malicious acts. GIA provided the business with insights on this and assessed potential fraud risks, during every audit, and evaluated if the established controls that prevent

## GROUP INTERNAL AUDIT (GIA)

(cont.)



and recognize fraudulent behavior were still in place and operating effectively. During the period there were no reported cases of fraud through our tip offs anonymous tool.

- **Cybersecurity and data privacy:** The remote working arrangements rapidly increased the vulnerability of the Corporation to cyber-attacks as work laptops were now connecting through home WiFi networks. There was also a greater potential for controls and safety measures to be circumvented when employees are unsupervised, as they are often overlooked and ignored to save time. To this end, GIA has appointed an expert to assist review risks associated with this new normal and develop bespoke recommendations that can be implemented to bring the risk to tolerable levels.

### 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 victimisation. It is recognised 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.

## MANAGING DIRECTOR'S STATEMENT



**Mr. Cross Kgosidiile**  
Managing Director

### FINANCIAL PERFORMANCE

#### BDC Company

FY21 was a tough year as it was the first year we experienced the full impact of Covid-19 in our results. The Company's profit before tax amounted to P32 million - a 73% lag from the budget. Delayed pipeline conversion contributed to lower than budgeted interest income, which stood at P149 million, 29% lower than budget. Dividend income stood at P108million, outperforming the budget by 19% and prior year by 50%. This performance was driven by special dividends declared during the year. The business operating costs were recorded at P171 million, lagging behind the budget by 20%. The decline is attributed to lower than usual activities during the year.

The Company's balance sheet remains

strong at P4.5 billion, amidst the impact of the ongoing pandemic. Despite the challenging operating environment, the Company's net worth stood at P2.1 billion.

#### BDC Group

A number of the Group companies operate in industries negatively affected by COVID-19. This had an adverse impact in income lines such as dividend and rental income. Group operating profit closed the year at P23 million, 93% lower than prior year P341 million mainly driven by significant impacts of the pandemic on the operating environment of the investee companies. Aside from impact on rentals and dividend income, valuation of investment properties in the year were noted to have a marginal decline compared to prior periods where fair value gains of P125 million were recorded. Both the group and company were also negatively affected by adverse movements in foreign exchange rates. Notably was an unrealised loss of P24 million from the impact of the dollar exchange rate movements. Similar to factors noted in relation to company balance sheet above, the Group's total assets remains strong at just under P5 billion as at 30 June 2021.

BDC remained resilient despite the economic challenges brought about by the Covid-19 pandemic. The Corporation continued to employ 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. Under the current conditions and the 'new normal', the Corporation maintained the belief that it is important to maintain the position it has held until now, which is to make calculated investments towards the future.

BDC undertook support initiatives towards sustaining the economy in the advent of the Covid-19 pandemic and availed P75million worth of contingency funds which were geared towards helping affected companies in the form of equity injections and loans

## MANAGING DIRECTOR'S STATEMENT

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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 for the affected businesses through interest holidays.

Through the Economic Recovery Transformation Plan, the Corporation was mandated by the Government of Botswana to administer P300million as loans or grants under the Covid-19 Industry Support Facility ('ISF') for and on behalf of the Government. The ISF was managed under the Memorandum of Agreement entered between the parties in November 2020. As at 30 June 2021, the Corporation had approved and disbursed funding worth P50million, for businesses in the manufacturing and healthcare sectors.

BDC disbursed P457 million into projects during the year that ended June 2021 against a target of P871 million. Although lagging behind budget by 48%, there was significant progress made, given the change in the economic climate which materially impacted the Corporation's pipeline conversion.

Having successfully delivered on the previous transformational strategic period concluded in 2019, BDC is embarking on its 'Beyond 2019' strategy for the 2021-2026

strategic period. Beyond 2019 is a bold new direction for the Corporation to maximise long-term value for the shareholder and create wealth for future generations by deeply integrating Botswana into the global economy through investments and partnerships. The new strategy aims to move the Corporation from a focus on Economic Development to Economic Transformation.

As challenging as FY21 was, it also offered glimpses of inspiration and how we can collaborate to do great things. The Corporation is confident that its long-term strategy, portfolio companies and our people are resilient and committed to driving Botswana forward.





## EXECUTIVE MANAGEMENT

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**MR. CROSS KGOSIDIILE**  
Managing Director

## EXECUTIVE MANAGEMENT

(cont.)



**MS. BENEDICTA ABOSI**  
Chief Financial Officer



**MR. BOITUMELO BANABOTLHE**  
Chief Audit Executive



**MR. OTENG KEABETSWE**  
Chief Investment Officer (Ag)



**MS. BOITSHWARELO LEBANG**  
Head of Corporate Affairs and Strategy



**MS. THABILE MOIPOLAI**  
Head of Human Capital



**MR. BOTSHELO MOKOTEDI**  
Head of Risk



**MR. GILBERT OFETOTSE**  
Head of Legal and Company Secretary



## MANAGEMENT





# INTEGRATED REPORT



## HUMAN CAPITAL

### People



#### Prioritizing our people in the face of adversity

Our people are essential to the successful delivery of our Beyond 2019 strategy and to sustaining business performance over the long term. Strong engagement and partnerships with our leaders, helps us to accelerate our people's development, enhance our leadership capabilities and improve employee performance. Through our internal channels we remain resolute in ensuring that our work practices involve dialogue between management and employees. The unprecedented disruption caused by the global covid-19 pandemic, required us to ensure efficiency and business continuity, as well as intensifying our wellness strategies in support of our employee's health and wellbeing. The year and its challenges reaffirmed the resilience of our business and our people management solutions.

In response, to the global pandemic we were challenged to re-examine the relationship between human capital and technology as well as embrace the new ways of work to effectively deliver on our strategic objectives. The Corporation embarked on a journey, following the completion of its strategic period, to strengthen and realign its current operations and structures, with the ultimate aim of improving our efficiencies and effectiveness. This demanded Human Capital to engage in robust policy reviews and process mapping across the function to fully support the Beyond 2019 strategy. As part of our objective in maximising our talent we proactively decided to realign our talent management environment to ensure we remain competitive and relevant in the market and assisting the Corporation to be able to grow ready now talent, at the same time, ensuring that employees are provided with enriching work experiences, adequate business exposure, and career development opportunities. We also enhanced our leader support and learning to provide leaders and managers with effective tools to foster collaboration in their teams.

#### Our DNA

Our corporate culture is ascribed to leadership involvement in driving the people agenda, championing culture change initiatives as well as modelling the desired behaviors across the business. A lot more emphasis was placed on, 'living the BDC Values' which is embedded in our performance management system, which recognises that, it is not only 'what has been achieved' but also 'how it has been achieved'.

### Employee Development

**15%** | Bespoke Graduate Development Programme

#### Developing for success

Employee development remains a key strategic priority for the Corporation, and this has been achieved through the promotion of our online self-paced learning environment. As necessitated, by the changing cultural, technological, and business landscape, 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. Through the African Development Bank grant, the Corporation was able to reinforce and build capacity within key functions of the business aimed at improving and strengthening its institutional capacity in areas critical to its operations.

#### Value Creation for Success

We continue to partner with the business in maintaining cordial, effective and efficient teams. This is done through our talent management discussions which promotes career experience, by providing meaningful roles to achieve business and personal goals and encourages a growth mindset. Through our enhanced health and wellness programs, we continue to provide a safe and healthy environment to ensure maximum value creation. As Covid 19 has reshaped the way we live, and work, we continue to effectively navigate our team through the pandemic with a new focus on the development and implementation of workplace response plans to address COVID-19-related risks to ensure that employees feel safe and are knowledgeable on the necessary preventive measures.

The global economy is continually being shaken by disruptive forces that will affect the way we work. Not only will the day-to-day work of employees and the tools they use change, but also entire Corporation processes, such as the way we source and develop talent. As a result, our future outlook, continues to promote leadership involvement, and that as the world of work shifts, we remain vigilant, constantly visualising the future trends and adjusting swiftly without delay in order to remain relevant as a Corporation and our employees as well.

## RISK

### Risk Report

Given that Risk is an inherent within the nature of BDC's operations, the corporation strives to ensure that all risk taken are within the Board approved Risk Appetite. This will ensure that the corporation reaches a scale of growth, operational sustainability and is profitable for the shareholder. To this end, risk management is infused within the processes, policies and operations of the corporation and is always considered when crafting the organisational strategic focal areas.

### Risk Framework

The Risk department reports to the Managing Director and to the Board of Directors through the Board Risk and Investment Committee on a quarterly basis, keeping them abreast of key risks facing the organisation. This ensures the Board has oversight of the corporation's risk landscape and can take effective and efficient strategic decisions.

### Compliance And Money Laundering Risk

Compliance is a new risk management function within the organisation which was established during the financial year 2020/2021. The function is responsible for ensuring compliance to rules, regulations, guidelines, policies and laws within the Corporation. Compliance provides guidance and supports senior management and the Board of Directors on emerging Compliance risks and legislative developments.

With the listing of Botswana on the Financial Action Task Force and European Union grey and blacklisting respectively, the last number of years saw a significant enhancement in Anti Money Laundering and Counter Terrorist Financing legislative landscape in Botswana. In the 2020/2021 financial year BDC as a specified entity made a concerted effort to ensure the organisation implements and embeds the changes in legislation within the control and operating framework of the corporation through the incorporation of the laws in the processes, procedures and policy manuals.

The Corporation is faced with several risks associated with Money Laundering and Terrorist Financing:

Risk	Possible Impact	Mitigating factor
Regulatory risk, failure to meet legislative obligations as a specified party as per the Financial Intelligence Act, 2019.	<ul style="list-style-type: none"> <li>Financial loss</li> <li>Reputational damage</li> <li>Regulatory penalties/sanctions</li> <li>Loss of potential investors</li> </ul>	<ul style="list-style-type: none"> <li>Robust compliance framework</li> <li>Continuous monitoring of changes in the legislative environment.</li> </ul>
Business risk, possible exposure to promoters or companies funded by terrorists, money launderers and sanctioned individuals.	<ul style="list-style-type: none"> <li>Compromising the integrity of the financial system of Botswana.</li> <li>Regulatory penalties/sanctions.</li> </ul>	<ul style="list-style-type: none"> <li>Verifying the source of funds and identity of the promoter and funders.</li> <li>Sanction screening</li> </ul>



## RISK

### Credit Risk

BDC investment portfolio naturally has risk associated with its credit investments activities and these are managed within defined risk appetite focusing on the effectiveness allocation of the risk capital between products, Geographic, Individuals and across sectors. The current COVID-19 operating environment has been challenging for BDC as most of its investee companies were affected by the pandemic in many different ways, however the business has remained resilient and with the rollout of vaccines the outlook is expected to improve for the coming year.

Our businesses continued to experience significant interruptions, with some companies and industries impacted more than others. In addition, the continued implementation of the necessary public health protocols to control the pandemic led to the country extending the State of Public Emergency (SOPE), which included movement restrictions, closure of businesses, and borders during the period.

We have prioritised portfolio management in the previous financial year to assist our investee companies in navigating the impact of the COVID-19 pandemic in order to safeguard our local economy and industries. Our interventions were primarily aimed at helping investee companies navigate the effect of the COVID-19 pandemic and its economic impact. During the period, the Corporation provided interventions through the Industry Support Facility (ISF), restructuring of facilities, and provision of payment extension or plans to affected entities.

During the period, we continued to see a broad-based impact, albeit to varying degrees, on economic and industry performance, with all companies impacted to some degree. Some companies were able to withstand the storm a lot better than others. However, we have experienced a notable decline in earnings across the board. BDC will seek to continue to support these entities and external companies under the ISF, other interventions and facilities available in the Corporation.

Despite the challenging operating environment, the Corporation disbursed BWP457 million to new projects over the period, a 32% decline from the BWP680 million expended in the previous year. The Corporation expects a strong recovery based on the current pipeline and transactions at the final stages of investment appraisal. Despite the headwinds, the dividend income for the year was 19% above budget. As of 30 June 2021, the portfolio generated dividends of BWP108 million against a target of P 91 million and a prior year actual BWP72.4 million.

### Market Risk

The risk exposes the Corporations balance sheet to adverse movements or volatility of market rates or prices such interest rates, credit spreads, equity prices, foreign exchange, liquidity and capital adequacy levels. This risk is periodically managed through the corporations Asset and Liability Committee, which is a sub-committee of the Executive Committee to which it reports to.

### Operational Risk

With the advent of Covid-19 and it affected the operations of many organisations worldwide, BDC operations were faced with vulnerabilities due to the adoption of changes in the way of conducting business. The notion of working from home required the streamlining of operations through the integration of IT systems, processes and people.

## INVESTMENT REPORT



### Portfolio Valuation

The year ended 30 June 2021 saw a notable 9% growth in the Corporation's portfolio valuation from BWP3.67 billion recorded in June 2020 to BWP4.04 billion. The noteworthy growth experienced over the year is primarily due to new investments undertaken as well as continued implementation of existing transactions in the portfolio.

### Pipeline and Deal Conversion

The Corporation closed the financial year with a pipeline of circa BWP1.9 billion whereby BWP115 million worth of transactions were ready to disburse and BWP443 million worth of transactions were at advanced stages, awaiting respective investment committee approvals or concluding on legal negotiations. Additionally, transactions worth BWP100 million were undergoing due diligence whilst BWP504 million were currently at term sheet negotiation stage. BWP441 million was at the initial appraisal stages, and BWP330 million worth of transactions were unqualified.

### Manufacturing sector

The Corporation made its third international investment, amounting to BWP300 million. This investment was made into an internationally recognised producer of convenience meal solutions for consumers throughout Sub-Saharan Africa ("SSA") and major global markets.

The investee company product range includes canned fruit jam, canned vegetables & meat products, fruit juice, fruit purees & concentrates, dry foods, fresh & frozen ready meals, pies, pastries, baby foods, bakery and dairy products. It has 14 state of the art production facilities equipped with modern technology and certified according to international standards. This transaction presents an opportunity to build a resilient supply chain and safeguard food security for Botswana. This has become a key priority now more than ever due to restrictions imposed by governments worldwide to control the spread of Covid-19, which has significantly affected the movement of goods across borders and negatively impacted delivery timelines and the performance of businesses in general. The investment could assist in controlling supply chain dynamics for the benefit of the country and relevant local businesses.

### Agricultural sector

An investment of BWP20 million was made to establish and implement a 1,500-hectare soft and hard citrus plantation, the produce of which will be primarily for export with the remainder distributed locally.

### Existing Portfolio Companies

In addition to the funds expended on new projects discussed above, the Corporation further provided approximately BWP137 million as follow-on capital towards existing portfolio companies to support their growth and working initiatives.

## CORPORATE SOCIAL RESPONSIBILITY (CSR) REPORT

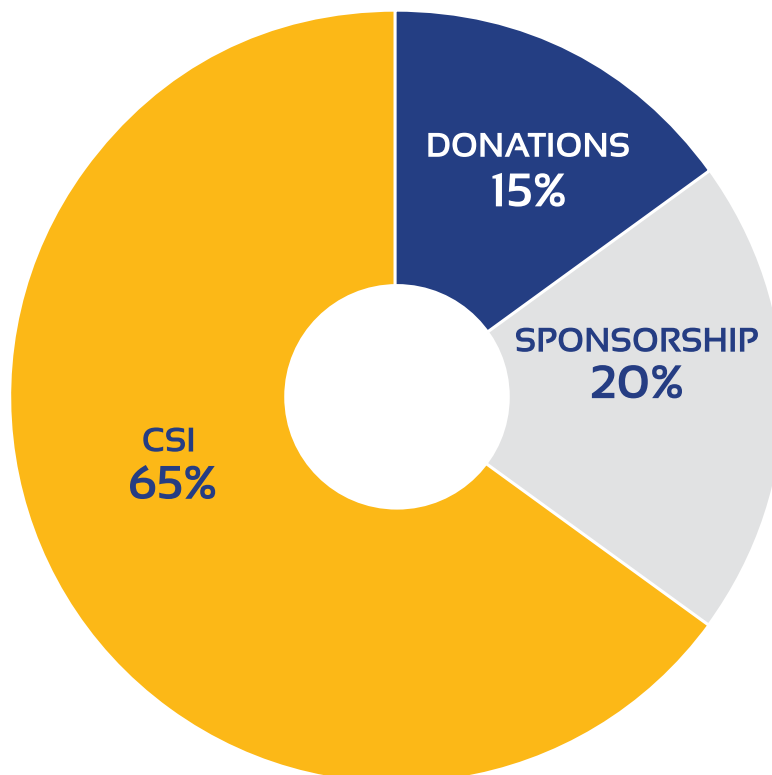
The Corporation embraces the development of a more inclusive economy by actively addressing community development objectives that emphasise developmental returns with maximum impact. As BDC grows and evolves we strive to continuously deliver on impactful Corporate Social Investment (CSI) and Corporate Social Responsibility (CSR) initiatives in line with our corporate mandate. 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 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.

The main objective of our CSR initiatives is to: Build Sustainable Community Relationships and Investments; and to contribute towards citizen development and empowerment.

In the year under review, BDC has undertaken CSR initiatives worth over **P2 500 000**.

### Criteria for Donations, Sponsorships and Corporate Social Investments

The distribution of the fund seeks to achieve an approximation of the following share of fund split but is mainly driven by needs identified on the ground.



Donations programme is more reactive and short term, where the Corporation responds to requests for funding or donations most of which are once off.

Sponsorships programme is also more on short term and primarily aimed at improving Corporate brand image.

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. These are generally projects that are aimed at making an impact. The committee will identify and work with charitable organisations through skills transfer, mentorship, voluntary work and financial assistance.

## CORPORATE SOCIAL RESPONSIBILITY (CSR) REPORT

### Criteria for Donations, Sponsorships and CSI (cont.)

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

Persons qualifying for such support should meet the following criteria:

- a) Organisations which provide skills development, employment opportunities, and services to national communities at large.
- b) Organisations must be registered, in good standing and compliant in terms of all legislation relevant and applicable to them.
- c) Where a request is from a non-registered entity or an individual, whose case in the opinion of the CSR Committee deserves assistance, it will be reviewed and recommended to the Managing Director for request approval.
- d) They should perform services that directly contribute to potential and actual benefit to the community and are non-discriminatory, including but not limited to the following:
  1. The conservation of the environment, including natural resources.
  2. Creation of employment opportunities in communities throughout the country.
  3. The care, rehabilitation and training of the handicapped, socially disadvantaged and ill.
  4. Research and public education on the history, culture, people and economy of Botswana.
  5. The provision of recreational and sporting activities representing the country at national level.
  6. The promotion of Botswana as an investment and tourist destination.
  7. The promotion and development of business and entrepreneurial skills for self-employment opportunities.
  8. Support sustainable community based small developmental projects giving priority to youth and women.
  9. 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.

**BDC TRUST FUND**

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*BDC*

**TRUST  
FUND**



## BDC TRUST FUND

In order to extend its CSR mandate, BDC made an imperative decision to register the trust fund (“BDC Trust”), with the aim of initiating, establishing, supplementing and promoting charitable activities. BDC as the donor, has agreed to make available the funding for the purposes of the creation of the Trust, and for meeting the objectives of the Trust to supplement and promote charitable activities and has committed an annual contribution of 1% Profit After Taxation (PAT).

The Beneficiaries of the Trust shall be persons who are citizens of Botswana.

### Objectives of the Trust Fund

- To promote and support entrepreneurship activities undertaken by Batswana by providing funding, resources, skills development, facilities and the necessary enabling environment for their success.
- Inclusion of people living with disabilities. Inter-alia: to provide education and training support, rehabilitation, and generally identifying and eliminating barriers to their participation in social and economic circles.
- To promote and expose local talent through music, arts and cultural activities that benefit more than 1 persons or foundations that support local arts and culture sector
- Conducting such further charitable activities of a philanthropic and benevolent nature as the Trustees may from time to time determine without departing from the spirit and primary objective of the Trust.

### Highlights of the initiatives supported in 2020-2021



BDC in partnership with Kamoso Africa Group, one of its investee companies, donated 1000 food hampers worth P400 000 to the Letlhakeng Sub District Council.



Donation of 200 Masks and 200 Sanitizers to Sekoma Primary School.



BDC hosted a fun run/walk in support of people affected or infected with breast cancer.



BDC awards Business Den winner P500 000. Congratulations Alosa Group of Companies.



