BDC

Botswana Development Corporation

INTEGRATING BOTSWANA INTO THE GLOBAL ECONOMY

2022

Annual Report

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Botswana Development Corporation Limited, 'BDC' is the country's main investment agency for commercial and industrial development.

Corporate Profile

Overview of BDC

Established in 1970, under the Companies Act, BDC is a company Limited by Shares and fully owned by the Government of Botswana. BDC's mandate is to provide, facilitate and support funding of commercially viable enterprises that contribute towards building a sustainable and diversified Botswana economy; to stimulate the growth of the Botswana private sector; to invest in the region and internationally; whilst generating wealth for the Shareholder.

Our Brand Promise

BDC's primary mandate is to drive the industrialisation of the country by providing financial assistance to investors with commercially viable projects that perform one or more of the following functions:

- Unlock value in existing industries
- Stimulate private sector growth and foster linkages with the local industry
- Drive diversification and exports
- Create significant employment
- Invest outside Botswana's boarders

Our Services

BDC provides both debt and equity from a minimum of P30 million towards commercially viable projects across all sectors of the economy except large-scale diamond mining. These include:

- Energy
- Manufacturing
- Technology
- Industry
- Property
- Tourism
- Innovation
- Services

BDC Strategic Pillars

- 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 with linkages to Botswana
- Integrating Botswana into the world economy through commercial investments and partnerships
- Expediting positive impact to customers and stakeholders through our commitment to service excellence

Mission

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

Values

- **Client Centricity**
- **Innovation**
- **Integrity**
- **Sustainability**

Vision

To be an investment partner of choice in the transformation of Botswana's economy.

Products

- **Debt Funding**
- **Equity Funding**
- **Mezzanine Funding**

The Logo Architecture

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 Logo

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.

BDC 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 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.

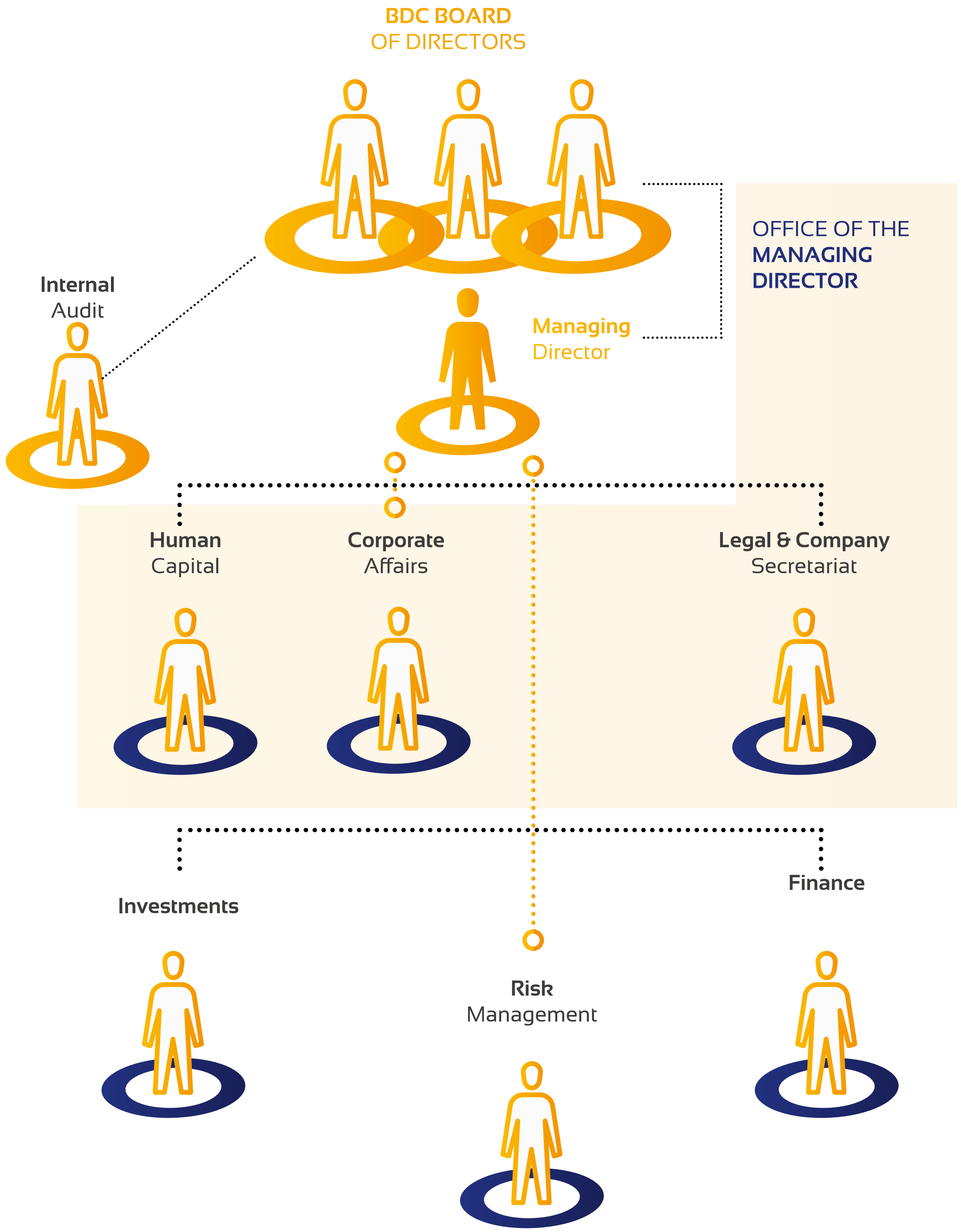
Our Brand Pillars

- **COLLABORATION**: Teamwork | Synergy | Cooperation | Partnership | Concert
- **INTEGRITY**: Honesty | Fairness | Accountability | Equality | Decency | Transparency | Trustworthiness
- **ENTERPRISING**: Resourceful | Innovative | Creative | Enthusiastic | Energetic | Imaginative
- **SUSTAINABILITY**: Future-focused | Credibility | Coherence | Consistency
- **COMMERCIAL FOCUS**: Efficient | Profit-oriented | Cost Effective | Productive | Professional | Reliable | Responsive

Financial Highlights

		2022	2021
GROUP INCOME FROM TRADE	291%	P 146MIL	P 37MIL
GROUP REVENUE	86%	P 490MIL	P 263MIL
GROUP OPERATING PROFIT	115%	P 12MIL	P (79)MIL
COMPANY ASSET BASE	18%	P 5.3BIL	P 4.5BIL
COMPANY INTEREST INCOME	34%	P 200MIL	P 149MIL
COMPANY REVENUE	16%	P 371MIL	P 321MIL
GROUP ASSET BASE	17%	P 5.9BIL	P 5.0BIL

Organisational Structure



Our Investment Appraisal Process

The investment appraisal process can be split into 5 stages as follows.