BDC partnered with AYES in hosting the 4th edition of the Africa Youth Entrepreneurs Summit. The Business Den winner also got a chance to participate as a panellist

# SUSTAINABILITY REPORT

## Sustainability at BDC

We are committed to making a significant impact in our partnerships across all sectors to unlock value through climate solutions, sustainable infrastructure, nature-based solutions, and clean energy. BDC aims to promote and facilitate economic development for Botswana while respecting and preserving 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



Gender Equality and Youth Empowerment



Responsiveness to Climate Change



## SUSTAINABILITY STRATEGY

Focus Area	Commitments	Targets 2024	Sustainable Development Goals (SDGs) Supported
<b>Full Compliance with Applicable Laws and Standards in Force</b>	<p>BDC shall only fund investments projects which are capable of demonstrating that applicable environmental laws, labour laws as well as any other enforceable regulations issued by competent authorities will be complied with without exception.</p> <p>In compliance with 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.</p>	<p>Promote awareness of ethical values and principles</p> <p>Achieve zero regulatory penalties with regards to environmental and labour related issues.</p>	<p>SDG 8 – Decent work and economic growth</p> <p>SDG 16 – Peace, justice, and strong institutions</p>
<b>Systematic Risk and Impact Assessment</b>	<p>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.</p> <p>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.</p>	<p>Achieve zero environmental and social risk related incidents.</p>	<p>SDG 8 – Decent work and economic growth</p>
<b>Health and Safety</b>	<p>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.</p>	<p>Achieve zero work-related fatalities</p> <p>Achieve zero injury rate</p>	<p>SDG 3 – Good health and well-being</p> <p>SDG 6 – Clean water and sanitation</p> <p>SDG 8 – Decent work and economic growth</p>
<b>Gender Equality and Youth Empowerment</b>	<p>In line with Government’s stated goals, BDC shall actively but responsibly invest in projects and personnel that advance the promotion of gender equality and youth economic empowerment.</p>	<p>Maintain a 50% share of women and men at management level by 2024.</p> <p>Invest in 8 youth owned projects by 2024.</p>	<p>SDG 5 – Gender equality</p> <p>SDG 10 – Reduced inequalities</p>
<b>Responsiveness to Climate Change</b>	<p>The assessment of the susceptibility to climate change shall form an integral part of BDC’s environmental and social assessment process.</p> <p>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.</p> <p>A Climate Screening process which entails a proactive 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’.</p>	<p>Achieve zero routine blazing and emission of associated gas by 2024</p>	<p>SDG 7 – Affordable and clean energy</p> <p>SDG 13 – Climate action</p>



## CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

### Botswana Development Corporation Limited (Registration number UIN BW00000608814) Consolidated And Separate Financial Statements for the year ended 30 June 2021

#### General Information

<b>Country of incorporation and domicile</b>	Botswana
<b>Nature of business and principal activities</b>	Investment arm of Government to promote and facilitate economic development of Botswana.
<b>Directors</b>	M Mothibatsela (Chairman) C Kgosidiile (Managing Director) A Ralebala O Otladisa S Moncho M Ramaeba J S Ntshole N M Setaelo B Mphetlhe
<b>Registered office</b>	Fairscape Precinct Plot 70667 Fairgrounds Office Park
<b>Postal address</b>	Private Bag 160 Gaborone
<b>Bankers</b>	Barclays Bank of Botswana Limited Stanbic Bank Botswana Limited First National Bank of Botswana Limited Standard Chartered Bank Botswana Limited
<b>Auditor</b>	KPMG
<b>Group Company Secretary</b>	G Ofetotse

## CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

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\*Page numbers have been updated to align with the format of the annual report.

## 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 2021 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards ("IFRS").

The Directors are required by the Companies Act of Botswana (Companies Act, 2003) to maintain adequate accounting records and are responsible for the content and integrity of the financial information included in this report. It is their responsibility to ensure that the group and company financial statements fairly present the state of affairs of the Group and Company as at 30 June 2021 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 62.

The Directors are responsible for such internal controls as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting

procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

### Disclosure of audit information

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

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

### Directors' approval of the financial statements

The group and company financial statements set out on pages 68 to 170 which have been prepared on the going concern basis, were approved by the Board on 10 February 2022 by:



M. Mothibatsela  
Director



C. Kgosidiile  
Director

## Directors' Report

### For the year ended 30 June 2021

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,2021.

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

The group and company 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 (2020: 541,769,462).

#### 3. Directorate

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

Directors	Office	Designation	Nationality	Changes
R Chilisa	Other	Non-executive	Motswana	Resigned 30 April 2021
C Kgosidiile	Managing Director	Executive	Motswana	
B Mphetlhe	Other	Non-executive	Motswana	
N Bogatsu	Acting-Chairperson	Non-executive	Motswana	Resigned 30 June 2021
T Molebatsi	Other	Non-executive	Motswana	Resigned 30 April 2021
A Ralebala	Other	Non-executive	Motswana	
O Tebogo	Other	Non-executive	Motswana	Resigned 30 April 2021
P Monare	Other	Non-executive	Motswana	Resigned 24 August 2021
S Moncho	Other	Non-executive	Motswana	
O Otladisa	Other	Non-executive	Motswana	
J S Ntshole	Other	Non-executive	Motswana	Appointed 24 August 2021
N M Setaelo	Other	Non-executive	Motswana	Appointed 25 August 2021
M Mothibatsela	Chairperson	Non-executive	Motswana	Appointed 24 August 2021
M Ramaeba	Other	Non-executive	Motswana	Appointed 24 August 2021

#### 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. Going concern

The group incurred a total comprehensive loss for the year ended 30 June 2021 of P 216 953 000 (2020: a total comprehensive income of P 127 621 000) and as of that date its total assets exceeded its total liabilities by P 2 580 910 000 (2020: P2 797 863 000).

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

## Directors' Report

(Cont.)

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 in place include initiatives such as the establishment of the Industry Support Fund by Government.

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 2021.

### 6. Directors fees and expenses

It is recommended that the directors fees of P264 600 and executive directors emoluments of P2 162 081 (2020:Fees P171 900, Emoluments P3 291 861) for the year to 30 June 2021 be ratified.

### 7. Dividends declaration

No dividends (2020: PO million) have been declared post reporting date due to the impacts of COVID-19 pandemic to allow for reinvestment opportunities for COVID-19 relief. This position would be evaluated in the next reporting period .

**By Order of the Board**

  
\_\_\_\_\_  
G. Ofetotse  
Group Company Secretary

## Independent Auditor’s Report



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/>

### To the shareholder of Botswana Development Corporation Limited

We have audited the consolidated and separate financial statements of Botswana Development Corporation Limited (the Group and Company) set out on pages 68 to 170\*, which comprise the statements of financial position as at 30 June 2021, 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 consolidated and separate financial statements.

In our opinion, these 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 2021, and of 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.

<p><b>1) Valuation of investment properties</b></p> <p>This key audit matter is applicable to the consolidated financial statements.</p> <p>Refer to the significant accounting policy for investment properties note 1.6, the critical judgements in applying accounting policies valuation of investment properties note 1.5 and note 8 to the financial statements.</p>	
<p><b>Key audit matter</b></p> <p>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 P1.188 million as at 30 June 2021. This accounts for 27% of the Group’s total non-current assets and is the largest asset of the Group.</p>	<p><b>How the matter was addressed in our audit</b></p> <p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>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 valuers qualifications and experience and verifying their membership to professional bodies.</li> </ul>

\*Page numbers have been updated to align with the format of the annual report.

## Independent Auditor’s Report

(cont.)

<b>1) Valuation of investment properties</b>	
<p>This key audit matter is applicable to the consolidated financial statements.</p> <p>Refer to the significant accounting policy for investment properties note 1.6, the critical judgements in applying accounting policies valuation of investment properties note 1.5 and note 8 to the financial statements.</p>	
<b>Key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>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 unobservable inputs which are generally applied by valuers and involve judgement.</p> <p>The valuation model considers the present value of net cash flows to be generated from the respective property, taking into account the expected rental growth rate, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates.</p> <p>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 is considered to be a key audit matter in our audit of the consolidated financial statements.</p>	<ul style="list-style-type: none"> <li>• We evaluated the appropriateness of valuation methodologies used against those applied by other valuers for similar property types.</li> <li>• We obtained an understanding of the valuation process used by the valuers, including the significant assumptions and critical judgements applied in the valuation methodologies and evaluated whether these methodologies met the requirements of IFRS 13 Fair Value Measurement.</li> <li>• 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 performing the following procedures:                         <ul style="list-style-type: none"> <li>• We traced cash flows (rental incomes) to underlying lease contracts on a sample basis;</li> <li>• We compared expected market rental growth and discount rates to industry data;</li> <li>• We compared occupancy rates and rent free or void periods to</li> <li>• historical data. In addition, we considered whether the historical data was an appropriate indication for future inputs in line with current market conditions; and</li> <li>• We traced the fair values of all the Group’s investment properties to the independent valuers’ reports.</li> <li>• We tested controls over management’s process for reviewing the inputs and results obtained from these valuation reports, in ensuring that the movement in the property fair values are appropriately recognised.</li> <li>• 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.</li> </ul> </li> </ul>

## Independent Auditor's Report

(cont.)

<b>2) Impairment of investments in subsidiaries and equity accounted investees</b>	
<p>This key audit matter is applicable to the separate financial statements.</p> <p>Refer to the significant accounting policies on investments in subsidiaries note 1.3 and equity accounted investees note 1.4. The critical accounting estimates and judgements in applying accounting policies impairment of investments in subsidiaries and equity accounted investees note 1.5 and notes 12 and 13 relating to subsidiaries and equity accounted investees respectively.</p>	
<b>Key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>The carrying value of the Company's investments in subsidiaries and equity accounted investees amounted to P 1.5 million at the reporting date. This constitutes 39% of the Company's total non-current assets. The accumulated impairment balance on investments in subsidiaries and equity accounted investees amounted to P 183.3 million</p> <p>Investment in subsidiaries and equity accounted investees are carried at cost less accumulated impairment losses.</p> <p>Management assesses the investment in subsidiaries and equity accounted investees whenever circumstances may indicate the presence of impairment indicators considering amongst other factors the Company's carrying value to the respective net asset values of the investees. 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.</p> <p>The assessment of these investments for impairment therefore requires the application of significant judgement 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 (refer to the key audit matter in respect of the valuation of investment properties).</p> <p>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 in our audit of the separate financial statements.</p>	<p>Our audit procedures performed included the following:</p> <ul style="list-style-type: none"> <li>• 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 indicated a possible impairment, we assessed the adequacy of the impairment assessment performed by management.</li> <li>• We assessed 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.</li> <li>• We assessed the adequacy of disclosures in the separate 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.</li> </ul>



## Independent Auditor's Report

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<b>3) Impairment of financial assets measured at amortised cost</b>	
<p>This key audit matter is applicable to the consolidated and separate financial statements.</p> <p>Refer to the significant accounting policies on financial instruments note 1.10, the critical accounting estimates and judgements in applying accounting policies loans to non-affiliates note 1.5, and note 14 relating to financial assets measured at amortised cost.</p>	
<b>Key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>The financial assets measured at amortised cost are included under the "other investments" financial statements caption and amount to P 1.383 billion and P 1.553 billion at the reporting date for the Group and Company respectively. This constitutes 28% and 35% 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.</p> <p>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 and the Loss Given Default. The assessment of these loans for impairment therefore requires the application of judgement and the use of significant assumptions in determining certain inputs used in the expected credit loss computation.</p> <p>Given the significance of the financial assets measured at amortised cost 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 in our audit of the consolidated and separate financial statements.</p>	<p>Our audit procedures performed included the following:</p> <ul style="list-style-type: none"> <li>• We evaluated the design and implementation of internal controls over the impairment 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.</li> <li>• We reconciled the input parameters applied in the expected credit loss calculation to underlying records.</li> <li>• We engaged our valuation specialists to assess management's expected credit loss computation on the financial assets measured at amortised cost based on the requirements applicable to IFRS 9, Financial Instruments. This included critically evaluating management's judgements and assumptions in determining the expected credit loss on loans to subsidiaries, associates and non-affiliates entities through performance of the following procedures: <ul style="list-style-type: none"> <li>• Re-calculating the Exposure at Default based on the remaining term of each loan;</li> <li>• Reassess credit rating of the borrowers using approaches deemed appropriate to derive reasonable credit risk ratings for each borrower.</li> <li>• Comparing the unsecured Loss Given Default to global market practice.</li> <li>• Assessing the appropriateness of the staging of the loans as well as the probability of default on each loan.</li> </ul> </li> <li>• We considered the adequacy of the disclosures made in the financial statements in accordance with IFRS 9 Financial Instruments.</li> </ul>

## Independent Auditor's Report

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### Other information

The directors are responsible for the other information. The other information comprises the general information, directors' 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 separated 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.

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 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, 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

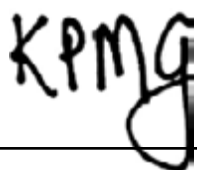
## Independent Auditor's Report

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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.

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



KPMG

Certified Auditors  
Practicing Member: JA Venter 20170221  
Certified Auditor of Public Interest Entity  
BAOA Certificate Number: CAP 00402021  
16 February 2022

## Statements of Profit or Loss and Other Comprehensive Income

Figures in Pula thousand	Note(s)	Group		Company	
		2021	2020	2021	2020
Income from trade	2	37,337	87,081	108,376	72,382
Interest on loans	3	141,109	143,416	149,450	153,534
Cost of sales		(23,080)	(34,622)	-	-
<b>Gross profit</b>		<b>155,366</b>	<b>195,875</b>	<b>257,826</b>	<b>225,916</b>
Rental income	8	44,240	96,579	-	-
Contractual Rental		46,111	92,091	-	-
- Straight line lease rental adjustment		(1,871)	4,488	-	-
		199,606	292,454	257,826	225,916
Finance Income	4	33,106	20,173	51,206	34,739
Other income	5	30,862	45,807	11,816	81,076
Fair value (loss)/gain on investment properties	8	(278)	124,773	-	-
- As per valuation		(2,149)	120,285	-	-
- Straight line lease rental adjustment		1,871	4,488	-	-
Share of (loss)/ profits of equity accounted investees, net of tax	13	(29,292)	17,686	-	-
Marketing expenses		(1,844)	(5,204)	(1,603)	(3,657)
Occupancy expenses		(28,111)	(31,889)	-	-
Expected credit losses	45	(30,899)	(30,021)	(41,381)	(59,055)
Other operating expenses		(150,415)	(92,937)	(127,831)	(41,870)
<b>Operating profit</b>		<b>22,735</b>	<b>340,842</b>	<b>150,033</b>	<b>237,149</b>
Finance costs	4	(101,470)	(98,257)	(116,948)	(99,840)
Derecognition losses on financial assets at amortised cost		-	(91,244)	-	-
Change in fair value of equity instruments		-	-	(1,130)	93,787
<b>(Loss)/profit before taxation</b>	6	<b>(78,735)</b>	<b>151,341</b>	<b>31,955</b>	<b>231,096</b>
Income tax credit/(expense)	7	1,517	(15,283)	3,086	(8,552)
<b>(Loss)/profit for the year</b>		<b>(77,218)</b>	<b>136,058</b>	<b>35,041</b>	<b>222,544</b>
<b>Other comprehensive income:</b>					
<b>Items that will not be subsequently reclassified to profit or loss</b>					
Gain on revaluation of land and buildings		(474)	1,506	-	-
Deferred taxation on revaluation loss		2,951	883	-	-
Loss on valuation of investments in equity instruments		(141,541)	(38,971)	(141,541)	(38,971)
Share of other comprehensive income of equity accounted investees	13	(671)	28,145	-	-
<b>Total items that will not be reclassified to profit or loss</b>		<b>(139,735)</b>	<b>(8,437)</b>	<b>(141,541)</b>	<b>(38,971)</b>
<b>Other comprehensive income for the year, net of taxation</b>		<b>(139,735)</b>	<b>(8,437)</b>	<b>(141,541)</b>	<b>(38,971)</b>
<b>Total comprehensive (loss) income for the year</b>		<b>(216,953)</b>	<b>127,621</b>	<b>(106,500)</b>	<b>183,573</b>

## Statements of Profit or Loss and Other Comprehensive Income

(Cont.)

Figures in Pula thousand	Note(s)	Group		Company	
		2021	2020	2021	2020
<b>(Loss)/Profit attributable to:</b>					
Owners of the Company		(71,902)	131,237	35,041	222,544
Non-controlling interest		(5,316)	4,821	-	-
		<b>(77,218)</b>	<b>136,058</b>	<b>35,041</b>	<b>222,544</b>
<b>Other comprehensive income attributable to:</b>					
Owners of the Company		(140,201)	(8,437)	(141,541)	(38,971)
Non-controlling interest		466	(2,416)	-	-
		<b>(139,735)</b>	<b>(10,583)</b>	<b>(141,541)</b>	<b>(38,971)</b>

## Statements of Financial Position

For the year ended 30 June 2021

Figures in Pula thousand	Note(s)	Group		Company	
		2021	2020	2021	2020
<b>Assets</b>					
<b>Non-Current Assets</b>					
Investment property	8	1,188,626	1,128,772	-	-
Property plant and equipment	9	408,937	419,994	1,379	2,064
Intangible assets	10	2,817	2,887	2,813	2,813
Right-of-use assets	11	516	-	117,691	124,388
Investments in subsidiaries	12	-	-	960,409	900,449
Equity accounted investees	13	662,649	722,322	541,795	547,950
Other investments	14	2,099,752	1,877,448	2,264,968	2,049,526
Due from group companies	15	-	-	63,191	121,567
Deferred lease asset	44	91	-	-	-
Rental straight-lining adjustment	8	-	9,172	-	-
Deferred tax	29	18,710	27,124	-	-
		<b>4,382,098</b>	<b>4,187,719</b>	<b>3,952,246</b>	<b>3,748,757</b>
<b>Current Assets</b>					
Inventories	16	6,581	6,661	-	-
Trade and other receivables	17	139,943	92,560	103,851	121,277
Other investments	14	265,111	148,577	270,097	167,355
Other assets	18	8,462	4,706	-	-
Cash and cash equivalents	19	177,000	485,960	122,539	447,028
Current tax receivable		17,007	14,329	4,654	4,310
		614,104	752,793	501,141	739,970
Non-current assets classified as held for sale	38	-	187,284	-	-
<b>Total Assets</b>		<b>4,996,202</b>	<b>5,127,796</b>	<b>4,453,387</b>	<b>4,488,727</b>
<b>Equity and Liabilities</b>					
<b>Equity</b>					
Stated Capital	20	888,269	888,269	888,269	888,269
Fair value reserve	21	177,294	318,835	177,294	318,835
Other reserves	22	500,853	465,499	168,789	134,775
Claims equalisation reserve	23	1,207	1,207	-	-
Retained income		908,769	1,014,685	911,388	910,361
<b>Equity attributable to owners of the Company</b>		<b>2,476,392</b>	<b>2,688,495</b>	<b>2,145,740</b>	<b>2,252,240</b>
Non-controlling interests	24	104,518	109,368	-	-
<b>Total equity</b>		<b>2,580,910</b>	<b>2,797,863</b>	<b>2,145,740</b>	<b>2,252,240</b>

## Statements of Financial Position

For the year ended 30 June 2021 (cont.)