This process applies for both new and existing opportunities.

STAGE I
Deal Origination

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

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

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

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

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

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

- Full and comprehensive due diligence

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

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

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 Handing 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.

BDC Employees	Shareholder
Board of Directors	BDC group of companies
Clients	Investor Community
Private Sector	Service Providers
Media	State Owned Companies
Analysts	Rating Agencies
Regulators	General public
Ntlo ya Dikgosi	NGO's
Members of Parliament	

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 were approved to the value of P50 million by June 2022, bringing the total disbursements under the facility to P172million.

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.

Investment Solutions

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 7 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)
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.)

Summary of Major Activities

BDC continues to prioritise strategic stakeholder engagements in order to fortify relationships and build trust and confidence.

Below is a highlight of the initiatives driven during FY22. Among BDC's periodic & ad hoc reports to the shareholder, the Corporation has provided its contribution towards the following shareholder initiatives:

HE's Briefing

BDC has submitted its updates towards His Excellency's ministerial briefing report. This entails a review of the achievements & challenges for the 21/22 period, as well as performance plans for the 22/23 period. BDC ERTP updates report were also shared for presentation at this platform.

Minister's Briefing

The Corporation engaged with the Minister of Trade and Industry's office through monthly updates on on-going projects and other initiatives of national interest.

Oxygas ground-breaking

BDC successfully hosted the ground-breaking ceremony for Oxygas (Pty) Ltd.

Botswana Parliament's Committee on Statutory Bodies and State Enterprises

BDC was invited to appear before Botswana Parliament's Committee on Statutory Bodies and State Enterprises in relation to its performance for the year 2019/2020.

Full Council Roadshows

BDC continued with its roadshow to address the different local authorities at their full council meetings.

The research and policy analysis strategy

BDC participated in the development of the research and policy analysis strategy technical committee meeting to review the project inception report

National Investment Strategy

Participated in the stakeholder engagement sessions for the Review of the National Investment Strategy

Economic Recovery and Transformation Plan Updates

BDC submitted its contribution towards the Ministry of Trade and Industry's progress report on the implementation of the ERTP initiatives.

Parliamentary Business

The Corporation continues to engage and answer questions from ongoing parliamentary business sessions.

Summary of Major Activities cont.

Roadshow with the Ministry of Agriculture

BDC was one of the key stakeholders that participated in the countrywide roadshow by the Assistant Minister of Agricultural Development & Food Security Hon. Beauty Manake. The roadshow saw the delegation visiting numerous projects to appreciate the effort put in by farmers to grow and diversify the agricultural sector in Botswana.

BDC - UAE Engagement

BDC hosted a high-level delegation from the United Arab Emirates alongside representatives from Botswana Investment and Trade Centre (BITC). The purpose of the visit was to explore investment opportunities and areas of strategic mutual interest & benefit.

SADC-DFI CEOs FORUM

BDC participated by way of sponsorship and attendance of the forum which was hosted by The SADC Development Finance Resource Centre (DFRC), in collaboration with local member institutions.

Botswana Association of Local Authorities (BALA)

Botswana Association of Local Authorities (BALA) BDC participated at the Local Economic Development and Finance Commissions Investment Facilitation Capacity Building Workshop hosted by BALA. The three-day workshop was meant to capitalise on strategies already developed at local levels to stimulate economic growth.

HATAB Golf Day

BDC participated at the Hospitality & Tourism Association of Botswana (HATAB) golf day hosted at Gaborone golf club under the theme is " Reviving tourism industry post Covid-19".

Strategic HR Conference

BDC participated at the Strategic HR Conference whose theme was "Next Generation Strategies for a Changing World of Work". BDC was afforded the opportunity to be on the panel discussions.

African Development Bank (AFDB) Supervisory Mission

BDC hosted a delegation from the AFDB on a two-day field mission. the delegation was appraised on the business's operational and financial performance, governance and risk management, covid-19 challenges and strategic outlook.

Hosting Delta Automotive Technologies delegation

As part of its ongoing stakeholder engagement efforts, BDC hosted a delegation from Delta in the company of a delegation from Nissan, on a courtesy visit for relationship-building purposes.

Africa Youth Summit 2022

BDC participated by way of sponsorship and attendance in the 4th Annual Africa Youth Entrepreneurs Summit.

Participation and sponsorship of Expos and Exhibitions such as Expo Dubai 2020, Business Botswana Northern Trade fair, Consumer Fair

Forbes Under 30 Africa Summit

BDC participated in and was one of the main sponsors of the first-ever Forbes Under 30 Summit that was held in Botswana from the 24th-28th April 2022 – bringing together hundreds of participants from all over the world for mentorship, networking, and important conversations centered around sustainability, innovations, and entrepreneurship.

Corporate Governance
Chairman's Statement
Board Of Directors
Managing Director's Statement
Executive Managements

This Report provides an overview of how Botswana Development Corporation Limited is directed and controlled. It outlines the key Governance Framework applicable to the Corporation and illustrates the Board Composition and the various Board Committees that assist the Board in its oversight role. The report further summarises the Board activities that were carried out in the financial year under review and provides a statement of compliance with the Corporations applicable Corporate Governance Code.

Corporate Governance

Botswana Development Corporation Limited ("BDC" or the "Corporation") is the country's main agency for commercial and industrial development. BDC's primary mandate is to provide and facilitate funding of commercially viable projects that contribute towards industrialisation, economic development, and diversification of Botswana. To that end, BDC is committed to good corporate governance which enables it to maximise long-term value for the shareholder and create wealth for future generations in a sustainable manner. Transparent integrated reporting, stakeholder engagement and cooperation between the governance structures are essential cornerstones of the corporate culture embedded at BDC.

These standards are jealously guarded by the Board of Directors ("The Board") which is at the heart of BDC's corporate governance. The Board ensures that BDC subscribes to the highest standards of corporate governance, integrity, and ethics. This is a responsibility which is inherent and manifest in every activity that BDC undertakes in fulfilling its mandate . In the Financial Year 2022 ("FY22"), BDC continued to uphold the highest standards of corporate governance that have created value for the corporation by:

- Ensuring that the reputation and BDC brand remains intact
- Ensuring adherence to internal controls and proper discharge of delegated authority
- Adopting a new strategic intent for the Corporation

THE GOVERNANCE FRAMEWORK

BDC has a robust governance framework in place to ensure effective and efficient operations within the Corporation. BDC is a public liability company governed by various statutory enactments and governance documents approved by the Shareholder and the Board.

As part of the Corporation's commitment to good corporate governance and as recommended by the Botswana Accountancy Oversight Authority ("BAOA"), BDC has formally adopted the King III Code of Corporate Governance of South Africa 2009, as its corporate governance code.

Applicable Legislation

- The Companies Act (Cap)
- The Financial Reporting Act (Cap)
- The Financial Intelligence Act (Cap)
- The Public Authorities (Functions) Act (Cap)

BDC Governance Documents

- 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
- Shareholder Compact
- Governance Framework
- Board Committee Terms of Reference
- Delegation of Authority Policy

Chairman's statement

At BDC, our efforts to grow the Corporation contribute to the development and expansion of our business ecosystem. With each new partnership formed, we broaden opportunities for the government, our clients, partners, and the larger community that comprise the BDC network. That is what powers commerce and exposes not just the Corporation, but also Botswana to the rest of the world.

Mr. Maleho Mothibatsela
Board Chairperson

Section 02
Corporate Governance cont.

The previous fiscal year was marked by significant change. Collectively, we have witnessed a shift from lockdowns and social distancing to a new normal that is still evolving. The majority of the world has returned to face-to-face gatherings.

On the other hand, we have adopted and will continue to implement a hybrid model that provides regular opportunities for collaborative work with colleagues and stakeholders. We also continue to form alliances across industries and geographies, thereby actively aiding a growing number of businesses and industries in their transition to the new normal.

During the period under review, numerous unforeseen events threatened our ability to fulfill our obligations, including the Russia-Ukraine conflict, the ongoing COVID-19 pandemic, rising inflation, an energy crisis, supply chain disruptions, and the urgent need to address climate change.

These factors produced one of the most challenging global environments for businesses like ours. Only through our collaborative nature as a business, combining forces to solve complex problems, and assuming responsibility for the impact on society - which is an integral part of the Corporation and its activities - has it been possible to manage such difficult global challenges.

As we reflect on the end of FY22, BDC's fortitude gives us a great reason to be optimistic. Despite a great deal of uncertainty — the Corporation has remained resolute in its execution of its mandate. Our corporate values continue to drive our growth trajectory and the resulting impact. The opportunities ahead are significant, and our strategy and accomplishments bear testimony to that.

Our Strategy in Action – 'Beyond 2019'

Launched in 2022, our transformation strategy – 'Beyond 2019' - is being implemented across the business and the wider BDC Group. This corporate strategy 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 as the country's Vision 2036 which aims to move Botswana from a Middle-Income to a High-Income Economy. It also responds to what our stakeholders need most, impactful investing and achieving sustained outcomes.

Board of Directors

THE BOARD OF DIRECTORS

BDC is governed by an independent Board appointed by the Minister of Trade and Investment as the representative of the Shareholder. The Board provides oversight and is responsible for the overall tone and strategic direction of the Corporation. The BDC Board provides leadership to Management, and it is collectively accountable to the Shareholder for promoting and safeguarding the long-term success of the Corporation. It is fundamental that each member of the Board adheres to ethical leadership to safeguard the overall integrity of the Corporation.

The complexity and magnitude of the BDC mandate, strategy, regulatory responsibilities, and international reporting standards influence the composition of the BDC Board. During the year under review, the BDC Board comprised a total of nine (9) members with divergent skills, experience, and expertise. The Board composition was made up of eight (8) Independent Non-Executive members and one (1) Executive Member. BDC supports the principles of gender diversity and has a female representation of 33.33% on its Board.

When appropriate, the Board brings in independent professionals to assist it in better executing its duties and responsibilities. As such, the Board appointed two (2) Independent members or co-opted members who brought with them the requisite knowledge and skills, to serve in its Finance and Audit Committee and the Board Tender Committee, respectively.

BOARD MEMBERSHIP

Mr. Maleho Mothibatsela -
BDC Board Chairperson

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 25 years in financial services, 24 years of which have been dedicated to institutional, retail investment management, both locally and abroad, as well as in investment advisory, since 2010.

He is currently Executive Director and Chief Investment Officer at BlackThread Capital, which he founded in 2007. He commenced his investment career as Fixed Income & Equity analyst with Fleming Asset Management Botswana and later seconded to Robert Fleming (UK), where he joined the Global Emerging Markets desk as a buy-side equity analyst. Further to this, he served as Associate Analyst, and Country and Sector Specialist at JP Morgan Chase and later, JP Morgan Europe. Mr. Mothibatsela had sector responsibility for banking; mining and in particular, Platinum Group Metals; and major industrial conglomerates within the Global Emerging Markets team. In 2004 he joined the Imara Holdings group in Botswana where he served in various capacities commencing with the position of CEO of Imara Asset Management Botswana and later, Country head of Botswana for the Imara group reporting to the Group CEO.