Figures in Pula thousand	Note(s)	Group		Company	
		2021	2020	2021	2020
<b>Liabilities</b>					
<b>Non-Current Liabilities</b>					
Borrowings	25	1,453,569	1,097,682	1,388,567	1,030,824
Government grants	26	9,987	10,343	-	-
Bonds outstanding	27	507,316	346,959	507,316	346,959
Lease liabilities	11	347	-	166,903	165,851
Provisions	28	9,904	9,904	-	-
Deferred tax	29	115,022	128,479	-	-
Rental straight-lining adjustment		1,754	-	-	-
		<b>2,097,899</b>	<b>1,593,367</b>	<b>2,062,786</b>	<b>1,543,634</b>
<b>Current Liabilities</b>					
Borrowings	25	64,616	444,011	53,403	430,406
Government grants	26	356	356	-	-
Current tax payable		1,570	1,724	717	757
Trade and other payables	30	146,964	125,667	78,478	90,962
Lease liabilities	11	166	-	8,610	5,991
Bank overdraft	19 & 31	103,721	164,808	103,653	164,737
		<b>317,393</b>	<b>736,566</b>	<b>244,861</b>	<b>692,853</b>
<b>Total Liabilities</b>		<b>2,415,292</b>	<b>2,329,933</b>	<b>2,307,647</b>	<b>2,236,487</b>
<b>Total Equity and Liabilities</b>		<b>4,996,202</b>	<b>5,127,796</b>	<b>4,453,387</b>	<b>4,488,727</b>

## Statements of Changes in Equity

Group	Stated capital	Fair value reserve	Claims equalisation reserve	Other reserves	Retained income	Total attributable to members	Non-controlling interest	Total equity
<b>Figures in Pula thousand</b>								
<b>Balance at 1 July, 2019</b>	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)
<b>Total comprehensive income for the year</b>	-	<b>(38,971)</b>	-	<b>28,117</b>	<b>131,237</b>	<b>120,383</b>	<b>2,405</b>	<b>122,788</b>
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)
<b>Balance at 01 July 2020</b>	-	<b>(119,331)</b>	-	-	<b>99,331</b>	<b>(20,000)</b>	<b>(259,698)</b>	<b>(279,698)</b>
Loss for the year	888,269	318,835	1,207	465,499	1,014,685	2,688,495	109,368	2,797,863
Other comprehensive (loss)/income	-	(141,541)	-	1,340	(71,902)	(71,902)	(5,316)	(77,218)
<b>Total comprehensive Loss for the year</b>	-	<b>(141,541)</b>	-	<b>1,340</b>	<b>(71,902)</b>	<b>(212,103)</b>	<b>(4,850)</b>	<b>(216,953)</b>
Transfer between reserves	-	-	-	34,014	(34,014)	-	-	-
<b>Balance at 30 June, 2021</b>	-	-	-	<b>34,014</b>	<b>(34,014)</b>	-	-	-
Note(s)	20	21	23	22			24	
	888,269	177,294	1,207	500,853	908,769	2,476,392	104,518	2,580,910



## Statements of Changes in Equity

(Cont.)

	Stated capital	Fair value reserve	Claims equalisation reserve	Other reserves	Retained income	Total attributable to members	Non-controlling interest	Total equity
<b>Company</b>								
<b>Balance at 1 July 2019</b>	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)
<b>Total comprehensive income for the year</b>	-	(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)
<b>Total transactions with owner of the Company</b>	-	(119,331)	-	(394)	99,725	(20,000)	-	(20,000)
<b>Balance at 1 July 2020</b>	888,269	318,835	-	134,775	910,361	2,252,240	-	2,252,240
Profit for the year	-	-	-	-	35,041	35,041	-	35,041
Other comprehensive income	-	(141,541)	-	-	-	(141,541)	-	(141,541)
<b>Total comprehensive income for the year</b>	-	(141,541)	-	-	35,041	(106,500)	-	(106,500)
Transfer of investment revaluation reserve upon disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	34,014	(34,014)	-	-	-
<b>Total transactions with owners of the company</b>	-	-	-	34,014	(34,014)	-	-	-
<b>Balance at 30 June 2021</b>	888,269	177,294	-	168,789	911,388	2,145,740	-	2,145,740
Note(s)	20	21		22			24	

## Statement of Cash Flows

Figures in Pula thousand	Note(s)	Group		Company	
		2021	2020	2021	2020
<b>Cash flows from operating activities</b>					
Cash generated (used in)/from operations	35	(60,049)	37,407	(82,129)	37,645
Tax paid		(6,358)	(21,700)	(3,730)	(7,888)
<b>Net cash from operating activities</b>		<b>(66,407)</b>	<b>15,707</b>	<b>(85,859)</b>	<b>29,757</b>
<b>Cash flows from investing activities</b>					
Purchase of property plant and equipment	9	(14,504)	(4,496)	(429)	(371)
Proceeds from sale of property plant and equipment		13,384	-	-	-
Purchase of investment property	8	(59,871)	(22,736)	(4,599)	-
Purchase of intangible assets	10	-	(186)	-	(174)
Acquisition of shares in subsidiary		-	-	(61,115)	(14,235)
Purchase of financial assets		(3,756)	(260,370)	-	(260,370)
Proceeds on disposal of investment		-	16,818	218	160,170
Loans repaid by borrowers		6,453	62,734	6,453	64,065
Loans repaid by subsidiaries		-	-	1,208	-
Loans disbursed to ISF projects		(50,000)	-	(50,000)	-
Loans disbursed to unquoted investment companies		(396,703)	(380,892)	(396,703)	(412,265)
Loans disbursed to subsidiaries		-	-	(5,612)	-
Proceeds from disposal of investment properties and assets held for sale		187,284	1,100	-	-
Interest Received		65,234	20,173	65,234	153,534
Dividends received		7,649	32,254	108,376	72,382
<b>Net cash from investing activities</b>		<b>(244,830)</b>	<b>(535,602)</b>	<b>(336,969)</b>	<b>(237,264)</b>
<b>Cash flows from financing activities</b>					
Long term borrowings raised		349,145	833,134	344,514	833,134
Long term borrowings repaid		(443,292)	(154,706)	(310,561)	(157,494)
Dividends paid to group shareholder		-	(20,000)	-	(20,000)
Proceeds from issue of bonds		158,698	-	158,698	-
Industry Support Funds raised (refer to note 43)		100,504	-	100,504	-
Payment on lease liabilities		(221)	-	(19,820)	(17,198)
Interest paid		(101,470)	(98,257)	(113,912)	(99,840)
<b>Net cash from financing activities</b>		<b>63,364</b>	<b>560,171</b>	<b>159,423</b>	<b>538,602</b>
<b>Total cash movement for the year</b>		<b>(247,873)</b>	<b>40,276</b>	<b>(263,405)</b>	<b>331,095</b>
Cash at the beginning of the year		321,152	280,876	282,291	(48,804)
<b>Total cash at end of the year</b>	19	<b>73,279</b>	<b>321,152</b>	<b>18,886</b>	<b>282,291</b>

## 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 2021 were signed and authorised for issue on 10 February 2022.

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

#### 1.2 Segmental reporting

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

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

#### 1.3 Consolidation

##### Basis of consolidation

The group financial statements incorporate the consolidated and separate 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 consolidated and separate financial statements of subsidiaries to bring their accounting policies in line with those of the group.

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

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

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

## Significant Accounting Policies

### 1.3 Consolidation (cont.)

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

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

#### Investments in subsidiaries in the separate financial statements

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

#### Business combinations

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

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

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

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

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

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

In cases where the group held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value as at acquisition date. The measurement to fair value is included in profit or loss for the year. Where the existing shareholding was classified as an available-for-sale financial asset, the cumulative fair value adjustments recognised previously to other comprehensive income and accumulated in equity are recognised in profit or loss as a reclassification adjustment.

Under IFRS 3, 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.

## Significant Accounting Policies

### 1.3 Consolidation (cont.)

Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

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

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

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

### 1.4 Equity accounted investees

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

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

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

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

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

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

### 1.5 Significant judgements and sources of estimation uncertainty

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

## Significant Accounting Policies

### 1.5 Significant judgements and sources of estimation uncertainty (cont.)

#### Critical judgements in applying accounting policies

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

#### Valuation of investment properties

The Group owns a portfolio of investment properties comprising office buildings, residential property, industrial and mixed use properties located primarily in Gaborone, Selibe-Phikwe and Lobatse. The carrying values of the investment properties amounted to P1.189 billion as at 30 June 2021 (2020: P1.287 billion, restated). This accounts for 27% of the group's total non-current assets.(note 8)

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 performed 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 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 2018.

#### Impairment of investments in subsidiaries and associates

The carrying value of the company's investments in subsidiaries and associates amounted to P1 502 million (2020: P1 448 million) at the reporting date. This constitutes 39% (2020: 39%) of the company's total non-current assets. The company assesses its investment in subsidiaries and equity accounted investees 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 equity accounted investees companies.(note 12 and 13).

Management compares the carrying values of the investments in subsidiaries and equity accounted investees 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 equity accounted investees 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 equity accounted investees companies.

## Significant Accounting Policies

### 1.5 Significant judgements and sources of estimation uncertainty (cont.)

#### Taxation

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

#### Impairment loss on debtors

The directors reviews its debtors to assess impairment on a monthly basis. In determining whether an impairment loss should be recorded in profit or loss, the directors make judgments as to whether there is any observable data indicating that there is a measurable decrease in estimated cash flows from a portfolio of debtors. Directors use estimates based on 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 affiliates 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- affiliates 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 draw downs 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 or when applying the simplified approach under IFRS9.

### 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.

## Significant Accounting Policies

### 1.6 Investment property (cont.)

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

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

#### Fair value

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

A gain or loss arising from a change in fair value is included in net profit or loss for the period in which it arises. There are no property interests held under operating leases which are recognised as investment property.

#### Reclassification to investment property

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

#### Derecognition of investment property

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

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

### 1.7 Property plant and equipment

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

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

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

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

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

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.



## Significant Accounting Policies

### 1.7 Property plant and equipment (cont.)

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

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

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in profit or loss in the current year. The decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in the revaluation reserve in equity.

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

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'.

## Significant Accounting Policies

### 1.8 Site restoration and dismantling cost

The cost of an item of property plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

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

If the related asset is measured using the revaluation model:

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

### 1.9 Intangible assets

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

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

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

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

Intangible assets acquired in a business combination.

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

## Significant Accounting Policies

### 1.9 Intangible assets (cont.)

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

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

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

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

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

### 1.10 Financial instruments

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

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

#### Financial assets which are equity instruments:

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

#### Financial assets which are debt instruments:

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

#### Financial liabilities:

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

## Significant Accounting Policies

### 1.10 Financial instruments (cont.)

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

#### Financial assets at amortised cost

##### Classification

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

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

##### Recognition and measurement

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

They are subsequently measured at amortised cost.

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

##### Application of the effective interest method

Interest income is calculated using the effective interest method, and is included in profit or loss (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 6).

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).

## Significant Accounting Policies

### 1.10 Financial instruments (cont.)

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

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

#### Significant increase in credit risk

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

The group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the 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 installment 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 6).

## Significant Accounting Policies

### 1.10 Financial instruments (cont.)

#### 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 17).

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.

##### 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 14. 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.

## Significant Accounting Policies

### 1.10 Financial instruments (cont.)

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 (note2).

#### 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.

### Borrowings and loans from related parties

#### Classification

Due from group companies (note 15) and borrowings (note 25) are classified as financial liabilities subsequently measured at amortised cost.

### Trade and other payables

#### Classification

Trade and other payables (note 30), 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 6).

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.

### Financial liabilities at fair value through profit or loss

#### Classification

Financial liabilities which are held for trading are classified as financial liabilities mandatorily at fair value through profit or loss. Refer to note 27.

## Significant Accounting Policies

### 1.10 Financial instruments (cont.)

When a financial liability is contingent consideration in a business combination, the group classifies it as a financial liability at fair value through profit or loss. Refer to note 27.

The group, does, from time to time, designate certain financial liabilities as at fair value through profit or loss. The reason for the designation is to reduce or significantly eliminate an accounting mismatch which would occur if the instruments were not classified as such; or if the instrument forms part of a group of financial instruments which are managed and evaluated on a fair value basis in accordance with a documented management strategy; or in cases where it forms part of a contract containing an embedded derivative and IFRS 9 permits the entire contract to be measured at fair value through profit or loss. Refer to note 27 for details.

#### Cash and cash equivalents

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

#### Bank overdrafts, bonds and borrowings

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

#### Other assets

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

#### Derecognition

##### Financial assets

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

##### Financial liabilities

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

#### Reclassification

##### Financial assets

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

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



## Significant Accounting Policies

### 1.10 Financial instruments (cont.)

#### Financial liabilities

Financial liabilities are not reclassified.

### 1.11 Financial instruments: IAS 39 comparatives

#### Classification

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

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

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

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

#### Effective interest method

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

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

#### Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

## Significant Accounting Policies

### 1.11 Financial instruments: IAS 39 comparatives (cont.)

- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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

#### Held-to-maturity investments

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

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

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

Listed redeemable notes held by the Group that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value at the end of each reporting period (because the directors consider that fair value can be reliably measured). Fair value is determined in the manner described in note 40. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

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

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

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

#### Loans and receivables

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

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

#### Impairment of financial assets

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

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

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

## Significant Accounting Policies

### 1.11 Financial instruments: IAS 39 comparatives (cont.)

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

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables. For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

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

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

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

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

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

#### Derecognition of financial assets

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

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

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

## Significant Accounting Policies

### 1.11 Financial instruments: IAS 39 comparatives (cont.)

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

#### Financial liabilities and equity instruments

Classification as debt or equity

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

#### Equity instruments

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

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

#### Compound instruments

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

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

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

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

#### Financial liabilities

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

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

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

## Significant Accounting Policies

### 1.11 Financial instruments: IAS 39 comparatives (cont.)

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

#### Other financial liabilities

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

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

#### Financial guarantee contracts

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

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

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

#### Derecognition of financial liabilities

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

#### Impairment of financial assets

##### Loans to (from) group companies

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

Loans to group companies are classified as loans and receivables.

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

##### Trade and other receivables

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

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

## Significant Accounting Policies

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### 1.11 Financial instruments: IAS 39 comparatives (cont.)

Trade and other receivables are classified as loans and receivables.

#### **Trade and other payables**

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

#### **Cash and cash equivalents**

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

#### **Bank overdraft, bonds and borrowings**

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

#### **Preference shares**

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

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

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

#### **Held to maturity**

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

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

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

## Significant Accounting Policies

### 1.12 Tax

#### Current tax assets and liabilities

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

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

#### Deferred tax assets and liabilities

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

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

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

### 1.13 Leases

#### Group as lessee

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

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

## Significant Accounting Policies

### 1.13 Leases (cont.)

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 11 Right of Use Assets/ Leases (group as lessee).

#### Lease liability

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

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

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability (or right-of-use asset). The related payments are recognised as an expense in the period incurred and are included in operating expenses (note 11).

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 4).

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.



## Significant Accounting Policies

### 1.13 Leases (cont.)

#### Right-of-use assets

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

The cost of the right-of-use asset shall comprise:

The amount of the initial measurement of the lease liability, as described below:

- Any lease payments made at or before the commencement date, less any lease incentives received;
- Any initial direct costs incurred;
- Any initial direct costs incurred by the lessee and less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the asset.
- An underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

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 28 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 that are investment property are fair valued in line with IAS 40 Investment property.

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.

## Significant Accounting Policies

### 1.14 Leases (Comparatives under IAS 17)

#### Finance leases – lessee

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

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

#### Operating leases - lessor

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

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

#### Operating leases – lessee

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

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

### 1.15 Inventories

Inventories are measured at the lower of cost and net realisable value on the first-in-first-out basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

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

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

### 1.16 Other investments

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

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

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

## Significant Accounting Policies

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

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 distribution 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.

### 1.18 Impairment of non financial assets

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

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

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

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

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

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

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

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

## Significant Accounting Policies

### 1.19 Stated capital and equity

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

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

### 1.20 Compound instruments

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

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

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

### 1.21 Employee benefits

#### Short-term employee benefits

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

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

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

#### Defined contribution plans

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

### 1.22 Provisions and contingencies

Provisions are recognised when:

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

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

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

Provisions are not recognised for future operating losses.

## Significant Accounting Policies

### 1.22 Provisions and contingencies (cont.)

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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

### 1.23 Government grants

Government grants are recognised when there is reasonable assurance that:

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

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

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

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

Grants related to income are deducted from the related expense.

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.

## Significant Accounting Policies

### 1.24 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.

#### *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.

### 1.25 Rental income

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

### 1.26 Cost of sales

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

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

## Significant Accounting Policies

### 1.27 Translation of foreign currencies

#### Group presentation currency

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

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

#### Foreign currency transactions

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

At the end of the reporting period:

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

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

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

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

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

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

## Notes to the Consolidated And Separate Financial Statements

Figures in Pula thousand	Group		Company	
	2021	2020	2021	2020
<b>2. Income from trade</b>				
<i>Income from trade:</i>				
Revenue from the sale of goods and rendering of services	29,688	54,827	-	-
<i>Dividends received:</i>				
Subsidiaries	-	-	95,554	31,916
Associated companies	-	-	5,173	8,212
Quoted investments	7,649	32,254	7,649	32,254
	<b>37,337</b>	<b>87,081</b>	<b>108,376</b>	<b>72,382</b>
<b>3. Interest on loans</b>				
<b>Interest on loans</b>				
Subsidiaries	-	-	8,341	10,118
Associated companies	19,866	7,419	19,866	7,419
Quoted investments	121,243	135,997	121,243	135,997
	<b>141,109</b>	<b>143,416</b>	<b>149,450</b>	<b>153,534</b>
Interest on loans has been calculated based on effective interest rate method				
<b>4. Finance income and finance cost</b>				
<i>Finance income:</i>				
- Cash and cash equivalents	10,752	11,025	9,341	7,154
- Debenture interest	-	-	19,511	18,437
- Preference shares interest	22,354	9,148	22,354	9,148
	<b>33,106</b>	<b>20,173</b>	<b>51,206</b>	<b>34,739</b>
<i>Finance costs:</i>				
- Bank borrowings	(55,353)	(49,619)	(56,280)	(40,662)
- Long-term borrowings	(9,547)	(19,028)	(9,545)	(19,024)
- Bonds	(36,465)	(29,610)	(36,465)	(29,610)
- Lease interest	(105)	-	(14,658)	(10,544)
	<b>(101,470)</b>	<b>(98,257)</b>	<b>(116,948)</b>	<b>(99,840)</b>
<b>5. Other income</b>				
Recoveries received*	4,811	4,264	-	-
Management fees	6,200	6,128	6,365	6,348
Arrangement and monitoring fees	4,977	3,717	4,977	3,717
African Development Bank training grant	244	84	244	59
Other income	8,962	5,218	36	2,358
Gain on disposal of investments	194	20,088	194	68,594
Debt collection and broker fees	365	2,395	-	-
Levies	5,109	3,913	-	-
	<b>30,862</b>	<b>45,807</b>	<b>11,816</b>	<b>81,076</b>

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 Consolidated And Separate Financial Statements

### 6. Profit before tax

#### Figures in Pula thousand

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

	Group		Company	
	2021	2020	2021	2020
Amortisation of government grant (note 26)	355	355	-	-
Auditors remuneration - external auditors	(1,900)	(1,904)	(811)	(739)
Bad debts and doubtful debts on trade and other receivables (note 17)	(5,304)	(4,321)	-	(893)
Consulting and professional fees	(13,487)	(13,487)	(14,069)	(10,318)
Consulting and professional fees - legal fees	(2,941)	(2,941)	(2,360)	(1,903)
Amortisation of intangible assets (note 10)	(70)	(126)	-	-
Depreciation (note 9)	(12,525)	(10,125)	(1,091)	(2,716)
Directors' fees	(1,465)	(1,465)	(265)	(172)
Staff costs (as below)	(70,049)	(71,450)	(51,090)	(49,276)
Directors' emoluments	(2,162)	(3,291)	(2,162)	(3,291)
Net unrealised foreign exchange (losses)/gains	(23,865)	42,355	(23,865)	42,355
Repairs and maintenance	(1,313)	(1,970)	(322)	(270)
Subscriptions	(4,135)	(2,945)	(3,621)	(2,435)
Training	(824)	(1,559)	(556)	(1,046)
<i>Staff costs</i>				
Salaries and wages	(67,293)	(68,986)	(49,932)	(48,230)
Terminal benefits	(1,598)	(1,418)	-	-
Medical aid - company contributions	(1,158)	(1,046)	(1,158)	(1,046)

## Notes to the Consolidated And Separate Financial Statements

### 7. Income tax (credit)/expense

Figures in Pula thousand	Group		Company	
	2021	2020	2021	2020
<b>Major components of the tax expense (credit)</b>				
<b>Botswana company taxation</b>				
Normal taxation at 22%/15%	-	1,839	-	-
Group tax relief	-	413	(6,593)	1,500
Withholding tax on dividends	1,536	6,415	1,536	6,212
Total normal taxation	1,536	8,667	(5,057)	7,712
Deferred tax - current year	(7,975)	4,760	-	-
Deferred tax for changes in estimates relating to prior years	-	(714)	-	-
Withholding tax on debenture interest	1,971	840	1,971	840
Deferred tax recognised in OCI	2,951	1,730	-	-
	<b>(1,517)</b>	<b>15,283</b>	<b>(3,086)</b>	<b>8,552</b>
<b>Reconciliation of the tax (credit)/expense</b>				
The tax on the profit before tax differs from the theoretical amount as follows:				
Accounting (loss)/profit	(78,735)	151,341	31,955	231,096
Tax calculated at 22%/15%	(16,165)	33,301	7,030	50,842
Income not subject to tax	(23,975)	(16,109)	(23,843)	(15,923)
Deferred taxation for changes in estimates - prior year	-	(714)	-	-
Deferred tax - Capital gains tax	(8,665)	5,193	-	-
Gain on disposal of investment assets exempt from taxation	-	(15,085)	-	(35,719)
Expense not deductible for tax purposes	39,674	5,026	10,627	(125)
Utilisation of previously unrecognised tax losses	8,372	(1,808)	-	-
Withholding tax on debenture interest	1,971	840	1,971	840
Fair value adjustments subject to capital gains tax	-	(1,773)	-	-
Withholding tax on dividends received	1,536	6,415	1,536	6,212
Unrecognised deferred tax balances	(4,265)	(413)	6,186	925
Group tax relief	-	410	(6,593)	1,500
	<b>(1,517)</b>	<b>15,283</b>	<b>(3,086)</b>	<b>8,552</b>

#### 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 P2,950,605 (2020: P883, 000). Other movements in other comprehensive income did not have a tax impact on the group.