In addition, he co-lead Imara's Flagship Fund, namely; the "Imara African Opportunities Fund" with regional focus on Botswana and West Africa, until September 2007.

Maleho has served in various other fiduciary capacities over his career 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 directorships, he 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.

Mr. Cross Kgosidiile -
BDC Managing Director

Mr Kgosidiile brings to the Corporation over 20 years of experience of building high performance teams having served in a variety of leadership roles including at Botswana Power Corporation (BPC), Motor Vehicle Accident (MVA) Fund and the national airline, Air Botswana. Prior to joining BDC, Mr. Kgosidiile served as the Acting Chief Executive Officer at Botswana Power Corporation (BPC). His known forte and expressed passion has continued to be for commercial environments.

His experience in leadership capacities boasts of strengths across key commercial areas including

Board of Directors cont.

Corporate Finance and Strategy, Information Technology and Supply Chain Management and Business transformation to name a few.

Mr. Kgosidiile's career began in retailing as a Graduate Accounts Trainee with the Cash Bazaar Group in 1992. He thereafter moved to join the national airline, Air Botswana as Financial Accountant and was soon promoted to the position of Finance Manager. He was part of the team that turned around the Airline, resulting in Air Botswana achieving profitability for 7 successive years during his tenure.

Mr. Kgosidiile was appointed Chief Executive Officer for the Motor Vehicle Accident (MVA) Fund in 2005, and successfully led the Fund for over 10 years. Under his leadership the MVA Fund achieved multiple awards in Corporate Reporting, Customer Service and Staff Engagement and was rated the Best Company to Work For over 5 consecutive years in a survey conducted by Deloitte Consulting. During his tenure, the Fund achieved impressive growth with its balance sheet growing more than three-fold in just a decade. The Fund was recognised as a benchmark organisation both within the Botswana parastatal sector and in the region. Mr. Kgosidiile has also served as a Business Consultant in his career with a focus on Corporate Finance and Strategy.

Mr. Kgosidiile holds a Bachelor of Commerce (Accounting) Degree and a Masters 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 Accountants.

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

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

Mr Boniface Mphetlhe -
Board Director (Shareholder Representative)

Mr Mphetlhe is currently the Budget Secretary at the Ministry of Finance and joined the Board whilst he was the Deputy Secretary for Development Programmes still within the Ministry of Finance and Economic Development.

He had worked as an Economist in the Ministry of Finance and Development Planning for close to 20 years in Development Programmes Section where he attained the position of Chief Economist and was subsequently appointed as the Director, Macroeconomic Policy in the Macroeconomics Section. This is a Section responsible for, among other things, formulation of economic policies and strategies, and the coordination of the National Development Plan and the drafting of the Budget Speech.

Mr Mphetlhe has previously served as Deputy Permanent Secretary in the Ministry of Trade and Industry for about seven (7) years and was responsible for industrial development, and investment attraction and promotion.

He served on the Local Enterprise Authority Board, Botswana Innovation Hub Board and the Competition Commission, the Botswana National Productivity Board as well as the Board of Botswana Qualification Authority. He currently serves on and is the Chairperson of the Botswana Country Coordinating Mechanism, which is a multi-stakeholder structure composed of the representatives from government, the civil society and international development partners and is responsible for coordinating funds targeted to support communities to fight diseases, such as, HIV/AIDS, Tuberculosis, and Malaria under the Global Fund.

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

Ms. Shirley Moncho -
Board Director (Shareholder Representative)

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 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

Board of Directors cont.

development, Regional Integration, and Project Management. She holds a Master of Science in Agricultural Economics from Oklahoma State University; Postgraduate Diploma in Management Practices (Trade Policy and Law) from University of Cape Town; and Bachelor of Science in Agriculture from University of Botswana.

Ms Moncho previously served as a Board Member of the Botswana Trade Commission (2015-2016), Botswana Export Credit Insurance and Guarantee Company (BECI), Chemical Weapons Prohibition and Gaborone Immigration Selection.

Mr Aryl Mmonesi Ralebala -
Board Director and Chairperson of the Human Capital Committee

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

He 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 SOEs at board level and is an active philanthropist contributing to the wellbeing of Batswana.

Ms. Onalenna Otlaadisa-Diloro -
Board Member and Chairperson of the Risk and Compliance Committee

Ms. Otlaadisa-Diloro is a seasoned attorney with over 14 years' post-qualification experience and is the founder of Otlaadisa Law, a boutique corporate and commercial law firm. Her broad expertise includes insolvency and restructuring, banking and finance, commercial dispute resolution, capital markets, mergers and acquisitions, regulatory and general corporate commercial work. She was previously a partner at a leading corporate and commercial firm in Botswana. She has also served as a legal advisor at a leading bank, in addition to her international corporate commercial law experience which she obtained whilst on secondment in the corporate department of Slaughter and May (London office).

Ms Otlaadisa-Diloro has consistently been ranked by Chambers Global as a business lawyer with specific strength in insolvency and restructuring and corporate finance in Botswana. She is also ranked by Global Law Experts as a leading insolvency and restructuring practitioner. She holds a Master of Laws (LLM) in Commercial and Corporate Law from Queen Mary University of London and a Bachelor of Laws (LLB) degree from the University of Botswana.

Ms Otlaadisa-Diloro also sits as an Independent Non-Executive Director on the board of Minet Retirement Solutions (Pty) Limited (Formerly AON Retirement Solutions (Pty) Limited), where the chairs the Remunerations and Nominations Committee.

Ms. Julia Ntshole -
Board Member and Chairperson of the Finance and Audit Committee

Ms Ntshole 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 Auditor. She later joined Investec Bank as the Financial Accountant before joining Stanbic Bank as Financial Accountant. She was later appointed Assets and Liabilities Manager and Market Risk Manager. She then joined BBS Limited as Head of Risk Management from June 2010 to June 2021. She re-joined Stanbic bank in February 2022 as Head, Non-Financial Risk.

Board of Directors cont.

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 in Finance and Risk Management. 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.