## Notes to the Consolidated And Separate Financial Statements

### 7. Income tax (credit)/expense (cont.)

#### Unrecognised deferred tax balances

At 30 June 2021, there was a deferred tax liability of P96million (2020: P102 million) for temporary differences of P438 million (2020: P463.1 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		Company	
	2021	2020	2021	2020
<b>Tax year:</b>				
2015/2016	-	112,987	-	110,567
2016/2017	33,326	37,225	18,914	18,914
2017/2018	71,107	46,672	34,487	34,487
2018/2019	43,175	60,022	-	-
2019/2020	1,876	1,582	1,582	1,582
2020/2021	3,027	-	-	-
	<b>152,511</b>	<b>258,488</b>	<b>54,983</b>	<b>165,550</b>

## Notes to the Consolidated And Separate Financial Statements

### 8. Investment property

Figures in Pula thousand

	Group		Company	
	2021	2020	2021	2020
<b>Reconciliation of investment property - Group</b>				
Land and buildings at fair value	1,186,872	1,137,944	-	-
Rental straight-lining adjustment	1,754	(9,172)	-	-
<b>Balance at the end of the year</b>	<b>1,188,626</b>	<b>1,128,772</b>	-	-
<b>Reconciliation of fair value</b>				
Balance at beginning of the year	1,128,772	1,883,410	-	-
- At valuation	1,137,944	1,944,317	-	-
- Straight line lease rental adjustment	(9,172)	(60,907)	-	-
Additions during the year - subsequent expenditure	-	-	-	-
Additions during the year - acquisitions	59,871	22,736	-	-
Disposals during the year	-	-	-	-
Transfers to assets classified as held for sale	-	(187,285)	-	-
Rental deferral account	261	1,650	-	-
Disposal on loss of control in subsidiary (Note 12)	-	(716,512)	-	-
Fair value (loss)/ gain of investment properties	(278)	124,773	-	-
- (Decrease)/increase in fair value during the year	(2,149)	120,285	-	-
- Straight line lease rental adjustment	1,871	4,488	-	-
<b>Balance at end of the year</b>	<b>1,188,626</b>	<b>1,128,772</b>	-	-

## Notes to the Consolidated And Separate Financial Statements

### 8. Investment property (cont.)

#### 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 (2021:3-5%,weighted average 5%; (2020: 2-4%, weighted average 4%)). Void periods (2021:2-6 months on the basis of marketing of vacant space 2020: average 4 to 6 months after the end of each lease). Occupancy rate (2021: 60-75%,weighted average 68%; 2020: 50-70%, weighted average 60%). Rent-free periods (2021 and 2020:1-6 months period on new leases). Risk-adjusted discount rates (2021:8-15%, weighted average 12%; 2020: 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.

#### 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 2021 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 2021. All of the Group's investment property is held under freehold interests.

#### Investment properties held for sale

Properties that were disclosed as assets held for sale in the prior year were successfully disposed of during the year. There was no profit realised on the disposal as these were sold at market values.

#### Figures in Pula thousand

#### Transactions associated with investment properties are:

	2021	2020
Rental income	44,240	96,579
Repairs and maintenance expenses	(2,640)	(3,624)

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.

## Notes to the Consolidated And Separate Financial Statements

### 9. Property plant and equipment

Group	2021			2020		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land and buildings	357,108	(5,220)	351,888	363,511	(3,187)	360,324
Plant and machinery	152,154	(104,680)	47,474	151,362	(97,414)	53,948
Furniture and fixtures	18,198	(15,823)	2,375	18,277	(15,591)	2,686
Motor vehicles	3,026	(2,428)	598	3,593	(2,320)	1,273
IT equipment	9,676	(8,254)	1,422	9,398	(7,772)	1,626
Capital - Work in progress	5,180	-	5,180	137	-	137
<b>Total</b>	<b>545,342</b>	<b>(136,405)</b>	<b>408,937</b>	<b>546,278</b>	<b>(126,284)</b>	<b>419,994</b>

Company	2021			2020		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Furniture and fixtures	10,046	(9,800)	246	10,046	(9,354)	692
Motor vehicles	714	(326)	388	1,176	(636)	540
IT equipment	5,306	(4,561)	745	4,877	(4,045)	832
<b>Total</b>	<b>16,066</b>	<b>(14,687)</b>	<b>1,379</b>	<b>16,099</b>	<b>(14,035)</b>	<b>2,064</b>

## Notes to the Consolidated And Separate Financial Statements

## Consolidated Annual Financial Statements For the Year Ended 2021

9. Property plant and equipment (cont.)  
Reconciliation of property plant and equipment - Group - 2021

	Land and Buildings	Plant and machinery	Furniture and fixtures	Motor vehicles	IT equipment	Capital work in progress	Total
Cost or revaluation	357,108	152,154	18,198	3,026	9,676	5,180	545,342
Accumulated depreciation and impairment	(5,220)	(104,680)	(15,823)	(2,428)	(8,254)	-	(136,405)
<b>Net book value at 30 June 2021</b>	<b>351,888</b>	<b>47,474</b>	<b>2,375</b>	<b>598</b>	<b>1,422</b>	<b>5,180</b>	<b>408,937</b>
<b>Net book value at beginning of year</b>	<b>360,387</b>	<b>53,885</b>	<b>2,686</b>	<b>1,273</b>	<b>1,626</b>	<b>137</b>	<b>419,994</b>
Additions	32	8,555	17	-	720	5,180	14,504
Disposals and scrappings - cost	-	(8,245)	99	-	-	-	(8,146)
Disposals and scrapping - accumulated depreciation and impairment	258	202	721	528	437	(137)	2,009
Transfers on disposal	(6,137)	-	(99)	(567)	(442)	-	(7,245)
Transfers from capital work in progress	(545)	545	-	-	-	-	-
Revaluations	346	-	-	-	-	-	346
Depreciation	(2,453)	(7,468)	(1,049)	(636)	(919)	-	(12,525)
	<b>351,888</b>	<b>47,474</b>	<b>2,375</b>	<b>598</b>	<b>1,422</b>	<b>5,180</b>	<b>408,937</b>

## Notes to the Consolidated And Separate Financial Statements

9. Property plant and equipment (cont.)  
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)
<b>Net book value at 30 June 2020</b>	<b>360,387</b>	<b>53,885</b>	<b>2,686</b>	<b>1,273</b>	<b>1,626</b>	<b>137</b>	<b>419,994</b>
<b>Net book value at beginning of year</b>	<b>349,829</b>	<b>60,699</b>	<b>4,931</b>	<b>1,964</b>	<b>2,960</b>	-	<b>420,242</b>
Additions	1,422	2,032	592	-	450	-	4,496
Disposals and scrapping's - 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	(847)	(5,754)	(2,450)	(377)	(1,238)	-	(10,666)
	<b>360,324</b>	<b>53,948</b>	<b>2,686</b>	<b>1,273</b>	<b>1,626</b>	<b>137</b>	<b>419,994</b>

Reconciliation of property plant and equipment - Company - 2021

	Furniture and fixtures	Motor vehicles	IT equipment	Total
Cost or revaluation	10,046	714	5,306	16,066
Accumulated depreciation and impairment	(9,800)	(326)	(4,561)	(14,687)
<b>Net book value at 30 June 2021</b>	<b>246</b>	<b>388</b>	<b>745</b>	<b>1,379</b>
<b>Net book value at beginning of year</b>	<b>692</b>	<b>540</b>	<b>832</b>	<b>2,064</b>
Additions	-	-	429	429
Disposals and scrappings - cost	-	(462)	-	(462)
Disposals and scrapping - accumulated depreciation and impairment	-	439	-	439
Depreciation	(446)	(129)	(516)	(1,091)
	<b>246</b>	<b>388</b>	<b>745</b>	<b>1,379</b>



## Notes to the Consolidated And Separate Financial Statements

### 9. Property plant and equipment (cont.)

#### 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)
<b>Net book value at 30 June 2021</b>	<b>692</b>	<b>540</b>	<b>832</b>	<b>2,064</b>
<b>Net book value at beginning of year</b>	<b>2,438</b>	<b>669</b>	<b>1,344</b>	<b>4,451</b>
Additions	-	-	458	458
Disposals and scrappings - cost	-	(129)	-	(129)
Depreciation	(1,746)	-	(970)	(2,716)
	<b>692</b>	<b>540</b>	<b>832</b>	<b>2,064</b>

#### 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 8 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.

### 10. Intangible assets

	2021			2020		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
<b>Group</b>						
Computer software, other	6,463	(3,646)	2,817	6,511	(3,624)	2,887
<b>Company</b>						
Computer software, other	2,813	-	2,813	2,813	-	2,813

## Notes to the Consolidated And Separate Financial Statements

### 10. Intangible assets (cont.)

#### Reconciliation of intangible assets - Group - 2021

	Opening balance	Amortisation	Closing Balance
Computer software, other	2,887	(70)	2,817

#### 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 - Company - 2021

	Opening balance	Closing balance
Computer software, other	2,813	2,813

#### Reconciliation of intangible assets - Company - 2020

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

Computer software with a cost of P2,813,000 has not been amortised as it was under development at year-end. It is expected to be brought to use post year-end.

## Notes to the Consolidated And Separate Financial Statements

### 11. Right of use assets/Leases

Figures in Pula thousand

	Group		Company	
	2021	2020	2021	2020

The group leases several assets, including buildings.

The average lease term for buildings is 5 years (2020: 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:

Buildings	-	-	117,175	124,388
Motor Vehicles	516	-	516	-
	516	-	117,691	124,388

#### Additions to right-of-use assets

Buildings	-	-	7,957	-
Motor vehicles	879	-	879	-
	879	-	8,836	-

#### Depreciation recognised on right-of-use assets

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

Buildings	-	-	15,169	12,550
Motor vehicles	364	-	364	-
	364	-	15,533	12,550

#### Other disclosures

Capital portion of lease liability paid	116	-	5,162	6,643
Interest expense on lease liabilities	105	-	14,658	10,554
Leases of low value assets included in operating expenses	43	62	43	62
Total cash outflow from leases	221	-	19,820	17,197

At 30 June, 2021, the group is committed to Pnil (2020:Pnil ) for short-term leases.

#### Lease liabilities

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

Within one year	166	-	8,610	5,991
Two to five years	347	-	11,212	47,040
More than five years	-	-	155,691	118,812
	513	-	175,513	171,843

## Notes to the Consolidated And Separate Financial Statements

### 11. Right of use assets/Leases (cont.)

#### 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:

Figures in Pula thousand	Group		Company	
	2021	2020	2021	2020
<b>Maturity Profile</b>				
Less than one year	49,081	59,506	-	-
One to two years	46,924	50,388	-	-
Two to three years	44,351	43,321	-	-
Three to four years	38,703	38,932	-	-
Four to five years	31,763	31,439	-	-
More than five years	117,391	142,475	-	-

### 12. 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

2021	Ordinary shares at cost	Preference shares at cost	Total investment	% of shares held
<b>Agriculture</b>	<b>105,825</b>	<b>-</b>	<b>105,825</b>	
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	21,366	-	21,366	100 %
<b>Industry</b>	<b>75,000</b>	<b>-</b>	<b>75,000</b>	
Lobatse Clay Works (Pty) Ltd	75,000	-	75,000	100 %

## Notes to the Consolidated And Separate Financial Statements

### 12. Subsidiaries (cont.)

2021 (cont.)	Ordinary shares at cost	Preference shares at cost	Total investment	% of shares held
<b>Services</b>	<b>29,343</b>	<b>5,200</b>	<b>34,543</b>	
Export Credit Insurance & Guarantee (Pty) Ltd	14,584	-	14,584	100 %
Coast-to-Coast Inn (Pty) Ltd	14,759	5,200	19,959	100 %
<b>Property management</b>	<b>906,933</b>	<b>-</b>	<b>906,933</b>	
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	374,184	-	374,184	100 %
Phakalane Property Development (Pty) Ltd	510	-	510	51 %
	<b>1,117,101</b>	<b>5,200</b>	<b>1,122,301</b>	
Less: Accumulated impairment			(161,892)	
			<b>960,409</b>	

2020	Ordinary shares at cost	Preference shares at cost	Total investment	% of shares held
<b>Agriculture</b>	<b>101,226</b>	<b>-</b>	<b>101,226</b>	
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
<b>Industry</b>	<b>75,000</b>	<b>-</b>	<b>75,000</b>	
Lobatse Clay Works (Pty) Ltd	75,000	-	75,000	100
<b>Services</b>	<b>29,343</b>	<b>5,200</b>	<b>34,543</b>	
Export Credit Insurance & Guarantee (Pty) Ltd	14,584	-	14,584	100
Coast-to-Coast Inn (Pty) Ltd	14,759	5,200	19,959	100
<b>Property management</b>	<b>845,818</b>	<b>-</b>	<b>845,818</b>	
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
	<b>1,051,387</b>	<b>5,200</b>	<b>1,056,587</b>	
Less: Accumulated impairment			(156,138)	
			<b>900,449</b>	

## Notes to the Consolidated And Separate Financial Statements

### 12. Subsidiaries (cont.)

All the above subsidiaries are registered in Botswana

Investments in Western Industrial Estate (Pty) Ltd increased to P374million (2020:P313 million ) following the transfer of Plot 18721 in Palapye acquired by the Company.

Impairment increased mainly due to incurred losses from subsidiaries , impairment loss of P5.8million is included in Expected Credit Losses in the statement of profit and loss.

#### Impairment

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

Key assumptions used in the determining future profitability of subsidiaries include revenue growth rates which were assessed as reasonable and are in line with relevant market growth rates. Such assumptions are based on historical results adjusted for anticipated future growth. These assumptions are a reflection of management's past experience in the market in which the investees operate. The current value of assets held by subsidiaries which is mostly property, plant and equipment and investment property was performed by independent property valuers. Refer to note 8 and 9 for additional details.

#### Subsidiaries for which control was lost in the prior 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. There was no loss of control in the year 2021.

Effect of disposal on financial position of the group, 30 June 2020

P'000	P '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)
	<u>763,816</u>
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	<u>89,399</u>

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

## Notes to the Consolidated And Separate Financial Statements

### 13. Equity accounted investees

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

#### Equity Accounted Investees

Group - 2021	Ordinary shares at cost	Post Acquisition Reserve	Total investment	% of shares held
<b>Agriculture</b>	<b>4,432</b>	<b>(4,191)</b>	<b>241</b>	
Marekisetso A Merogo (Pty) Ltd	4,432	(4,191)	241	23 %
<b>Industry</b>	<b>44,370</b>	<b>(11,586)</b>	<b>32,784</b>	
Nampak DivFood Botswana	23,077	(7,757)	15,320	26 %
Indus Healthcare (Pty) Ltd	21,293	(3,829)	17,464	26 %
<b>Services</b>	<b>263,376</b>	<b>121,758</b>	<b>385,404</b>	
Peermont Global (Botswana) Ltd	3,000	42,143	45,143	40 %
TransUnion (Pty) Ltd	147	6,979	7,126	49 %
Transport Holdings (Pty) Ltd	10,865	9,412	20,277	20 %
Mashatu Nature Reserve (Pty) Ltd	10,287	103,969	114,256	33 %
Kamoso Africa (Pty ) Ltd	239,077	(40,745)	198,332	24 %
<b>Property management</b>	<b>264,824</b>	<b>1,092</b>	<b>265,916</b>	
Letlole La Rona Limited	264,824	1,092	265,916	40 %
<b>Total all sectors</b>			<b>684,345</b>	
Less: Accumulated impairment			(21,426)	
			<b>662,919</b>	

Group - 2020	Ordinary shares at cost	Post Acquisition Reserve	Total investment	% of shares held
<b>Agriculture</b>	<b>4,432</b>	<b>(4,031)</b>	<b>401</b>	
Marekisetso A Merogo (Pty) Ltd	4,432	(4,031)	401	23 %
<b>Industry</b>	<b>44,370</b>	<b>(8,385)</b>	<b>35,985</b>	
Nampak DivFood Botswana	23,077	(7,077)	16,000	26 %
Indus Healthcare (Pty) Ltd	21,293	(1,308)	19,985	26 %
<b>Services</b>	<b>263,376</b>	<b>175,548</b>	<b>438,924</b>	
Peermont Global (Botswana) Ltd	3,000	46,243	49,243	40 %
TransUnion (Pty) Ltd	147	8,648	8,795	49 %
Transport Holdings (Pty) Ltd	10,865	8,501	19,366	20 %
Mashatu Nature Reserve (Pty) Ltd	10,287	108,402	118,689	33 %
Kamoso Africa (Pty ) Ltd	239,077	3,754	242,831	24 %
<b>Property management</b>	<b>264,825</b>	<b>(1,413)</b>	<b>263,412</b>	
Letlole La Rona Limited	264,825	(1,413)	263,412	40 %
<b>Total all sectors</b>			<b>738,722</b>	
Less: Accumulated impairment			(16,400)	
			<b>722,322</b>	

## Notes to the Consolidated And Separate Financial Statements

### 13. Equity accounted investees (cont.)

Figures in Pula thousand	Group		Company	
	2021	2020	2021	2020
Group investment as disclosed above	-	-	705,241	738,722
Less post acquisition reserves	-	-	(128,239)	(161,720)
	-	-	577,002	577,002
Less: fair value of LLR	-	-	(2,673)	(1,543)
Less: Accumulated impairment	-	-	(32,534)	(27,509)
	-	-	541,795	547,950
	-	-	<b>541,795</b>	<b>547,950</b>

All associated companies/partnerships are registered in Botswana.

Post acquisition reserves are the group share of post acquisition profits on Equity accounted investments.

Figures in Pula thousand	Group		Company	
	2021	2020	2021	2020
Movement in equity accounted investees:				
Opening balance	722,322	240,759	-	-
New investments	-	478,780	-	-
Share of( loss)/profit net of tax	(29,292)	17,686	-	-
Dividend received	(24,685)	(26,648)	-	-
Share of other comprehensive income net of tax	(671)	28,145	-	-
Total before impairment	667,674	738,722	-	-
Impairment charged for the year	(5,025)	(16,400)	-	-
	<b>662,649</b>	<b>722,322</b>	<b>-</b>	<b>-</b>

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 8 and 9 for additional details.

Refer to note 37.2 for summarised financial information for material associate companies.



## Notes to the Consolidated And Separate Financial Statements

14. Other investments Group	2021				2020			
	Current investments	Non-current investments	Total	% interest	Current investments	Non-current investments	Total	% interest
<b>Financial assets at amortised cost</b>								
<b>Long term placements</b>								
Deposits with RMB Botswana	-	115,099	115,099	5.25	-	109,579	109,579	5.25
- To associate companies								
Mashatu (Pty) Ltd	-	19,223	19,223	7.50	-	10,934	10,934	7.50
Transport Holdings (Pty) Ltd	29,900	38,915	68,815	11.00	19,783	41,204	60,987	11.00
- To non-affiliated entities								
Botswana based entities	351,566	434,325	785,891	14.00	208,870	519,195	728,065	14.00
Regional entities	-	499,105	499,105	15.00	12,746	465,391	478,137	15.00
Industry Support Fund (refer to note 43)	-	51,235	51,235	-	-	-	-	5.25
Total financial assets at amortised cost	381,466	1,157,902	1,539,368	-	241,399	1,146,303	1,387,702	-
<b>Equity securities at fair value through profit/loss</b>								
<b>Preference shares</b>								
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	-	28,204	28,204	9.65
Minergy Coal (Pty) Ltd	-	79,999	79,999	18.00	-	79,999	79,999	18.00
Total Equity securities at fair value through profit/loss	-	172,097	172,097	-	-	172,097	172,097	-

## Notes to the Consolidated And Separate Financial Statements

14. Other investments (cont.)	2021				2020			
	Current investments	Non-current investments	Total	% interest	Current investments	Non-current investments	Total	% interest
<b>Debt and Equity securities - designated at Fair value through other comprehensive income</b>								
<b>Debt Securities</b>								
RFG Botswana Limited	4,192	300,000	304,192	10.00	-	-	-	-
<b>Equity securities</b>								
Sechaba Brewery Holdings Limited shares at cost	-	44,407	44,407	19.00	-	44,407	44,407	19.00
Cresta Marakanelo Limited shares at cost	-	77,940	77,940	27.00	-	77,940	77,940	27.00
Grit Real Estate Limited shares at cost	-	205,875	205,875	3.14	-	160,953	160,953	3.14
Net gain in fair value reserve (Note 21)	-	177,322	177,322	-	-	318,835	318,835	-
Total Debt and Equity securities - designated at fair value through other comprehensive income	4,192	805,544	809,736	-	-	602,135	602,135	-
<b>Less:</b>								
Accumulated impairment	(120,547)	(35,791)	(156,338)	-	(92,822)	(43,087)	(135,909)	-
	<b>265,111</b>	<b>2,099,752</b>	<b>2,364,863</b>		<b>148,577</b>	<b>1,877,448</b>	<b>2,026,025</b>	
	<b>385,658</b>	<b>2,135,543</b>	<b>2,521,201</b>		<b>241,399</b>	<b>1,920,535</b>	<b>2,161,934</b>	

## Notes to the Consolidated And Separate Financial Statements

### 14. Other investments (cont.)

The Company holds 20,812,462 (2020: 26,820,924) and 50,283,975 (2020: 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 2021. For the year ended 30 June 2021, 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% (2020: 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 financial and operating policies of Cresta Marakanelo have been delegated to the Board of Cresta Holdings (Pty) Ltd who manages hotels on behalf of the Cresta Group. The Company does not have any board seats nor ownership in Cresta Holdings (Pty) Ltd and thus 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.

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 negotiations are at an advanced stage

The long term placements represent cash pledged as security for the RMB P150m debt facility (refer Note 25). 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).

Figures in Pula thousand	Company	
	2021	2020
Consolidated other investments as above:	2,364,863	2,054,170
<b>Add back loans to subsidiaries:</b>		
Lobatse Clay Works (Pty) Ltd	84,641	72,292
Botswana Hotel Development Corporation (Pty) Ltd	53,213	53,213
Western Industrial Estate (Pty) Ltd	19,787	19,678
Milk Afric (Pty) Ltd	35,458	34,958
Subtotal	2,557,962	2,234,311
Accumulated impairment	(22,897)	(17,430)
	<b>2,535,065</b>	<b>2,216,881</b>
<b>Classified as follows</b>		
Current assets	270,097	167,335
Non-current assets	2,264,968	2,049,526
	<b>2,535,065</b>	<b>2,216,861</b>

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

Figures in Pula thousand	Group		Company	
	2021	2020	2021	2020
<b>Maturity analysis of gross loans financial assets at amortised costs</b>				
Up to 1 year	385,389	134,028	396,251	167,335
1-5 years	968,422	667,359	1,213,213	765,640
>5 years	185,557	586,315	123,071	634,867
	<b>1,539,368</b>	<b>1,387,702</b>	<b>1,732,535</b>	<b>1,567,842</b>
Impairment loss allowance	(156,338)	(135,909)	(179,235)	(153,339)
<b>Net loans-financial assets at amortized cost</b>	<b>1,383,030</b>	<b>1,251,739</b>	<b>1,553,300</b>	<b>1,414,503</b>

## Notes to the Consolidated And Separate Financial Statements

### 14. Other investments (cont.)

Figures in Pula thousand	Group		Company	
	Fair value	Dividends	Fair value	Dividends
<b>2021</b>				
<b>Equity securities designated at FVOCI</b>				
Sechaba Brewery Holdings Limited	345,487	5,203	345,487	5,203
Cresta Marakanelo Limited	62,855	-	62,855	-
GRIT Real Estate Limited	97,202	2,446	97,202	2,446
	<b>505,544</b>	<b>7,649</b>	<b>505,544</b>	<b>7,649</b>
<b>2020</b>				
<b>Equity securities designated at FVOCI</b>				
Sechaba Brewery Holdings Limited	449,549	26,582	449,549	26,582
Cresta Marakanelo Limited	67,883	-	67,883	-
GRIT Real Estate Limited	84,703	5,672	84,703	5,672
	<b>602,135</b>	<b>32,254</b>	<b>602,135</b>	<b>32,254</b>

The Group designates 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.

Gross financial assets at amortised cost for the group and company at the end of the year amounted to P1.539 billion (2020: P1.387 million) and P1.732 billion (2020: P1.567 million) respectively. Corresponding impairment allowances at year end for group and company amounted to P156 million (2020: P136 million) and P179 million (2020: P153 million) respectively.

### 15. 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. The balances are shown net as the ultimate right to the assets/liabilities lies with the Company. These amounts are settled net through an allocation by the Company across the group.

Group Company Name				
Export Credit Insurance and Guarantee(Pty) Ltd	-	-	1,565	1,565
Lobatse Clay Works(Pty) Ltd	-	-	(8,478)	(7,606)
Commercial Holdings(Pty) Ltd	-	-	7,977	7,977
Botswana Hotel Development Company(Pty) Ltd	-	-	42,367	40,664
NPC Investment (Pty) Ltd	-	-	-	1
Residential Holdings (Pty) Ltd	-	-	14,598	14,638
Talana Farms(Pty) Ltd	-	-	466	459
Western Industrial Estates(Pty) Ltd	-	-	5,821	64,969
LP Amusement Centre (Pty) Ltd	-	-	(2,779)	(2,779)
Malutu Enterprises (Pty) Ltd	-	-	1,654	1,679
CAN Manufactures (Pty)Ltd	-	-	-	-
	-	-	<b>63,191</b>	<b>121,567</b>

## Notes to the Consolidated And Separate Financial Statements

### 16. Inventories

Figures in Pula thousand	Group		Company	
	2021	2020	2021	2020
Raw materials, components	2,715	2,715	-	-
Work in progress	3,743	3,743	-	-
Finished goods and consumables	1,609	1,689	-	-
	8,067	8,147	-	-
Inventories (write-downs)	(1,486)	(1,486)	-	-
	<b>6,581</b>	<b>6,661</b>	-	-

Amounts of inventory recognised as an expense in cost of sales amounts to P23.1million (2020:P34.6 million)

### 17. Trade and other receivables

Gross trade receivables	46,299	42,636	10,434	7,178
Allowance for doubtful debts	(29,560)	(24,215)	-	-
Net trade receivables	16,739	18,421	10,434	7,178
Prepayments	31,701	18,025	30,208	16,286
Advances to officers	125	175	305	305
Preference shares interest	39,351	16,997	39,351	16,997
Value Added Tax (VAT)	9,551	5,755	2,886	2,873
Due from related parties	835	-	-	60,907
Debentures interest receivable	10,635		10,635	
Other	19,583	24,888	10,032	16,731
Refundable taxes	11,423	8,299	-	-
<b>Total trade and other receivables</b>	<b>139,943</b>	<b>92,560</b>	<b>103,851</b>	<b>121,277</b>

The average credit period is 30 days (2020: 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 accounts, 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.

Balances of P4.3 million has been written off while the accounts are being pursued for settlement.

#### **Trade receivables past due analysis - days past due but not impaired**

1 - 30 days	-	1,772	515	257
31 - 60 days	3,963	6,267	28	1,987
61 - 90 days	5,027	3,486	4,673	3,470
<b>Total</b>	<b>8,990</b>	<b>11,525</b>	<b>5,216</b>	<b>5,714</b>

## Notes to the Consolidated And Separate Financial Statements

### 17. Trade and other receivables (cont.)

Figures in Pula thousand	Group		Company	
	2021	2020	2021	2020
<b>Movement in the allowance for doubtful debts</b>				
Balance at beginning of the year	24,215	19,635	1,176	283
Allowance charged /(reversed) during the year	5,304	6,677	-	893
Amounts written off as uncollectable	38	(2,097)	-	-
<b>Balance at end of the year</b>	<b>29,557</b>	<b>24,215</b>	<b>1,176</b>	<b>1,176</b>

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.

2021	Trade Receivable	Provisions	Not impaired	2020	Trade Receivable	Provisions	Not impaired
Current	8,480	(1,076)	7,404		2,455	-	2,455
1-30 days	4,412	(147)	4,265		515	-	515
31-60 days	3,536	(591)	2,945		2,763	-	2,763
61-90 days	881	(519)	362		28	-	28
more than 90 days	28,990	(27,224)	1,766		4,673	(1,176)	3,497
	<b>46,299</b>	<b>(29,557)</b>	<b>16,742</b>		<b>10,434</b>	<b>(1,176)</b>	<b>9,258</b>

#### 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.

### 18. Other assets

Balance at beginning of the year	4,706	3,154	-	-
Interest income - reinvested	283	150	-	-
Net deposits	3,473	1,402	-	-
<b>Balance at end of the year</b>	<b>8,462</b>	<b>4,706</b>	<b>-</b>	<b>-</b>

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.

## Notes to the Consolidated And Separate Financial Statements

### 19. Cash and cash equivalents

	Group		Company	
	2021	2020	2021	2020
Cash and cash equivalents consist of:				
Cash on hand	5	117	-	-
Bank balances	72,542	72,727	38,401	55,888
Money market funds	52,554	410,788	33,634	391,140
Industry Support Funds (refer to note 43)	50,504	-	50,504	-
Other cash and cash equivalents	1,395	2,328	-	-
Bank overdraft	(103,721)	(164,808)	(103,653)	(164,737)
	<b>73,279</b>	<b>321,152</b>	<b>18,886</b>	<b>282,291</b>
Current assets	177,000	485,960	122,539	447,028
Current liabilities	(103,721)	(164,808)	(103,653)	(164,737)
	<b>73,279</b>	<b>321,152</b>	<b>18,886</b>	<b>282,291</b>

#### 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 4.8% (2020: 4.5%). The proportionate amount of interest up to 30 June is added to the cost of investment to approximate fair value.

### 20. Stated Capital

#### Ordinary shares

541 769 462 Ordinary shares of Nil Par value (2020: 541 769 462)	888,269	888,269	888,269	888,269
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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. No dividends (2020: P20 million) were declared during the year in respect of the company's 541 769 462 (2020: 541 769 462) ordinary shares resulting in dividends per share of 0t per share (2020: 4t per share).

### 21. Fair value reserve

Balance at beginning of the year	318,835	477,137	318,835	477,137
Fair value movement during the year	(141,541)	(158,302)	(141,541)	(158,302)
	<b>177,294</b>	<b>318,835</b>	<b>177,294</b>	<b>318,835</b>
Comprising:				
Sechaba Breweries Holdings Ltd	301,078	405,141	301,078	405,141
Cresta Marakanelo Ltd	(15,084)	(10,056)	(15,084)	(10,056)
Grit Real Estate Income Group Limited	(108,700)	(76,250)	(108,700)	(76,250)
	<b>177,294</b>	<b>318,835</b>	<b>177,294</b>	<b>318,835</b>

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 14.

## Notes to the Consolidated And Separate Financial Statements

### 22. Other Reserves

	Debt and Capital Reserve	Statutory capital & solvency reserves	Revaluation reserve	Total
<b>Company</b>				
Balance as at 30 June 2019	135,169	-	-	135,169
Transfers during the year	(394)	-	-	(394)
Balance at 30 June 2020	134,775	-	-	134,775
Transfers during the year	34,014	-	-	34,014
<b>Balance at 30 June 2021</b>	<b>168,789</b>	<b>-</b>	<b>-</b>	<b>168,789</b>
<b>Group</b>				
<i>Subsidiaries</i>				
Balance as at 30 June 2019	-	2,262	250,689	252,951
<b>Balance at 30 June 2020</b>	<b>-</b>	<b>2,262</b>	<b>250,689</b>	<b>252,951</b>
Transfer from/(to) retained earnings	-	-	2,011	2,011
<b>Balance at 30 June 2021</b>	<b>-</b>	<b>2,262</b>	<b>252,700</b>	<b>254,962</b>
<i>Associates</i>				
Balance as at 30 June 2019	-	-	49,262	49,262
Share of other comprehensive profit of associates	-	-	28,117	28,117
Transfer between reserves	-	-	394	394
<b>Balance at 30 June 2020</b>	<b>-</b>	<b>-</b>	<b>77,773</b>	<b>77,773</b>
Share of other comprehensive income	-	-	(671)	(671)
<b>Balance at 30 June 2021</b>	<b>-</b>	<b>-</b>	<b>77,102</b>	<b>77,102</b>
<b>Total Other reserves at 2020</b>	<b>134,775</b>	<b>2,262</b>	<b>328,462</b>	<b>465,499</b>
<b>Total Other reserves at 2021</b>	<b>168,789</b>	<b>2,262</b>	<b>329,802</b>	<b>500,853</b>



## Notes to the Consolidated And Separate Financial Statements

### 22. Other Reserves (cont.)

#### *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 P34.1million (2020: P24.8million) in accordance with policy and utilised Nil (2020: P31million). The funds were invested in an interest bearing account and earned P9million (2020:P6million)

#### *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.

### 23. Claims Equalisation Reserve

Figures in Pula thousand	Group		Company	
	2021	2020	2021	2020
Balance at beginning and end of the year	1,207	1,207	-	-
Transfers to retained earnings	-	-	-	-

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 (2020: PNil) was made to retained earnings to reduce the impact of abnormal claims.

### 24. Non-controlling interest

Balance at beginning of the year	109,368	366,661	-	-
Share of (loss)/profit and OCI for the year of subsidiaries	(4,850)	2,405	-	-
Debenture interest declared during the year	-	-	-	-
Dividends paid	-	-	-	-
NCI relating to disposal of majority stake in a subsidiary (note 12)	-	(259,698)	-	-
<b>Balance at end of the year</b>	<b>104,518</b>	<b>109,368</b>	<b>-</b>	<b>-</b>

## Notes to the Consolidated And Separate Financial Statements

### 25. Borrowings

Figures in Pula thousand	Group		Company	
	2021	2020	2021	2020
<b>Held at amortised cost</b>				
<b>Barclays Bank of Botswana Limited</b>	69,775	80,463	-	-
A maximum loan of P179 960 000 that accrues interest at 2.1% below prime rate. The loan is repayable in 168 equal monthly installments. The loan is secured by a first mortgaged bond over Lot 70667 Gaborone				
<b>National Development Bank</b>	3,987	-	-	-
A P3 986 520 million facility repayable over a period of 30 months at equal installments of P172 673.35. The facility attracts a floating interest rate of prime less 1.5%. and matures in August 2024.				
<b>Botswana Government</b>	53,213	53,213	53,213	53,213
Unsecured loan bearing no interest repayable annually in installments 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.				
<b>Barclays Bank of Botswana Limited</b>	350,000	350,000	350,000	350,000
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				
<b>First Capital Bank Botswana Limited</b>	-	65,406	-	65,406
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 was secured by a pledge of shares in Botswana Hotel Development Company to the amount of USD5.5 million.				
<b>RMB Botswana</b>	150,000	150,000	150,000	150,000
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 14).				
<b>SCB Bridge facility</b>	-	230,000	-	230,000
Short term loan facility of P230 000 000 bearing repayable 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.				
<b>Industry Support Funds (ISF)</b>	100,504	-	100,504	-
P300 million issued in a series of three tranches of P100 million each over a period of 5 years. The first tranche issued in December 2020 (refer to note 43)				
<b>SCB Revolving facility</b>	-	135,000	-	135,000
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.				
<b>African Development Bank</b>	616,812	477,611	616,812	477,611
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 installments, amortised with a 2-year principal grace period and balance payable in 16 equal and consecutive payments for a period of 8 years.				

## Notes to the Consolidated And Separate Financial Statements

### 25. Borrowings (cont.)

Figures in Pula thousand	Group		Company	
	2021	2020	2021	2020
<b>SCB Commercial Facility</b> Unsecured 60 months facility of USD9.75 million bearing interest of 5.15% payable in 10 semi annual equal installments commencing six months after end of availability period.	106,441	-	106,441	-
<b>First Capital Bank</b> An unsecured four year facility of P65 000 000 bearing interest at a rate of Botswana prime plus 2.25% payable by quarterly interest payments over three years following a principal holiday of 12 months.	65,000	-	65,000	-
<b>Bank Gaborone</b> The facility attracts interest of prime lending plus 3.5% and is repayable over a period of 84 months at equal installments of BWP40540.60 . The loan is secured by covering mortgage bond of Lot 50660, Gaborone.	2,454	-	-	-
<b>Split between non-current and current portions</b>				
Non-current liabilities	1,453,569	1,097,682	1,388,567	977,611
Current liabilities	64,616	444,011	53,403	430,406
	<b>1,518,185</b>	<b>1,541,693</b>	<b>1,441,970</b>	<b>1,408,017</b>
<b>Gross borrowings</b>	<b>1,518,186</b>	<b>1,541,693</b>	<b>1,441,970</b>	<b>1,461,230</b>
Less: Current portion included under current liabilities	(64,616)	(444,011)	(53,403)	(430,406)
	<b>1,453,570</b>	<b>1,097,682</b>	<b>1,388,567</b>	<b>1,030,824</b>
<i>Analysis of term borrowings</i>				
Term borrowings - long term portion	1,453,570	1,097,682	1,388,567	1,030,824
Term borrowings - short term portion	64,616	444,011	53,403	430,406
	<b>1,518,186</b>	<b>1,541,693</b>	<b>1,441,970</b>	<b>1,461,230</b>
<i>Maturity analysis of gross borrowings</i>				
Not later than 1 year	64,616	444,011	53,403	430,406
Later than 1 year, but not later than 5 years	346,500	243,014	490,024	343,240
Later than 5 years	1,107,070	854,768	898,543	1,034,543
<b>Gross borrowings</b>	<b>1,518,186</b>	<b>1,541,793</b>	<b>1,441,970</b>	<b>1,808,189</b>

## Notes to the Consolidated And Separate Financial Statements

### 26. Government grants

Figures in Pula thousand	Group		Company	
	2021	2020	2021	2020
Non-current liabilities	9,987	10,343	-	-
Current liabilities	356	356	-	-
	<b>10,343</b>	<b>10,699</b>	-	-
Balance at beginning of the year	10,699	11,055	-	-
Amortisation during the year	(356)	(356)	-	-
	<b>10,343</b>	<b>10,699</b>	-	-
Gross Government grants	32,456	32,456	-	-
Amortisation	(12,113)	(11,757)	-	-
Utilised as provision for impairment loss	(10,000)	(10,000)	-	-
	<b>10,343</b>	<b>10,699</b>	-	-

The amounts above relate to the funding that was obtained from the government in the form of government grants in prior years to fund the acquisition of property. Subsequent to acquisition, an impairment loss of P10million for the factory premises in Selebi Pikwe on lot 11270, 11271 and 11272 was made in 2000. The corresponding government grant funding ("Utilised for impairment loss") was released to cover the cost of impairment as the assets were purchased through government grants in the year 2000.