Mr Mmoloki Ramaeba -
Board Member and Chairperson of the Investment Committee

Mr Ramaeba is a seasoned Investment banking, Finance and Economics executive with over 25 years of experience in several senior banking management roles. He is a transactions and structuring expert who has worked across numerous products, including, inter alia; Debt & Equity, Mergers & Acquisitions, Capital Markets, as well as Treasury and Balance Sheet Management.

Mr. Ramaeba is currently the Chief Executive Officer and Founder of Lambda Capital (Pty) Ltd, a licensed private equity institution based in Botswana. At the inception of his career, he helped set up the BancABC Botswana Treasury environment later to be seconded to Mozambique as Head of Treasury. Mmoloki progressed to serve as Head of Corporate and Investment Banking [BancABC, Botswana], Chief of Staff [Atlas Mara CEO Office, Dubai UAE] and Regional Chief Operating Officer – Corporate & Investment Banking. Mmoloki's geographical experience covers; Botswana | Mozambique | Zimbabwe | Dubai UAE | Rwanda.

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

Further, Mr. Ramaeba is serving in various other public board roles over and above his career including; Botswana Railways Chairman.

Mr Ndinabo Max Setaelo -
Board Member and Chairperson of the Board Tender Committee

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), Mr. Setaelo 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.

Michael Lesolle
Independent Board Member
Resigned on 30 June 2022

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

Mosimolodi Lefhoko
Independent Board Member
Resigned on 30 June 2022

Mr. Lefhoko is a Project Manager/Quantity Surveyor with the Department of Building and Engineering Services (DBES). Prior to his appointment at DBES. Mr. Lefhoko was employed as a Project Manager/Quantity Surveyor with Complant Botswana (Pty) Ltd, where he obtained extensive experience in construction tenders; pricing Bills of Quantities, checking for tender compliance prior to submission as well as business development through sourcing of tenders. With over 20 years' experience, Mr Lefhoko's career began as an Assistant Quantity Surveyor, with the Department of Architecture and Building Services. Mr. Lefhoko has held several senior positions including Principal Quantity Surveyor at Botswana Housing Corporation; Divisional Manager and later Executive Director for Works, with the Public Procurement and Asset Disposal Board (PPADB); participating in the adjudication and award of works, supplies and services tenders.

Corporate Governance cont.

In accordance with clause 9.1.13 of the Board Charter and further as part of good corporate governance pursuant to principle 2.22 of King III, the Board undertakes a rigorous review and evaluation of its own effectiveness and performance, and that of its committees, individual directors as well as the company secretary. The evaluation is conducted annually, and it is facilitated by an external independent consultant. In FY2020/21, an external effectiveness review was undertaken. The outcomes of the evaluation across the scope reflected that the Board scored and/or ranged from 70% to 80%.

Stakeholder Engagements

The Board is committed to ensuring collaboration and partnering with various stakeholders, both directly and indirectly. Stakeholder considerations form part of discussions at Board meetings and decision making considers potential impacts on BDC stakeholders.

During the financial year under review, the Board undertook various key stakeholder engagements which included amongst others:

- the Shareholder Compact Ceremony - 19 October 2022,
- the 11th Leadership Forum: Ministry of Trade and Industry - 26 January 2022,
- Approval of the BDC "Beyond 2019" (2022-2026) Strategic Intent – 31 January 2022 and
- the BDC 51st Annual General Meeting – 14 February 2022.

Board Induction and Board Development

The Board carried out an induction for its members. The purpose of the induction was to sensitise members on the mandate of BDC and the role that the Board plays in achieving it. Further, to ensure that members are conversant with their obligations and responsibilities.

The success of the Board depends on members being dependent and interdependent upon each other. Developing a strong board begins with orienting and training each member to enable the Board to achieve its objectives. A Board training plan aimed at empowering and upskilling the Board with current key trends has been developed. It was necessitated by the Board evaluation that was conducted in the prior year.

Board and Committee Record of attendance

The Board and its Committees convene at least four (4) ordinary meetings annually. Additional special meetings are held based on the dictates of business requirements. The below depicts the various Board and Committees meetings held in the year under review as well as the attendance of the Board members, respectively.

Board Committees

To enable the Board to achieve its primary role of ensuring sustainable long-term value for the Shareholder, the Board is supported by several committees, to which it has delegated certain powers. Whilst the Board has delegated its powers to its Committees, it remains accountable for the decisions undertaken by such Committees.

The following Committees assist the Board:

- Risk and Compliance Committee
- Investment Committee
- Finance and Audit Committee
- Human Capital Committee
- Board Tender Committee

Risk and Compliance Committee:

The Committee consist of four (4) members comprising of three (3) Non-Executive Board Members and one (1) Executive member. The BDC Head of Risk, Compliance Manager and Company Secretary are standing attendees of the Committee.

The Committee assesses the Corporation's inherent and emerging risks and ensures that BDC is equipped with the requisite tools for mitigation. It reviews the organisation's risk framework and internal controls. Further, the Committee reviews the organisation's risk appetite, risk strategy and reviews the risk assessments conducted by Management.

Investment Committee:

The Committee consist of four (4) members comprising of three (3) Non-Executive Board Members and one (1) Executive member. The BDC Chief Investment Officer, Investment Principals and Company Secretary are standing attendees of the Committee. The Committee sets the investment strategy and approves investment decisions within its limit.

Further, it reviews the investment pipeline and the investment strategy to identify new opportunities in new asset classes. It further ensures compliance with the Credit and Investment Policies and Investment Procedures in place.

Finance and Audit Committee:

The Committee consist of five (5) members comprising of three (3) Non-Executive Board Members and one (1) external independent appointee and one (1) Executive member. The BDC Chief Financial Officer, Chief Audit Executive and Company Secretary are standing attendees of the Committee.

The Committee assists the Board in carrying out its duties regarding financial reporting. It is responsible for establishing a clear channel of communication between Management, Internal Auditors, External Auditors and the Board of Directors; to improve the ability of the Board as a whole to ensure that proper and effective control and ethical practices are preserved at every level of delegation by providing a special focus on these subjects

Finance and Audit Committee cont.

in an Audit Committee of the Board, and to provide a means by which Directors can be informed of marginal and contentious points that have to be resolved in the preparation of the annual accounts and budgets.