## Notes to the Consolidated And Separate Financial Statements

### 27. Bonds outstanding

Figures in Pula thousand	Group		Company	
	2021	2020	2021	2020
<b>At fair value through profit (loss)</b>				
BDC 001	82,030	82,030	82,030	82,030
<i>Effective date:</i> June 2016				
<i>Tenor:</i> 13 years				
<i>Pricing:</i> Botswana prime rate plus 2.25%				
<i>Repayment mechanism:</i> 3 equal installments of principal - 2027, 2028 and 2029				
<i>Collateral:</i> None				
BDC 002	131,500	131,500	131,500	131,500
<i>Effective date:</i> August 2017				
<i>Tenor:</i> 5 years				
<i>Pricing:</i> Botswana prime rate plus 1.25%				
<i>Repayment mechanism:</i> Bullet at maturity				
<i>Collateral:</i> Listed securities				
BDC 003	142,530	142,530	142,530	142,530
<i>Effective date:</i> February 2018				
<i>Tenor:</i> 10 years				
<i>Pricing:</i> Botswana prime rate plus 1.75%				
<i>Repayment mechanism:</i> 3 equal intallments of principal - June 2027, 2028 and 2029				
<i>Collateral:</i> Listed securities .				
BDC 004	162,140	-	162,140	-
<i>Effective date:</i> September 2020				
<i>Tenor:</i> 11 years				
<i>Pricing:</i> Fixed rate at 8%				
<i>Repayment mechanism:</i> 3 equal intallments of principal - 2029, 2030 and 2031				
<i>Collateral:</i> None				
Issuance Costs on BDC 001	(3,395)	(3,730)	(3,395)	(3,730)
Issuance Costs on BDC 002	(683)	(1,314)	(683)	(1,314)
Issuance Costs on BDC 003	(70)	(78)	(70)	(78)
Issuance Costs on BDC 004	(3,204)	-	(3,204)	-
Bond discount	(3,532)	(3,979)	(3,532)	(3,979)
	<b>507,316</b>	<b>346,959</b>	<b>507,316</b>	<b>346,959</b>

The Company maintains a Botswana Stock Exchange approved P 1 billion Domestic Medium Term Notes Program from which debt notes are issued to raise capital as and when need arises.

#### Split between non-current and current portions

Non-current liabilities	507,316	346,959	507,316	346,959
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## Notes to the Consolidated And Separate Financial Statements

### 28. Provisions for restoration costs

Figures in Pula thousand	Group		Company	
	2021	2020	2021	2020
Balance at beginning of year	9,904	13,495	-	-
Change in estimate	-	(3,591)	-	-
Charge to the profit or loss	-	(3,591)	-	-
<b>Balance at end of the year</b>	<b>9,904</b>	<b>9,904</b>	<b>-</b>	<b>-</b>

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 2021 and 2020, 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% (2020:5.22%) 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% (2020:5.22%) reflects the risks specific to the provision as management believes the cash flows 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.

The entity being referred to is dormant with operations ceased in 2017. The goods sold were manufactured in 2017.

## Notes to the Consolidated And Separate Financial Statements

### 29. Deferred tax

Figures in Pula thousand	Group		Company	
	2021	2020	2021	2020
<b>Deferred tax</b>				
Capital gains tax	(38,095)	(48,243)	-	-
Capital allowances	(76,927)	(80,236)	-	-
<b>Total deferred tax liability</b>	<b>(115,022)</b>	<b>(128,479)</b>	<b>-</b>	<b>-</b>

The capital gains and losses are on property plant and equipment.

#### Deferred tax asset

Investment properties, property, plant and equipment	(530)	(530)	-	-
Provisions	(1,486)	(1,486)	-	-
Deferred tax balance from temporary differences other than unused tax losses	(2,016)	(2,016)	-	-
Tax losses available for set off against future tax income	(16,694)	(25,108)	-	-
	(18,710)	(27,124)	-	-
<b>Total deferred tax asset</b>	<b>(18,710)</b>	<b>(27,124)</b>	<b>-</b>	<b>-</b>
Deferred tax liability	(115,022)	(128,479)	-	-
Deferred tax asset	18,710	27,124	-	-
<b>Total net deferred tax liability</b>	<b>(96,312)</b>	<b>(101,355)</b>	<b>-</b>	<b>-</b>

#### Reconciliation of deferred tax asset / (liability)

At beginning of year	101,355	143,999	-	-
Charged to profit/loss - current year capital allowances	(4,271)	(1,289)	-	-
Charged to profit/loss - prior year	2,933	(4,537)	-	-
Charged to profit/loss-tax losses in current year	6,819	3,090	-	-
Charge to profit/loss - capital gains tax	(10,524)	8,357	-	-
Write off of deferred tax balance on loss of control of subsidiary (note 12)	-	(48,265)	-	-
	<b>96,312</b>	<b>101,355</b>	<b>-</b>	<b>-</b>

## Notes to the Consolidated And Separate Financial Statements

### 30. Trade and other payables

Figures in Pula thousand	Group		Company	
	2021	2020	2021	2020
<b>Financial instruments:</b>				
Trade payables	20,080	19,002	27,490	47,592
Trade payables - related parties	886	260	620	20
ISF interest payable	1,235	-	1,235	-
Interest accruals	14,579	5,295	9,802	1,043
Accrued expenses	16,918	12,878	12,708	21,993
Payroll accruals	-	-	-	-
Deposits	60,643	49,730	9,184	6,051
<b>Non-financial instruments:</b>				
Amounts received in advance	1,323	12,420	-	-
Payroll accruals	21,821	18,477	17,280	14,263
Value Added Taxation	9,479	7,605	159	-
	<b>146,964</b>	<b>125,667</b>	<b>78,478</b>	<b>90,962</b>

### 31. Bank Overdrafts

Bank overdraft	103,721	164,808	103,653	164,737
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The Group's bank overdraft limits are as follows:

- Standard Chartered Bank Botswana Limited	70,000	70,000	70,000	70,000
- Stanbic Bank Botswana Limited	55,000	150,000	55,000	150,000
	<b>125,000</b>	<b>220,000</b>	<b>125,000</b>	<b>220,000</b>

The Company's facilities are unsecured.

### 32. Contingent liabilities

Legal matters against certain subsidiaries	(1,600)	(1,600)	-	-
Guarantees and Bonds outstanding	(399,262)	(284,381)	-	-
	<b>(400,862)</b>	<b>(285,981)</b>	<b>-</b>	<b>-</b>

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.

The Guarantees and Bonds outstanding is securities that policy holders take to give their employers for various projects and reflects the value of bonds that are active.

The legal matters are for an alleged breach of contract for sale of plot.



## Notes to the Consolidated And Separate Financial Statements

### 33. Pension scheme arrangements

The Company operates a defined contribution pension scheme for its eligible employees which provides for a pension based on length of service. The defined contribution scheme was effected in March 2001. The total contribution for the current year included in staff costs was P2.7 million (2020: P2.5million).

### 34. 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 note12
Associates	Refer to note13
Members of key management	Executive Director Executive management

#### Related party balances

Figures in Pula thousand	Group and Company	
	2021	2020
<b>Phakalane Property Development (Pty) Ltd</b>		
Due to Phakalane Estates	915	915
<b>Western Industrial Estates (Pty) Ltd</b>		
Cash invested on behalf of subsidiaries	18,120	27,114
Group tax relief with BDC	5,821	64,969
Loan from BDC	18,581	19,678
Payables to BDC	523	61,115
<b>Commercial Holdings (Pty) Ltd</b>		
Cash invested on behalf of subsidiary by BDC	3,716	3,031
Group tax relief with BDC	7,977	7,977
<b>Letlole la Rona Limited</b>		
Debenture interest and dividend due to BDC	12,618	2,039
<b>Botswana Hotel Development Company (Pty) Ltd</b>		
Group tax relief with BDC	42,367	40,664
Loan from BDC	53,212	53,212
Cash invested on behalf of subsidiary	2,256	6,048
<b>Talana Farms (Pty) Ltd</b>		
Group tax relief	466	459
Cash invested on behalf of subsidiary	-	2,328
<b>NPC Investments</b>		
Group tax relief	-	1
Cash invested on behalf of subsidiary	-	1,796
<b>Malutu Enterprises (Pty) Ltd</b>		
Group tax relief with BDC	1,654	1,679
<b>Residential Holdings (Pty) Ltd</b>		
Group tax relief with BDC	14,598	14,639
Cash invested on behalf of subsidiary by BDC	278	817

## Notes to the Consolidated And Separate Financial Statements

### 34. Related parties (cont.)

Figures in Pula thousand	Group and Company	
	2021	2020
<b>LP Amusement Centre (Pty) Ltd</b>		
Cash invested on behalf of subsidiary	-	3,780
Group tax relief with BDC	(2,779)	(2,779)
<b>Export Credit Insurance &amp; Guarantee (Pty) Ltd</b>		
Group tax relief with BDC	1,565	1,565
<b>Lobatse Clay Works (Pty)</b>		
Loan from BDC	84,641	72,222
Group tax relief	(8,478)	(7,606)
<b>Milk Afric (Pty) Ltd</b>		
Loan from BDC	-	34,958
<b>Transport Holdings (Pty) Ltd</b>		
Loan from BDC	-	60,987
<b>Related party transactions</b>		
<b>Directors' fees paid</b>		
Botswana Development Corporation	265	174
Botswana Hotel Development Company (Pty) Ltd	32	36
Commercial Holdings (Pty) Ltd	48	45
Export Credit Insurance & Guarantee (Pty) Ltd	258	265
Fairgrounds Holdings (Pty) Ltd	-	280
Western Industrial Estates (Pty) Ltd	69	60
Talana Farms (Pty) Ltd	-	5
Letlole La Rona Limited	2,843	1,999
LP Amusement Centre (Pty) Ltd	-	56
Residential Holdings (Pty) Ltd	24	35
<b>Directors' remuneration for executive services -short term benefits</b>		
Botswana Development Corporation	2,162	3,292
<b>Management fees paid to BDC</b>		
Botswana Hotel Development Company (Pty) Ltd	209	161
<b>Key management remuneration -short term benefits</b>		
Botswana Development Corporation	16,979	17,915
Fairground Holdings (Pty) Ltd	3,183	3,419
Letlole La Rona Limited	4,957	4,684
LP Amusement Centre (Pty) Ltd	998	1,121
Export Credit Insurance & Guarantee (Pty) Ltd	3,612	3,612

## Notes to the Consolidated And Separate Financial Statements

### 34. Related parties (cont.)

Figures in Pula thousand	Group and Company	
	2021	2020
<b>Dividends Received</b>		
Botswana Hotel Development Company	3,000	15,000
NPC Investments (Pty) Ltd	2,053	-
Talana Farms (Pty) Ltd	500	-
Western Industrial Estates (Pty) Ltd	5,000	-
Trans union (Pty) Ltd	4,900	-
Letlole La Rona Limited	113	115
Commercial Holdings (Pty) Ltd	85,000	15,000
Peermont Global Botswana (Pty) Ltd	-	4,000
Marekisetso a merogo (Pty) Ltd	160	-
Transport Holdings (Pty) Ltd	-	1,709
Golden Fruit (Pty) Ltd	-	916
<b>Finance costs paid to BDC</b>		
Milk Afric (Pty) Ltd	500	-
Western Industrial Estates (Pty) Ltd	1,477	1,467
Lobatse Clay Works (Pty) Ltd	6,807	5,131
Mashatu (Pty) Ltd	789	434
Pasdec Automotive (Pty) Ltd	10,108	4,846
Transport Holdings (Pty) Ltd	8,969	6,986
<b>Rental income from BDC</b>		
Commercial Holdings (Pty) Ltd	19,352	17,198
<b>Interest income on debentures</b>		
Letlole La Rona Limited	19,511	18,437
<b>Share of profit and dividend paid to Letlole La Rona Limited</b>		
NBC Development -dividend received	-	1,550
NBC development -share of profit	-	378

## Notes to the Consolidated And Separate Financial Statements

### 35. Cash generated from/(used in) operations

Figures in Pula thousand	Group		Company	
	2021	2020	2021	2020
(Loss)/profit before tax	(78,735)	151,341	31,955	231,096
<b>Adjustments for:</b>				
Depreciation and amortisation	12,770	10,792	16,624	15,308
Government grants	(356)	(356)	-	-
Loss on disposal of property, plant and equipment	-	125	-	-
Impairment loss on assets held for sale	-	2,863	-	-
Derecognition losses on financial assets at amortised cost	-	91,244	-	(64,573)
Share of profits of equity accounted investees	29,292	(17,686)	-	-
Dividends received	(7,649)	(32,254)	(108,376)	(72,382)
Finance income	(169,152)	(20,173)	(148,215)	(153,534)
Finance costs	107,845	98,257	116,948	99,840
Fair value adjustment of investment properties	1,544	(116,985)	-	-
Interest on lease liabilities	45	-	14,658	10,545
Net (gain)/loss on disposal of investment properties	-	(15,595)	(14,196)	(17,500)
Movements in expected credit losses	25,182	(3,591)	64,618	53,461
Rental straight line adjustment	8,965	51,735	-	-
Movement in allowances for losses on investments	-	(40,053)	-	-
Unrealised loss / (gain) on revaluation of foreign loans	34,552	(56,416)	(56,416)	(56,416)
Discount on bonds	1,655	(3,978)	(3,438)	(3,978)
<b>Changes in working capital:</b>				
Inventories	80	230	-	-
Trade and other receivables	(47,383)	(6,101)	18,512	(9,073)
Trade and other payables	21,297	(55,992)	(14,803)	4,852
	<b>(60,049)</b>	<b>37,407</b>	<b>(82,129)</b>	<b>37,645</b>

### 36. Fair value information

#### Fair value hierarchy

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

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

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

Level 3: Unobservable inputs for the asset or liability.

Levels of fair value measurements

Level 1

## Notes to the Consolidated And Separate Financial Statements

### 36. Fair value information (cont.)

Recurring fair value measurements

Figures in Pula thousand	Note(s)	Group		Company	
		2021	2020	2021	2020
<b>Assets</b>					
<b>Equity investments at fair value through other comprehensive income</b>					
Listed shares	14	505,544	602,135	505,544	602,135
<b>Financial assets mandatorily at fair value through profit or loss</b>					
Other equity instrument	14	8,462	4,706	-	-
<b>Total</b>		<b>514,006</b>	<b>593,543</b>	<b>505,544</b>	<b>582,175</b>

#### Level 3

Recurring fair value measurements

#### Assets

**Debt instruments at fair value through other comprehensive income**

RFG Botswana Limited

		304,192	-	304,192	-
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**Financial assets mandatorily at fair value through profit or loss**

Preference shares

		172,097	172,097	172,097	172,097
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**Total**

		<b>476,289</b>	<b>172,097</b>	<b>476,289</b>	<b>172,097</b>
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**Non recurring fair value measurements**

**Assets held for sale and disposal groups in accordance with IFRS 5**

Investment property

		-	187,284	-	-
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**Total**

		<b>-</b>	<b>187,284</b>	<b>-</b>	<b>-</b>
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#### Level 1

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

#### Level 2

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

#### Level 3

The Group determines the intrinsic value of its investments based on a discounted cash flow (DCF) methodology. The valuation is based on the anticipated future cash flows projected by the business, which usually has a terminal value date. These projected future cash flows are discounted together with the value of the company in perpetuity at a terminal date, at the company's cost of capital, taking into account the risks associated with the business and its growth prospects. In addition, this methodology is widely considered to be the more accurate valuation methodology and the discount rate applied takes account of the cost of the funds invested.

## Notes to the Consolidated And Separate Financial Statements

### 36. Fair value information (cont.)

The Group also utilizes relative valuation whereby the value of a business is derived from the pricing of comparable assets, standardized using a common variable such as earnings, cash flows, book value, or revenues. Therefore, the value of cumulative preference shares in Thakadu and Kwena hotels is P 14,381,132.34 on the basis of relative market value. Significant unobservable inputs utilized herein include; nominal growth factor of 5% based on expected long term industry growth rates and expected rump-up following the effects of COVID19, coupon rate of 6% and strike price of P1.59.

The valuation of preference shares in Pasdec is based on a predetermined valuation approach as per the provisions of the preference share agreement signed in 2015. The valuation as of 30<sup>th</sup> June 2021 was computed as part of the recently completed share acquisition transaction and signed off by the promoters at P 78,762,172. The downside protection on the facility is derived off a corporate guarantee issued by Pasdec Holdings Berhard in 2015, based on significant unobservable inputs which include a currency exchange rate maintained at RM/ BWP2.62 over a 5 year period, security asset cover ranging from 10.6x to 13.9x over 5 years.

The valuation of preference shares in Minergy Coal (Pty) Ltd have been fair valued at P 101,605,611.00 as at 30 June 2021, based on the provisions of the preference share agreement entered into between the Company and BDC. The downside protection on the same is provided for by a floating deed of hypothecation on the company assets and a Corporate Guarantee from Minergy Limited, a Botswana Stock Exchange listed company with a market capitalization of BWP375.9 million as at 30 June 2021. The listed entity is currently trading at a discount to a resource based valuation for the Coal Resources of the West Block (Focus Area) of the Masama Coal Project in accordance with the SAMREC Code (2016)58, the SAMVAL Code (2016)59 and the disclosure requirements of the London Stock Exchange AIM Rules for Resource Companies declaring resource assets. An independent consultant reconfirmed the coal resource estimate on site at a quantum of 386 metric tonnes, resulting in a valuation of between BWP778.1 million and BWP1.4 billion based on a cost and income approach to valuation

The valuations were performed by subject matter experts within the Group with appropriate qualifications and experience.

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

Figures in Pula thousand	Note(s)	Group		Company	
		2021	2020	2021	2020
<b>Assets</b>					
<b>Investment property</b>	8				
Investment property		1,186,872	1,128,772	-	-
Land and buildings		207,319	209,550	-	-
<b>Total</b>		<b>1,394,191</b>	<b>1,338,322</b>	<b>-</b>	<b>-</b>

##### Reconciliation of assets and liabilities measured at level 3

## Notes to the Consolidated And Separate Financial Statements

### 36. Fair value information (cont.)

	Note(s)	Opening balance	Gains/ losses recognised in profit or loss	Purchases	Sales	Closing balance
<b>Group - 2021</b>						
<b>Investment property</b>						
Investment property		1,128,772	(17)	59,871	-	1,188,626
<b>Property, plant and equipment</b>						
Land and Buildings	9	209,550	(2,231)	-	-	207,319
<b>Total</b>		<b>1,338,322</b>	<b>(2,248)</b>	<b>-</b>	<b>-</b>	<b>1,395,945</b>
<b>Group - 2020</b>						
<b>Assets</b>						
<b>Investment property</b> Investment property	8	1,883,410	126,423	22,736	(903,797)	1,128,772
<b>Property, plant and equipment</b> Land and buildings	9	274,061	(64,511)	-	-	209,550
<b>Total</b>		<b>2,157,471</b>	<b>61,912</b>	<b>22,736</b>	<b>(903,797)</b>	<b>1,338,322</b>

\* 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 significant impact on the value of investment properties and land and buildings.