Human Capital Committee:

The Committee consist of four (4) members comprising of three (3) Non-Executive Board Members and one (1) Executive member. The BDC Head of Human Capital and Company Secretary are standing attendees of the Committee.

The Committee assists the Board by assuming an oversight role on issues affecting the Corporation's human capital, including the welfare of staff, and ensuring adherence to the general conditions governing employees of the Corporation.

Board Tender Committee:

The Committee consists of five (5) members comprising of three (3) Non-Executive Board Members, one (1) external independent appointee and one (1) Executive member. The BDC Chief Finance Officer and Company Secretary are standing attendees of the Committee.

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

The newly enacted Public Procurement Act of 2022, has abolished all tender committees of public bodies, including BDC.

As such, the BDC Board Tender Committee will cease to exist to enable the corporation to comply with the new Act. All tender matters of the Corporation shall be treated in accordance with the relevant provisions of the Act.

Management Committees:

In addition to the abovementioned Board Committees, there are several Management Committees which assist the Managing Director and Senior Management in the day to day running of the Corporation.

Credit and Investment Committee:

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 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:

The Executive Committee("EXCO") 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; the integrity of the operational, control, compliance, and governance framework of BDC is maintained; and the effective implementation of BDC's policies and governance arrangements across all functions of the business.

Management Tender Committee:

The Management Tender Committee adjudicates on the procurement of works, services, supplies and disposal of assets and matters relating to these procedures. It is responsible for ensuring that procurement plans developed by BDC are aligned with 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. This committee will cease to exist with the enactment of the Public Procurement Act of 2022.

Assets and Liabilities Committee:

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

Corporate Governance cont.

BOARD AND COMMITTEE RECORD OF ATTENDANCE

DIRECTOR	BOARD 12 Meetings held FY2021/22	FAC 6 meetings held FY2021/22	HCC 6 meetings held FY2021/22	BIC 8 meetings held FY2021/22	BRCC 4 meetings held FY2021/22	BTC 4 meetings held FY2021/22	Total amount paid
Maleho Mothibatsela	12	*	*	*	*	*	P27,000
Cross Kgosidiile	12	6	6	8	4	4	*
Mmoloki Ramaeba	12	*	5	8	*	*	P45,000
Julia Ntshole	11	6	5	*	4	*	P46,800
Boniface G. Mphetlhe	9	5	*	7	*	*	P37,500
Aryl Ralebala	11	*	6	7	*	*	P43,200
Onalenna Otlaadisa	10	*	*	*	3	3	P28,800
Ndinabo Max Setaelo	10	5	*	*	*	4	P34,200
Shirley Moncho		*	*	*	3	4	*
Michael Lesolle	*	6	*	*	*	*	P10,800
Mosimolodi Lefhoko	*	*	*	*	*	2	P3,600

Key: * - Not Applicable

Corporate Governance cont.

BDC Compliance Statement:

BDC is compliant with all the principles outlined in the King III Code on Corporate Governance for South Africa, 2009 ("King III"), save for two (2) none-applicable principles. BDC focuses on improving it's practices with specific focus on governance, sustainability, combined assurance and stakeholder engagement. Below is an assessment of BDC's compliance with the King III for FY22:

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

Principle	Description of Principle	Compliance
Ethical leadership and corporate citizenship		
Principle 1	Effective leadership based on an ethical foundation	✓
Principle 2	Responsive corporate citizen	✓
Principle 3	Effective management of company's ethics	✓
Board of Directors		
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 it's shareholders	✓
Internal Audit		
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	✓
Audit Committee		
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	✓

Managing Director's Statement

I am pleased to present this annual report, providing an overview of BDC's achievements, our portfolio management through the covid-19 pandemic, and our preparedness throughout the financial year ending on June 30, 2022 (FY22). In the face of extraordinary obstacles, businesses must navigate through perseverance. They achieve this by continuously questioning existing norms and pursuing higher standards of performance. Rather than ceasing to learn, they embrace difficult inquiries and adjust accordingly. By remaining dynamic and anticipating future challenges and opportunities, even as they expand, businesses remain agile. BDC has demonstrated unwavering determination in addressing these hurdles.

Mr. Cross Kgosidiile
Managing Director

Summary of Financial Performance

The Corporation's total income for the fiscal year reached P371 million, indicating a positive variance of 16% compared to the previous year's P321 million. This growth was primarily driven by a 34% increase in interest income. However, dividend income experienced a decline of 48%, emphasising BDC's strategic shift towards debt investments rather than equity. It is important to mention that the dividend income for prior year included a special dividend of P80million from one of the owner-managed subsidiaries.

During the financial year, BDC effectively managed its operating expenses within the intended range. However, the company faced challenging market conditions that led to notable negative variances in finance costs and valuation impairments on equity investments. Global interest rate increases, combined with the full utilisation of approved facilities, resulted in a 30% rise in finance costs for BDC. Additionally, two investment assets were adversely affected by market disruptions in the supply chain, resulting in underperformance and impairment adjustments amounting to P91 million by the year-end. On a positive note, one investment company in the Fast-Moving Consumer Goods (FMCG) sector exceeded expectations, leading to a net fair value gain of P26 million in the valuation of the issued instrument.

Moreover, the Botswana Pula experienced significant depreciation against the US Dollar throughout the year. As BDC holds net dollar liabilities, this led to an unrealised foreign exchange loss of P33 million, impacting the Corporation's overall results. Consequently, a net loss of P2.97 million before taxation was incurred. However, excluding the equity instrument impairments and unrealised foreign exchange loss mentioned above, BDC would have achieved a profit of P127.6 million, aligning with budget projections.