## Notes to the Consolidated And Separate Financial Statements

### 37. Interests in other entities

#### 37.1 Entities with non-controlling interests and material associate companies

Name of subsidiary	Phakalane Property Development	Fairground Holdings (Pty) Ltd
Principal Place of Business	Phakalane	Plot 50381, Fairground Office Park
Nature of Business	Property Developers	Conference Facilities, Renting office Space, Operating a Restaurant, a bar and take away
Proportion of ownership held by NCI	49% (2020: 49%)	49% (2020: 49%)
Proportion of voting rights held by NCI	49% (2020: 49%)	49% (2020: 49%)
Profit / (loss) allocated to NCI of SUB in P'000s	47 (2020: 47)	(4 524) (2020: (1821))
Accumulated NCI of SUB in P'000s	10 061 (2020: 10 061)	90 225 (2020: 90 225)
Dividend paid to NCI in P'000s	- (2020: -)	- (2020: 1266)

Name of Associated Company	Peermont Global Resort	Kamoso Africa (Pty) Ltd	Letlole la Rona Limited	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	Variable loan stock company engaged in property investment and deriving revenue in property rentals and trade in property.	Game safaris and accomodation in northern Botswana
Principal Place of Business	Gaborone	Gaborone	Gaborone	Gaborone
Proportion of ownership interest held by entity	40% (2020: 40%)	24% (2020: 24%)	40.36% (2020: 40.36%)	33% (2020: 33%)
Investment measure - fair value or equity method	Equity method	Equity method	Equity method	Equity method
Dividends received from associate in P'000	- (2020: P4 000)	- (2020: -)	P19 624 (2020: P18 552)	- (2020: -)



## Notes to the Consolidated And Separate Financial Statements

### 37. Interests in other entities (cont.)

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

Subsidiary companies Statements of Comprehensive Income	Fairground Holdings	Phakalane Property Development
Revenue	9,446	-
Cost of sales	(7,285)	-
Gross profit	2,161	-
Operating income	259	-
Finance income	54	-
Fair value adjustment	-	550
Operating expenses	(14,046)	-
Profit before tax	(11,572)	550
Income tax credit/(expense)	52	121
Profit for the year from continuing operations	(11,520)	671
Loss on revaluation of land and buildings	(2,000)	-
Deferred taxation on revaluation loss	2,951	-
<b>Total comprehensive income for the year</b>	<b>(10,569)</b>	<b>671</b>

#### Statements of Financial Position

Non-current assets	207,414	27,028
Current assets	3,919	-
<b>Total assets</b>	<b>211,333</b>	<b>27,028</b>

Capital and reserves	187,295	26,007
Non-current liabilities	15,526	1,021
Current liabilities	8,511	-
<b>Total equity and liabilities</b>	<b>211,332</b>	<b>27,028</b>

#### 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	102,866	39,952	7,898	1,200,164
Profit/(loss) for the year from continuing operations	54,572	(19,198)	(13,475)	(185,560)
Total comprehensive income for the year	54,828	(19,198)	(13,475)	(190,472)

#### Statements of Financial Position

Non-current assets	1,048,032	199,451	405,656	592,374
Current assets	84,570	21,494	29,234	355,623
<b>Total assets</b>	<b>1,132,602</b>	<b>220,945</b>	<b>434,890</b>	<b>947,997</b>

## Notes to the Consolidated And Separate Financial Statements

### 37. Interests in other entities (cont.)

	Letlole La Rona	Peermont Global Resorts	Mashatu Nature Reserve	Kamoso Africa (Pty) Ltd
Capital and reserves	787,979	93,660	347,280	551,438
Non-current liabilities	294,921	81,910	65,895	126,155
Current liabilities	49,702	45,375	21,715	183,312
<b>Total equity and liabilities</b>	<b>1,132,602</b>	<b>220,945</b>	<b>434,890</b>	<b>860,905</b>

Associated company results are disclosed for the year or period ended 30 June 2021. Total comprehensive income has been derived from the latest available results.

### 38. Non-current assets classified as held for sale

Assets held for sale for the year ended 30 June 2020 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 disposed off subsequent to the respective year end. There were no assets held for sale for the year ended 30 June 2021.

#### Assets and liabilities

Figures in Pulathousand	Group	
	2021	2020
	-	11,750
Disposals	-	(1,100)
Transfers in/additions	-	184,422
Decrease/Increase in fair value	-	1,212
	-	(9,000)
	-	187,284

## Notes to the Consolidated And Separate Financial Statements

### 39. Events after the reporting period and going concern

The Capital reserve fund for the Company stood at P169 million (2020: P135 million) as at 30 June 2021. Additional allocation of P4.4 million was approved subsequent to year end in line with policy.

Subsequent to year end the Company has been offered to buy extra shares in Grit Estate on a pro-rata basis, this transaction may lead to dilution of shares held by the Company.

The Company acquired shares in Pasdec Automotive (Pty) Ltd through an investment of P50 million in debt as well as the conversion of debt to the tune of P46 million for a 60% shareholding in the company. The P52.1 million preference shares were to converted to a term loan. The transaction was concluded on 23 December 2021.

In October 2021, a 51% subsidiary, Fairground Holdings obtained financing of P9million and P3.9 million from two different financial institutions, this includes an overdraft of P6.5million of which a significant portion has been used

#### Going Concern

The group incurred a total comprehensive loss for the year ended 30 June 2021 of P 216 953 000 (2020: a total comprehensive income of P 127 621 000) and as of that date its total assets exceeded its total liabilities by P 2 580 910 000 (2020: P2 797 863 000).

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 2021.

## Notes to the Consolidated And Separate Financial Statements

## 40. Financial instruments and risk management

Categories of financial instruments  
Categories of financial assets

	Note(s)	Fair value through other comprehensive income - debt instruments	Fair value through other comprehensive income - equity instruments	Fair value through profit or loss - Mandatory	Amortised cost	Total	Fair value
<b>Group - 2021</b>							
Trade and other receivables	17	-	-	-	139,943	139,943	139,943
Other investments - short term portion	14	-	-	-	265,111	265,111	265,111
Cash and cash equivalents	19	-	-	-	177,000	177,000	177,000
Other investments	14	304,192	505,544	168,906	1,121,110	2,099,752	2,099,752
Other assets	18	-	-	-	8,462	8,462	8,462
		<b>304,192</b>	<b>505,544</b>	<b>168,906</b>	<b>1,711,626</b>	<b>2,690,268</b>	<b>2,690,268</b>

	Note(s)	Fair value through other comprehensive income - equity instruments	Fair value through profit or loss - Mandatory	Amortised cost	Total	Fair value
<b>Group - 2020</b>						
Trade and other receivables	17	-	-	60,481	60,481	60,481
Other investments - short term portion	14	-	-	148,577	148,577	148,577
Cash and cash equivalents	19	-	-	486,960	486,960	486,960
Other investments	14	602,135	168,906	1,106,407	1,877,448	1,905,593
Other assets	18	-	-	4,706	4,706	4,706
		<b>602,135</b>	<b>168,906</b>	<b>1,807,131</b>	<b>2,578,172</b>	<b>2,606,317</b>

## Notes to the Consolidated And Separate Financial Statements

## 40. Financial instruments and risk management (cont.)

	Note(s)	Fair value through other comprehensive income - debt instruments	Fair value through other comprehensive income - equity instruments	Fair value through profit or loss - Mandatory	Amortised cost	Total	Fair value
<b>Company - 2021</b>							
Trade and other receivables	17	-	-	-	103,851	103,851	103,851
Other investments - short term portion	14	-	-	-	270,097	270,097	396,520
Cash and cash equivalents	19	-	-	-	122,539	122,539	122,539
Other investments	14	304,192	505,544	168,906	1,286,326	2,264,968	2,264,968
		<b>304,192</b>	<b>505,544</b>	<b>168,906</b>	<b>1,782,813</b>	<b>2,761,455</b>	<b>2,887,878</b>
<b>Company - 2020</b>							
Trade and other receivables	17	-	-	-	102,118	102,118	103,191
Other investments - short term portion	14	-	-	-	167,355	167,355	167,355
Cash and cash equivalents	19	-	-	-	447,028	447,028	447,028
Other investments	14	602,135	168,906	1,278,485	1,278,485	2,049,526	2,049,526
		<b>602,135</b>	<b>168,906</b>	<b>1,278,485</b>	<b>1,994,986</b>	<b>2,766,027</b>	<b>2,767,100</b>

## Notes to the Consolidated And Separate Financial Statements

### 40. Financial instruments and risk management (cont.)

#### Categories of financial liabilities

	Note(s)	Amortised cost	Leases	Total	Fair value
<b>Group - 2021</b>					
Trade and other payables	30	146,964	-	146,964	124,012
Borrowings	25	1,518,185	-	1,518,185	1,417,681
Lease liabilities	11	-	513	513	-
Bonds outstanding	27	507,316	-	507,316	507,316
Bank overdraft	19	103,721	-	103,721	103,721
		<b>2,276,186</b>	<b>513</b>	<b>2,276,699</b>	<b>2,152,730</b>

	Note(s)	Amortised cost	Total	Fair value
<b>Group - 2020</b>				
Trade and other payables	30	105,642	105,642	105,642
Borrowings	25	1,541,693	1,541,693	1,541,693
Bonds outstanding	27	346,959	346,959	346,959
Bank overdraft	19	164,727	164,727	164,727
		<b>2,159,021</b>	<b>2,159,021</b>	<b>2,159,021</b>

	Note(s)	Amortised cost	Leases	Total	Fair value
<b>Company - 2021</b>					
Trade and other payables	30	78,480	-	78,480	-
Borrowings	25	1,441,970	-	1,441,970	1,341,166
Lease liabilities	11	-	175,512	175,512	175,512
Bonds outstanding	27	507,316	-	507,316	507,316
Bank overdraft	19	103,565	-	103,565	103,565
		<b>2,131,331</b>	<b>175,512</b>	<b>2,306,843</b>	<b>2,127,559</b>

	Note(s)	Amortised cost	Leases	Total	Fair value
<b>Company - 2020</b>					
Trade and other payables	30	90,962	-	90,962	90,962
Borrowings	25	1,461,230	-	1,461,230	1,461,230
Lease liabilities	11	-	171,842	171,842	171,842
Bonds outstanding	27	346,959	-	346,959	346,959
Bank overdraft	19	164,737	-	164,737	164,737
		<b>2,063,888</b>	<b>171,842</b>	<b>2,235,730</b>	<b>2,235,730</b>

## Notes to the Consolidated And Separate Financial Statements

### 40. Financial instruments and risk management (cont.)

#### 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:

Figures in Pula thousand	Note(s)	Group		Company	
		2021	2020	2021	2020
Bonds outstanding	27	507,316	346,959	507,316	346,959
Borrowings	25	1,518,185	1,541,693	1,441,970	1,461,230
Lease liabilities	11	513	-	175,512	171,842
Trade and other payables	30	146,964	125,667	78,480	90,962
<b>Total borrowings</b>		<b>2,172,978</b>	<b>2,014,319</b>	<b>2,203,278</b>	<b>2,070,993</b>
Cash and cash equivalents	19	(73,279)	(321,152)	(18,886)	(282,291)
<b>Net borrowings</b>		<b>2,099,699</b>	<b>1,693,167</b>	<b>2,184,392</b>	<b>1,788,702</b>
Equity		2,580,910	2,797,863	2,145,740	2,252,240
Gearing ratio		81 %	61 %	102 %	79 %

## Notes to the Consolidated And Separate Financial Statements

### 40. Financial instruments and risk management (cont.)

#### 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 counter party 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 other comprehensive income, trade and other receivables, cash and cash equivalents, and loan commitments.

Credit risk for exposures other than those arising on cash and cash equivalents, are managed by making use of credit approvals, limits and monitoring. The group only deals with reputable counterparties with consistent payment histories. Sufficient collateral or guarantees are also obtained when necessary. Each counterparty is analysed individually for creditworthiness before terms and conditions are offered. The analysis involves making use of information submitted by the counterparties. Counterparty credit limits are in place and are reviewed and approved by the Risk function. The exposure to credit risk and the creditworthiness of counterparties is continuously monitored.

Credit risk exposure arising on cash and cash equivalents is managed by the group through dealing with well-established financial institutions with high credit ratings.

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 Consolidated And Separate Financial Statements

### 40. Financial instruments and risk management (cont.)

Management apply the principle that if a financial asset's credit risk is low at year end, then, by implication, the credit risk has not increased significantly since initial recognition. In all such cases, the loss allowance is based on 12 month expected credit losses. Credit risk is assessed as low if there is a low risk of default (where default is defined as occurring when amounts are 90 days past due). When determining the risk of default, management consider information such as payment history to date, industry in which the customer is employed, period for which the customer has been employed, external credit references etc. In any event, if amounts are 30 days past due, then the credit risk is assumed to have increased significantly since initial recognition. Credit risk is not assessed to be low simply because of the value of collateral associated with a financial instrument. If the instrument would not have a low credit risk in the absence of collateral, then the credit risk is not considered low when taking the collateral into account. Trade receivable and contract assets which do not contain a significant financing component are the exceptions and are discussed below.

Where necessary, the assessment for a significant increase in credit risk is made on a collective basis. Management typically adopt this approach when information relevant to the determination of credit risk is not available on an individual instrument level. Often, the only information available on individual instruments which could indicate an increase in credit risk, is "past due" information. It is typical that more forward-looking information is generally more readily available on a collective basis. Therefore, making the determination on a collective basis, helps to ensure that credit loss allowances are determined on the basis of lifetime expected credit losses before they reach the point of being past due. Forward looking, macro-economic information is applied on a collective basis when it is readily available without undue cost or effort. When loss allowances are determined on a collective basis, management determines the loss allowances by grouping financial instruments on the basis of shared credit risk characteristics.

For trade receivables and contract assets which do not contain a significant financing component, the loss allowance is determined as the lifetime expected credit losses of the instruments. For all other trade receivables, contract assets and lease receivables, IFRS 9 permits the determination of the credit loss allowance by either determining whether there was a significant increase in credit risk since initial recognition or by always making use of lifetime expected credit losses. Management have chosen as an accounting policy, to make use of lifetime expected credit losses. Management does therefore not make the annual assessment of whether the credit risk has increased significantly since initial recognition for trade receivables, contract assets or lease receivables.

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

## Notes to the Consolidated And Separate Financial Statements

### 40. Financial instruments and risk management (cont.)

Figures in Pula thousand Group	Note(s)	2021			2020		
		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Loans receivable	14	1,488,133	(35,791)	1,335,185	1,146,303	(43,087)	1,103,216
Debt instruments at fair value through other comprehensive income		304,192	(198)	303,994	-	-	-
Trade and other receivables	17	116,828	(29,560)	87,268	84,696	(24,215)	60,481
Short term investments	14	381,177	(120,547)	260,630	241,399	(92,822)	148,577
Cash and cash equivalents	19	126,496	-	126,496	485,960	-	485,960
		<b>2,416,826</b>	<b>(186,096)</b>	<b>2,113,573</b>	<b>1,958,358</b>	<b>(160,124)</b>	<b>1,798,234</b>
<b>Company</b>							
Loans receivable	14	1,681,232	(58,688)	1,505,387	1,310,539	(32,305)	1,278,234
Trade and other receivables	17	70,757	-	70,757	102,118	-	102,118
Short term investments	14	522,872	(126,352)	396,520	257,304	(89,630)	167,674
Cash and cash equivalents	19	126,496	-	126,496	447,028	-	447,028
		<b>2,401,357</b>	<b>(185,040)</b>	<b>2,099,160</b>	<b>2,116,989</b>	<b>(121,935)</b>	<b>1,995,054</b>

Amounts are presented at amortised cost or fair value depending on the accounting treatment of the item presented. The above analysis excludes investments 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 Expected Credit Losses (ECLs) for other investments as at 30 June. No ECL was recognised in relation to amounts due from 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 15 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 17 for trade and other receivables impacts. Refer to note 44 on the analysis of the charge recognised in profit or loss.

## Notes to the Consolidated And Separate Financial Statements

### 40. Financial instruments and risk management (cont.)

Figures in Pula thousand	Weighted average loss rate %	Gross carrying amount	Impairment loss allowance	Credit impaired
<b>Group 2021</b>				
Credit rating B to AAA (Stage 1)	12	893,170	(14,410)	No
Credit rating B- to CCC- (Stage 2)	25	173,873	(6,327)	No
Credit grade C or lower (Stage 3)	52	305,991	(132,211)	Yes
	-	<b>1,373,034</b>	<b>(152,948)</b>	
<b>Company 2021</b>				
Credit rating B to AAA (Stage 1)	21	912,957	(14,678)	No
Credit rating B- to CCC- (Stage 2)	25	262,543	(26,006)	No
Credit grade C or lower (Stage 3)	47	390,631	(135,158)	Yes
	-	<b>1,566,131</b>	<b>(175,842)</b>	
<b>Group 2020</b>				
Credit rating B to AAA (Stage 1)	12	813,006	(2,283)	No
Credit rating B- to CCC- (Stage 2)	25	159,126	(225)	No
Credit grade C or lower (Stage 3)	52	305,991	(102,226)	Yes
		<b>1,278,123</b>	<b>(104,734)</b>	-
<b>Company 2020</b>				
Credit rating B to AAA (Stage 1)	21	885,897	(2,577)	No
Credit rating B- to CCC- (Stage 2)	25	159,126	(335)	No
Credit grade C or lower (Stage 3)	45	413,241	(119,023)	Yes
	-	<b>1,458,264</b>	<b>(121,935)</b>	-

#### 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.

## Notes to the Consolidated And Separate Financial Statements

### 40. Financial instruments and risk management (cont.)

Figures in Pula thousand	Note(s)	Less than 1 year	1 to 5 years	Over 5 years	Total	Carrying amount
<b>Group - 2021</b>						
<b>Non-current liabilities</b>						
Borrowings	25	-	1,557,438	445,290	2,002,728	2,127,915
Bonds outstanding	27	-	138,679	597,482	736,161	507,316
Lease liabilities		-	513	-	513	513
<b>Current liabilities</b>						
Trade and other payables	30	124,012	-	-	124,012	124,012
Borrowings	25	64,616	-	-	64,616	64,616
Bank overdraft	19	103,721	-	-	103,721	103,721
		<b>292,349</b>	<b>1,696,630</b>	<b>1,042,772</b>	<b>3,031,751</b>	<b>2,928,093</b>
<b>Group - 2020</b>						
<b>Non-current liabilities</b>						
Borrowings	25	-	243,014	854,768	1,097,782	1,541,693
Bonds outstanding	27	-	138,678	391,373	530,051	346,959
<b>Current liabilities</b>						
Trade and other payables	30	105,642	-	-	105,642	114,621
Borrowings	25	444,011	-	-	444,011	444,011
Bank overdraft	19	164,808	-	-	164,808	164,808
		<b>714,461</b>	<b>381,692</b>	<b>1,246,141</b>	<b>2,342,294</b>	<b>2,612,092</b>
<b>Company - 2021</b>						
<b>Non-current liabilities</b>						
Borrowings	25	-	490,024	798,039	1,288,063	1,388,567
Bonds outstanding	27	-	103,635	403,681	507,316	507,316
Lease liabilities	11	-	167,068	-	167,068	167,068
<b>Current liabilities</b>						
Trade and other payables	30	76,011	-	-	76,011	78,480
Borrowings	25	53,403	-	-	53,403	53,403
Lease liabilities		8,444	-	-	8,444	8,444
Bank overdraft	19	103,653	-	-	103,653	103,653
		<b>241,511</b>	<b>760,727</b>	<b>1,201,720</b>	<b>2,203,958</b>	<b>2,306,931</b>
<b>Company - 2020</b>						
<b>Non-current liabilities</b>						
Borrowings	25	-	193,750	783,861	977,611	977,611
Bonds outstanding	27	-	103,635	391,373	495,008	346,959
Lease liabilities		-	47,040	118,812	165,852	171,842
<b>Current liabilities</b>						
Trade and other payables	30	90,962	-	-	90,962	92,049
Borrowings	25	430,406	-	-	430,406	430,406
Lease liabilities		5,990	-	-	5,990	5,990
Bank overdraft	19	164,737	-	-	164,737	164,737
		<b>692,095</b>	<b>344,425</b>	<b>1,294,046</b>	<b>2,330,566</b>	<b>2,189,594</b>

## Notes to the Consolidated And Separate Financial Statements

### 40. Financial instruments and risk management (cont.)

#### Financing facilities

Figures in Pula thousand	Group		Company	
	2021	2020	2021	2020
<b>Unsecured bank overdraft facility, reviewed annually and payable on call:</b>				
Used	103,721	164,808	103,653	164,737
Unused	21,279	61,692	21,347	55,263
	<b>125,000</b>	<b>226,500</b>	<b>125,000</b>	<b>220,000</b>

#### 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.

#### 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:

Figures in Pula thousand	Note(s)	Group		Company	
		2021	2020	2021	2020
<b>US Dollar exposure:</b>					
<b>Non-current assets:</b>					
Loans receivable	14	490,355	478,137	490,355	478,137
Equity instruments at FVOCI		97,202	84,703	97,202	84,703
<b>Current assets:</b>					
Cash and cash equivalents	19	13,626	410,636	13,626	410,636
<b>Non-current liabilities:</b>					
Borrowings	25	(723,253)	(543,017)	(723,253)	(543,017)
<b>Net US Dollar exposure</b>		<b>(122,070)</b>	<b>430,459</b>	<b>(122,070)</b>	<b>430,459</b>

#### Exposure in foreign currency amounts

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

Figures in Pula thousand	Note(s)	Group		Company	
		2021	2020	2021	2020
<b>US Dollar exposure:</b>					
<b>Non-current assets:</b>					
Loans receivable	14	44,916	41,444	44,916	41,444
Equity investments at FVOCI		8,903	7,182	8,903	7,182
<b>Current assets:</b>					
Cash and cash equivalents	19	1,248	34,822	1,248	34,822
<b>Non-current liabilities:</b>					
Borrowings	25	(66,250)	(46,048)	(66,250)	(46,048)
<b>Net US Dollar exposure</b>		<b>(11,183)</b>	<b>37,400</b>	<b>(11,183)</b>	<b>37,400</b>

#### Exchange rates

<b>Pula per unit of foreign currency:</b>				
US Dollar		10.917	11.790	10.917

## Notes to the Consolidated And Separate Financial Statements

### 40. Financial instruments and risk management (cont.)

#### Foreign currency sensitivity analysis

The following information presents the sensitivity of the group to an increase or decrease in the respective currencies it is exposed to. The sensitivity rate is the rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated amounts and adjusts their translation at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

Group and Company	2021		2020	
	Increase	Decrease	Increase	Decrease
<b>Increase or decrease in rate</b>				
<b>Impact on profit or loss:</b>				
US Dollar 1% (2020: 2 %)	(1,221)	1,221	8,609	(8,609)

#### 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.

## Notes to the Consolidated And Separate Financial Statements

### 40. Financial instruments and risk management (cont.)

#### Interest rate profile

The interest rate profile of interest bearing financial instruments at the end of the reporting period was as follows:

Figures in Pula thousand	Note(s)	Average effective interest rate (%)		Carrying amount	
		2021	2020	2021	2020
<b>Group</b>					
<b>Variable rate instruments: Assets</b>					
Loans receivable	14	13.50	13.50	362,297	323,936
Cash and cash equivalents	19	4.80	4.75	126,496	485,843
Short term investments	14	5.90	5.00	8,462	4,706
				<b>497,255</b>	<b>814,485</b>
<b>Liabilities</b>					
Borrowings	25	5.23	5.60	1,311,241	1,541,693
Bonds outstanding	27	5.75	7.50	341,972	346,959
Bank overdraft	19	4.75	6.50	103,721	164,808
				<b>1,756,934</b>	<b>2,053,460</b>
<b>Fixed rate instruments Assets</b>					
Other investments	14	13.50	13.50	972,888	958,922
<b>Liabilities</b>					
Borrowings	25	5.15	-	106,441	-
Bonds outstanding	27	8.00	-	162,140	-
				<b>268,581</b>	<b>-</b>
<b>Company</b>					
<b>Assets</b>					
Loans receivable		13.50	13.50	362,297	323,936
Cash and cash equivalents	19	4.80	4.75	72,035	387,028
				<b>434,332</b>	<b>710,964</b>
<b>Liabilities</b>					
Borrowings	25	5.23	5.60	1,311,241	1,514,443
Bonds outstanding	27	5.75	6.50	341,972	346,959
Bank overdraft	19	5.75	7.50	103,653	164,737
				<b>1,756,866</b>	<b>2,026,139</b>
<b>Fixed rate instruments: Assets</b>					
Loans receivable	14	13.50	13.50	1,143,090	1,121,971
<b>Liabilities</b>					
Borrowings	25	5.15	-	106,441	-
Bonds outstanding	27	8.00	-	162,140	-
				<b>268,581</b>	<b>-</b>

## Notes to the Consolidated And Separate Financial Statements

### 40. Financial instruments and risk management (cont.)

#### 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.

Figures in Pula thousand Increase or decrease in rate	2021	2021	2020	2020
	Increase	Decrease	Increase	Decrease
<b>Group</b>				
<b>Impact on profit or loss and equity:</b>				
Bonds and other borrowings 1% (2020:1%)	(826)	826	(833)	833
Bank overdraft 1% (2020:1%)	(51)	51	(99)	99
Cash and cash equivalents 1% (2020:1%)	63	(63)	198	(198)
Short term investments 1% 2020 (1%)	4	(4)	2	(2)
Other investments 1% (2020:1%)	181	(181)	437	(437)
	<b>(629)</b>	<b>629</b>	<b>(295)</b>	<b>295</b>
<b>Company</b>				
<b>Impact on profit or loss and equity:</b>				
Bonds and other borrowings 1% (2020:1%)	(826)	826	(1,292)	1,292
Bank overdraft 1% (2020:1%)	(53)	53	(99)	99
Cash and cash equivalents 1% (2020:1%)	36	(36)	194	(194)
Other investments 1% (2020:1%)	181	(181)	437	(437)
	<b>(662)</b>	<b>662</b>	<b>(760)</b>	<b>760</b>

#### 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 14 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.



## Notes to the Consolidated And Separate Financial Statements

### 40. Financial instruments and risk management (cont.)

Figures in Pula thousand Group and Company Increase or decrease in rate	2021		2020	
	Increase	Decrease	Increase	Decrease
<b>Impact on equity:</b>				
Sechaba Brewery Holdings Limited shares 15% (2020: 10%)	62,436	(62,436)	45,787	(45,787)
Cresta Marakanelo Limited shares 15% (2020: 10%)	12,779	(12,779)	11,113	(11,113)
GRIT Real Estate Income Group 15% (2020: 5%)	4,523	(4,523)	4,130	(4,130)
	<b>79,738</b>	<b>(79,738)</b>	<b>61,030</b>	<b>(61,030)</b>
<b>Impact on profit or loss:</b>				
Letlole La Rona Limited 15% (2020:10%)	41,255	(41,255)	39,462	(39,462)
<b>Total impact on profit or loss and equity</b>	<b>120,993</b>	<b>(120,993)</b>	<b>100,492</b>	<b>(100,492)</b>

### 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 Consolidated And Separate Financial Statements

### 41. Segmental information (cont.)

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

#### Figures in Pula thousand

#### 30 June 2021

	Rental	Trade	Other	Services	Total
Revenue	-	13,619	-	23,718	37,337
Interest on loans	-	-	-	141,109	141,109
Rental income	44,240	-	-	-	44,240
EBITA	34,082	(1,844)	-	4,784	37,022
Profit (Loss) for the year	32,521	(17,543)	-	(92,196)	(77,218)
<b>Included in operating profit</b>					
Finance cost	(1,561)	(6,903)	-	(93,006)	(101,470)
Finance income	819	153	-	32,134	33,106
Fair value gain on investment properties	(278)	-	-	-	(278)
<b>Total Assets</b>	<b>1,433,671</b>	<b>382,826</b>	<b>-</b>	<b>3,179,705</b>	<b>4,996,202</b>
Intangible assets	-	4	-	2,813	2,817
Cash and cash equivalents	50,720	3,921	-	122,359	177,000
<b>Total liabilities</b>	<b>408,525</b>	<b>177,508</b>	<b>-</b>	<b>1,829,259</b>	<b>2,415,292</b>
Overdraft	-	-	-	103,721	103,721
Government grant	10,343	-	-	-	10,343
Borrowings	123,288	-	-	1,394,897	1,518,185

#### 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
<b>Included in operating profit</b>					
Finance cost	(5,016)	(1,702)	-	(91,253)	(97,971)
Finance income	2,013	357	-	7,312	9,682
Fair value gain on investment property	134,262	(6,663)	-	-	127,599
<b>Total assets</b>	<b>1,502,114</b>	<b>361,672</b>	<b>4,941</b>	<b>4,172,392</b>	<b>6,041,119</b>
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
<b>Total liabilities</b>	<b>497,723</b>	<b>15,147</b>	<b>1,879,759</b>	<b>1,889,224</b>	<b>4,281,853</b>

### Segmental revenue and results

The executive committee assesses the performance of the operating segments based on the measure of EBITDA. This measure excludes the effects of non-recurring expenditure from the operating segments such as restructure costs, legal expenses and goodwill impairments when the impairment is the result of an isolated, non recurring event. The measure also excludes the effects of equity-settled share-based payments and unrealised gains/losses on financial instruments. Interest income and expenditure are not allocated to operating segments, as this type of activity is driven by the central treasury function. The results of discontinued operations are not included in the measure of EBITDA. This measure is consistent with all prior periods which are presented.

## Notes to the Consolidated And Separate Financial Statements

### 41. Segmental information (cont.)

Transactions within the group take place on an arms length basis.

The segment information provided to the steering committee is presented below. The information presented includes a reconciliation of the group's EBITDA to net profit before tax and discontinued operations.

### 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, 2021 or later periods:

#### 42.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the group's accounting periods beginning on or after 1 July, 2021 or later periods but are not relevant to its operations:

##### ***Onerous Contracts: Cost of Fulfilling a Contract (Amendments to IAS 37)***

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets, issued by the International Accounting Standards Board, clarify that the 'costs of fulfilling a contract' when assessing whether a contract is onerous comprise both:

the incremental costs – e.g. direct labour and materials; and

an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.

The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments will be recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives will not be restated. Earlier application is permitted.

The impact of this standard/interpretation on the group/company is under assessment but is not expected to have a material impact on the financial statements

##### ***Annual improvements to IFRS 2018-2020***

- *IFRS 9 Financial Instruments* - The amendment clarifies that for the purpose of performing the "10 per cent test" for derecognition of financial liabilities - in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf

IFRS 16 Leases - The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, this example is not clear as to why such payments are not a lease incentive.

IAS 41 Agriculture - The amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13 Fair Value Measurement.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 with earlier application permitted. It will become effective for the Group's 30 June 2023 financial statements. It is however, not expected to have a material impact on the Group financial statements.

##### ***Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)***

The amendment prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be

## Notes to the Consolidated And Separate Financial Statements

### 42. New Standards and Interpretations (cont.)

capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

Proceeds from selling items before the related item of property, plant and equipment is available for use should be recognised in profit or loss, together with the costs of producing those items. IAS 2 Inventories should be applied in identifying and measuring these production costs. Companies will therefore need to distinguish between:

- costs associated with producing and selling items before the item of property, plant and equipment is available for use; and
- costs associated with making the item of property, plant and equipment available for its intended use.

Making this allocation of costs may require significant estimation and judgement.

The amendments apply for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments. It will become effective for the Group's 30 June 2023 financial statements. It is however, not expected to have a material impact on the Group financial statements

#### ***Reference to the Conceptual Framework (Amendments to IFRS 3)***

The amendment has:

- updated IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework;
- added to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination and
- added to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendment is effective for annual periods beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier. It will become effective for the Group's 30 June 2023 financial statements. It is however, not expected to have a material impact on the Group financial statements.

#### ***IFRS 17 Insurance Contracts (and its related amendments)***

IFRS 17 supersedes IFRS 4 *Insurance Contracts* and aims to increase comparability and transparency about profitability. The new standard introduces a new comprehensive model ("general model") for the recognition and measurement of liabilities arising from insurance contracts. In addition, it includes a simplified approach and modifications to the general measurement model that can be applied in certain circumstances and to specific contracts, such as:

- Reinsurance contracts held;
- Direct participating contracts; and
- Investment contracts with discretionary participation features.

Under the new standard, investment components are excluded from insurance revenue and service expenses. Entities can also choose to present the effect of changes in discount rates and other financial risks in profit or loss or OCI.

The new standard includes various new disclosures and requires additional granularity in disclosures to assist users to assess the effects of insurance contracts on the entity's financial statements.

## Notes to the Consolidated And Separate Financial Statements

### 42. New Standards and Interpretations (cont.)

The entity is in the process of determining the impact of IFRS 17 and will provide more detailed disclosure on the impact in future financial statements.

The standard is effective for annual periods beginning on or after 1 January 2023. Early adoption is permitted only if the entity applied IFRS 9. It will become effective for the Group's 30 June 2024 financial statements. It is however, not expected to have a material impact on the Group financial statements.

#### ***Classification of liabilities as current or non-current (Amendments to IAS 1)***

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. There is limited guidance on how to determine whether a right has substance and the assessment may require management to exercise interpretive judgement. The existing requirement to ignore management's intentions or expectations for settling a liability when determining its classification is unchanged.

The amendments are to be applied retrospectively from the effective date.

#### ***Definition of accounting estimates (Amendments to IAS 8)***

Distinguishing between accounting policies and accounting estimates is important because changes in accounting policies are generally applied retrospectively, while changes in accounting estimates are applied prospectively.

The changes to IAS 8 focus entirely on accounting estimates and clarify the following:

The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.

The Board clarified that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

The effects of changes in inputs and/or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged.

The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments. It will become effective for the Group's 30 June 2024 financial statements. It is however, not expected to have a material impact on the Group financial statements.

#### ***Disclosure Initiative: Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)***

Making information in financial statements more relevant and less cluttered has been one of the key focus areas for the International Accounting Standards Board (the Board). The Board has issued amendments to IAS 1 *Presentation of Financial Statements* and an update to IFRS Practice Statement 2 *Making Materiality Judgements* to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:

## Notes to the Consolidated And Separate Financial Statements

### 42. New Standards and Interpretations (cont.)

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed;
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements;
- accounting policy information may be material because of its nature, even if the related amounts are immaterial;
- accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and
- the amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are consistent with the refined definition of material.

The amendments are effective from 1 January 2023 but may be applied earlier. It will become effective for the Group's 30 June 2024 financial statements. It is however, not expected to have a material impact on the Group financial statements.

### Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendment to IAS 12)

The amendment clarifies that the initial recognition exemption does not apply to transactions that give rise to equal and offsetting temporary differences such as leases and decommissioning obligations. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

### 43. Funds under management

As part of mitigating the effects of the COVID-19 pandemic on the economy, the Government of Botswana (the "Government") came up with a medium to long term Economic Recovery and Transformation Plan ("ERTP") to support in the revival of the economy. The Government consequently created a dedicated Industry Support Facility (the "ISF") under the COVID-19 Pandemic Relief Fund, under which businesses will be assisted with operating costs and working capital loans to sustain their existence during and post the COVID-19 Pandemic. Due to the magnitude and diverse nature of the eligible businesses under different sectors, the Government engaged different institutions to administer the Facility on its behalf.

BDC was mandated to administer a BWP300 million Facility on behalf of the Government for large businesses, which administration shall include, inter alia, receipt of the application for the loan from eligible businesses, assessing the loan application, disbursing the funds and monitoring the loan performance post disbursements.

Conditions for receipt of the funds included that BDC open a separate bank account to house the funds. Conditions for subsequent disbursement included key reporting on funds disbursed including details of projects, and quarterly performance of the companies. Records and accounts are also subject to audit by the Auditor General to ensure no mix with BDC's funds/activities.

As at 30 June 2021, the Company had P100m of the funds allocated by Government of which P52million had been disbursed to eligible entities.

## Notes to the Consolidated And Separate Financial Statements

### 43. Funds under management (cont.)

Figures in Pula thousand	Group		Company	
	2021	2020	2021	2020
<b>ISF Balance due to Government</b>				
ISF funds allocated	100,000	-	100,000	-
Interest earned on fixed deposits	504	-	504	-
Interest payable from loans disbursed	1,235	-	1,235	-
	<b>101,739</b>	<b>-</b>	<b>101,739</b>	<b>-</b>
<b>Balances as at 30 June</b>				
Loans disbursed	50,000	-	50,000	-
Interest receivable on loans	1,235	-	1,235	-
Amounts held as cash	50,504	-	50,504	-
	<b>101,739</b>	<b>-</b>	<b>101,739</b>	<b>-</b>

### 44. Deferred lease asset

Fairground Holdings (Pty) Ltd has entered into various operating lease agreements with tenants in respect of the property it owns. These operating lease agreements contain fixed annual escalation clauses.

In terms of IFRS 16, operating leases with fixed rental escalations are recognised in profit or loss on a straight-line basis. This results in an asset for future lease income recognised in the statement of financial position. This asset reverses during the latter part of the lease term, when the monthly income recognised in profit or loss exceeds the actual cash flows.

The deferred lease asset as at 30 June	91	51	-	-
Movement included in profit or loss	40	25	-	-
	<b>131</b>	<b>76</b>	<b>-</b>	<b>-</b>
Within one year	91	1,010	-	-
After one year, before five years	340	1,268	-	-
	<b>431</b>	<b>2,278</b>	<b>-</b>	<b>-</b>

### 45. Expected credit losses

<b>Impairment losses (recognised) reversed</b>				
Investment in Subsidiaries	-	-	13,145	18,610
Equity accounted investees	5,025	11,968	5,025	23,077
Other Investments	25,239	18,053	23,211	17,368
Bad debts	635	-	-	-
	<b>30,899</b>	<b>30,021</b>	<b>41,381</b>	<b>59,055</b>

## Notes to the Consolidated And Separate Financial Statements

## 46. Changes in liabilities arising from financing activities

	Opening balance	Interest expense	Fair value changes	New facilities/ drawdowns	Other non-cash movements	Total non-cash movements	Cash flows	Closing balance
<b>Reconciliation of liabilities arising from financing activities - Group - 2021</b>								
Borrowings	1,541,693	5,140	-	450,955	(36,311)	419,784	(443,292)	1,518,185
Bonds outstanding	346,959	1,655	-	158,702	-	160,357	-	507,316
Lease liabilities	-	45	689	-	-	734	(221)	513
<b>Total liabilities from financing activities</b>	<b>1,888,652</b>	<b>6,840</b>	<b>689</b>	<b>609,657</b>	<b>(36,311)</b>	<b>580,875</b>	<b>(443,513)</b>	<b>2,026,014</b>
	<b>1,888,652</b>	<b>6,840</b>	<b>689</b>	<b>609,657</b>	<b>(36,311)</b>	<b>580,875</b>	<b>(443,513)</b>	<b>2,026,014</b>
	Opening balance	Interest expense	Foreign exchange movements	Fair value changes	Other non-cash movements	Total non-cash movements	Cash flows	Closing balance
<b>Reconciliation of liabilities arising from financing activities - Group - 2020</b>								
Borrowings	1,092,733	68,647	-	-	-	68,647	380,313	1,541,693
Bonds outstanding	345,504	29,610	5,123	(3,978)	-	30,755	(29,300)	346,959
Lease liabilities	2,522	-	-	-	(2,522)	(2,522)	-	-
Dividends payable	10,299	-	-	-	9,701	9,701	(20,000)	-
<b>Total liabilities from financing activities</b>	<b>1,451,058</b>	<b>98,257</b>	<b>5,123</b>	<b>(3,978)</b>	<b>7,179</b>	<b>106,581</b>	<b>331,013</b>	<b>1,888,652</b>
	<b>1,451,058</b>	<b>98,257</b>	<b>5,123</b>	<b>(3,978)</b>	<b>7,179</b>	<b>106,581</b>	<b>331,013</b>	<b>1,888,652</b>



## Notes to the Consolidated And Separate Financial Statements

## 46. Changes in liabilities arising from financing activities (cont.)

	Opening balance	Interest expense	Foreign exchange movements	Fair value changes	New facilities/ drawdowns	Total non-cash movements	Cash flows	Closing balance
<b>Reconciliation of liabilities arising from financing activities - Company - 2021</b>								
Borrowings	1,461,229	1,851	(36,241)	-	445,020	410,630	(429,889)	1,441,970
Bonds outstanding	346,959	1,655	-	-	158,702	160,357	-	507,316
Lease liabilities	171,842	14,658	-	8,832	-	23,490	(19,820)	175,512
<b>Total liabilities from financing activities</b>	<b>1,980,030</b>	<b>18,164</b>	<b>(36,241)</b>	<b>8,832</b>	<b>603,722</b>	<b>594,477</b>	<b>(449,709)</b>	<b>2,124,798</b>
	<b>1,980,030</b>	<b>18,164</b>	<b>(36,241)</b>	<b>8,832</b>	<b>603,722</b>	<b>594,477</b>	<b>(449,709)</b>	<b>2,124,798</b>

	Opening balance	Interest expense	Fair value changes	Total non-cash movements	Cash flows	Closing balance
<b>Reconciliation of liabilities arising from financing activities - Company - 2020</b>						
Borrowings	707,064	44,550	14,752	59,302	641,651	1,408,017
Bonds outstanding	345,504	34,231	(3,476)	30,755	(29,300)	346,959
Lease liabilities	178,496	-	-	-	(6,654)	171,842
<b>Total liabilities from financing activities</b>	<b>1,231,064</b>	<b>78,781</b>	<b>11,276</b>	<b>90,057</b>	<b>605,697</b>	<b>1,926,818</b>
	<b>1,231,064</b>	<b>78,781</b>	<b>11,276</b>	<b>90,057</b>	<b>605,697</b>	<b>1,926,818</b>









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