BDC maintains a robust balance sheet, with Total Assets reaching P5.26 billion, indicating an 18% growth compared to the previous year. The performance of assets has shown improvement, as evidenced by the Non-Performing Loans (NPL) ratio declining to 17.9% from the 20.5% reported at the end of the previous financial year. Term loan borrowings amounted to P2.3 billion, representing a P1.4 billion increase compared to the previous year. This growth can be attributed to adverse movements in the value of the dollar and the addition of new facilities during the year. Bonds outstanding remained at P509 million, with Bond 002 becoming due and payable after the year-end and promptly settled according to the agreement in August 2022.

The net worth of BDC stood at P2.1 billion, exhibiting a slight decrease compared to the previous year. This decline resulted from the combined impact of the financial performance during the year and the negative movement in quoted equity prices. On a positive note, the Ministry of Finance revised its guidelines for the Industry Support Facility (ISF), permitting the Company to retain ISF loan repayments and treat them as shareholder's equity.

Despite the challenges faced during the fiscal year, BDC remains steadfast in its strategic plan "Beyond 2019" and is committed to transforming not only its own business but also the economy of Botswana. The Corporation's focus on debt investments, as evidenced by the shift in dividend income, demonstrates a proactive approach to adapting to market conditions. Although finance costs and equity impairments posed obstacles, BDC has taken decisive measures to manage operating expenses effectively. Additionally, the positive performance of certain investment assets, such as the FMCG company, highlights the potential for success within BDC's portfolio.

The Corporation's strong balance sheet and the decline in the non-performing loans ratio reflect prudent financial management.

Building on the Corporation's strong foundation, BDC's ongoing strategic projects, including the Investment and Divestment Strategy, Products, Pricing, and Funding Strategy, and Customer Service Strategy, further strengthen its position for success. Through its Investment and Divestment Strategy, BDC will strategically allocate resources, balance asset acquisition and divestment, and achieve its strategic goals. Simultaneously, the Products, Pricing, and Funding Strategy aims to align BDC's offerings with market trends, enhancing competitiveness and ensuring relevance. Moreover, the Customer Service Strategy will enhance client experiences, driving satisfaction, boosting revenue growth, and enhancing the Corporation's reputation.

With continued dedication to its strategic objectives, BDC remains confident in its ability to drive growth, foster economic development, and contribute to the prosperity of Botswana. These strategic initiatives, coupled with resilience, a strong balance sheet, and a commitment to transformation, position BDC to seize opportunities, manage risks, and actively contribute to the thriving economy of Botswana as envisioned in its transformative strategic plan dubbed "Beyond 2019".

Executive Management

MR. CROSS KGOSIDIILE
Managing Director

Executive Management cont.

MS. BENEDICTA ABOSI
Chief Financial Officer

MR. BOITUMELO BANABOTLHE
Chief Audit Executive

MR. TSHEPO LEMO
Chief Investment Officer (Ag)

MS. BOITSHWARELO LEBANG-KGETSE
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

Integrated Report
Investment Report
Human Capital Report
Group Internal Audit
Risk Management And Sustainability
Corporate Social Responsibility

Integrated Report

INVESTMENT REPORT

The financial year ending June 2022, was characterised by two distinct halves, with the first half experiencing challenges as a result of the impact of the Covid-19 pandemic and the second half showing exceptional improvement in local and global economic activity.

Locally, the economy continued to experience low infection rates, and though a third wave was experienced, the Government of Botswana confirmed that caseloads remained manageable and fewer mortality rates were registered.

A new health threat emerged towards the end of the year, being the Monkeypox virus, however, nationwide and groupwide concerted efforts are being made to manage information on the disease and the potential impact on the portfolio.

We anticipate that the impact of the pandemic will continue to linger in the medium term as the group now begins to position itself for recovery and growth.

We do remain sensitive to the potential threats arising from the Russia-Ukraine war that has led to above target inflationary level, supply chain constraints, rising interest rates, and the threat of recession. These have affected some of our portfolio companies in the automotive, logistics and FMCG industries, mainly around their supply chain and general movement of raw materials and inventories which are critical to their business operations.

For the year ended 30 June 2022, the Corporation closed with Disbursements amounting to BWP355.6 million against a budget of BWP1.243 billion. This represents a 71% negative variance against budget.

The primary variance to budget is due to delays experienced in key transactions amounting to BWP526 million which were earmarked for closure in the current year. Most of these transactions are expected to significantly set the business on a positive trajectory in the first half of FY2023.

The Industry Support Facility (ISF) disbursements slowed down during the period with a total of BWP 10 million being disbursed in the last quarter. This brought total disbursements for the year to BWP97million. The facility remains available to qualifying companies.

Portfolio Carrying Value

As of 30 June 2022, the carrying value of the portfolio excluding ISF increased to BWP4.7 billion compared to BWP4.2 billion in June 2021. This is a 12% increase from June 2021 and this growth is primarily driven by a favourable movement of the US Dollar against the Pula and additional disbursements.

Portfolio Carrying Value

Investment Report cont.

Pipeline and Deal Conversion

The Corporation has approximately BWP113 million worth of transactions approved and ready to disburse whilst BWP 307 million worth of these were at advanced stages, awaiting respective investment committee approvals or concluding on legal negotiations.

Additionally, transactions worth BWP735 million were undergoing due diligence whilst BWP439 million were at the term sheet negotiation stage. BWP572 million was at the initial appraisal stages.

The Corporation continues to be strategic in its efforts to grow the pipeline and to identify opportunities that align with the Economic Recovery and Transformational Plan ("ERTP") alongside the new reset priorities for the Government of Botswana, and in further alignment to the BDC Beyond 2019 strategic plan, which was cascaded throughout the Corporation in Q4FY22.

Industry Support Facility (ISF)

The Corporation made ISF investments totalling BWP 50 million over the period towards companies in the manufacturing and real estate sectors. The working capital facility investments were instrumental in assisting these companies' recovery against the lagging impacts of the covid-19 pandemic.

Healthcare

An additional investment of BWP97 million was made to the healthcare sector to augment its accelerated growth strategy against opportunities that have been presented by the Covid-19 pandemic, wherein significant healthcare export business, was retained locally during the period.

Existing Portfolio Companies

In addition to the funds expended on new projects discussed above, the Corporation further provided approximately BWP292 million as follow-on capital towards existing portfolio companies to support their growth and working initiatives.

BDC Group of Companies

SUBSIDIARIES

FAIRGROUNDS HOLDINGS (PTY) LTD
LP AMUSEMENT CENTRE (PTY) LTD
MALUTU ENTERPRISES (PTY) LTD
EXPORT CREDIT INSURANCE AND GUARANTEE (PTY) LTD
LOBATSE CLAY WORKS (PTY) LTD
COMEMRCIAL HOLDINGS (PTY) LTD
WESTERN INDUSTRIAL ESTATES (PTY) LTD
BOTSWANA HOTEL DEVELOPMENT CORPORATION (PTY) LTD
TALANA FARMS (PTY) LTD
PHAKALANE PROPERTY DEVELOPEMENT (PTY) LTD
RESIDENTIAL HOLDINGS (PTY) LTD
MILK AFRIC (PTY) LTD
DELTA AUTOMOTIVE TECHNOLOGIES BOTSWANA (PTY LTD
FARM DEVELOPMENT COMPANY (PTY) LTF
NPC INVESTMENTS (PTY) LTD

NON- AFFILIATES

CRATES AND PALLETS BOTSWANA (PTY) LTD
BA ISAGO UNIVERSITY (PTY) LTD
PHILISSA DAY CARE CENTRE (PTY) LTD
SIDILIEGA PRIVATE HOSPITAL (PTY) LTD
GLORYLAND GUEST LODGE (PTY) LTD
THAKADU & KWENA HOTELS CO (PTY) LTD
OXFORD HOLDINGS (PTY) LTD
ACCESS BANK PLC
MINERGY COAL (PTY) LTD

EQUITY ACCOUNTED INVESTEES

MAREKISETSO A MOROGO WA RONA (PTY) LTD
TRANSUNION (PTY) LTD
PEERMONT GLOBAL BOTSWANA (PTY) LTD
NAMPAK DIVFOOD BOTSWANA(PTY) LTD
MASHATU NATURE RESERVE (PTY) LTD
INDUS HEALTHCARE (PTY) LTD
KAMOSO AFRICA (PTY) LTD
LETLOLE LA RONA LIMITED

QUOTED INVESTMENTS

CRESTA MARAKANELO LIMITED
SECHABA BREWERY HOLDINGS LIMITED
GRIT REAL ESTATE INCOME GROUP LIMITED

Human Capital Report

HUMAN CAPITAL REPORT

Organising The Business For Success

One of the key factors of high performing organisations is one that put its people first. This has become more critical in adapting to the ever-changing business landscape that calls for organisations to remain relevant and competitive. As a result, the Corporation was challenged to re-examine its operations and structures and committed to building a fit-for-purpose organisation that will effectively support the new strategy.

This demanded Human Capital to engage in robust policy reviews and process mapping across the functions to fully support the Corporation and to ensure a high-performance culture as well as high employee engagement. This will also bring about improvements and drive the digitisation ambition that the Corporation intends to implement.

BDC remains steadfast in its commitment to building a dynamic workplace where all employees are inspired and encouraged to achieve their full potential. To achieve this, Human Capital embarked on a review of the talent strategy to help the Corporation uncover talent gaps and maximise employees' potential that will drive business sustainability and also align with the Corporation's new strategic intent. The review focused on redefining BDC bespoke competencies and skills, to future-proof the Corporation, and embed performance management to create a high-performance culture. As part of enhancing a high-performance culture, this exercise also included a focus on strengthening its talent management strategies to reinforce its succession bench to warrant a succinct road map on how to acquire and develop talent that is ready to assume critical roles seamlessly for business continuity. Developing the Business for Success the Corporation made a deliberate effort to develop a leadership brand which consists of exceptional managers with a set of talents that are uniquely geared towards achieving business strategic goals. This emanates from the creation of a holistic learning experience for a BDC employee, which will ensure that our leaders remain relevant and have the necessary competencies to assist them in managing people in a complex world. This leadership development was also achieved in partnership with the African Development Bank through its technical assistance grant program to BDC. Human Capital has also worked closely with the business as it implements its new and improved self-paced learning platform which will foster an innovative and collaborative environment and also contribute to work-life integration while recognising impactful contributions.

Our Bespoke Culture

As part of the Corporation's new strategic intent, we remain resolute in our efforts to drive culture change initiatives, that foster the desired behaviours across the business. These are inculcated in our new and enhanced BDC Values and further embedded in the way we deliver work, through our performance management system. Our ambition is to create a thrilling employee experience which is driven in collaboration with the change champions. This is geared towards creating synergies and fostering communication within the team to promote team spirit and motivation as the Corporation embarks on a new strategic journey.

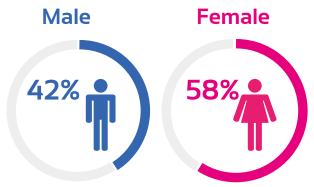
Our People

Employee safety and well-being remain a priority in the successful delivery of the Corporation's objectives. We continue to partner with our leaders in accelerating our people's development and improving employee performance through our tailor-made programs which have provided real-time solutions to mental health and a holistic health support. Human Capital was challenged to reinforce its communication channels to effectively drive efficiencies in a hybrid model while ensuring business continuity. The business continues to monitor and proactively respond to the pandemic as well as align proactive responses to Government protocols suitable for our business.

Outlook

A lot of emphasis will be placed on agile organisations which will be able to adapt to the fast-changing landscape in order to remain relevant and competitive. As human capital best practices are always evolving, especially because of the COVID-19 pandemic, we will explore cutting-edge Human Resource trends that can help support employees and the Corporation to deliver on its objectives. Our outlook remains to create a high-performing team that leverages technology, as well as remains attuned as work morphs, and proactively and timely adapts to support better and faster decisions.

People



Bespoke Graduate Development Programme

26%

Management Diversity

Group Internal Audit Report

GROUP INTERNAL AUDIT REPORT

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's objectives.

Internal Audit is part of the Corporation's Enterprise Risk Management Framework as the third line of defence.

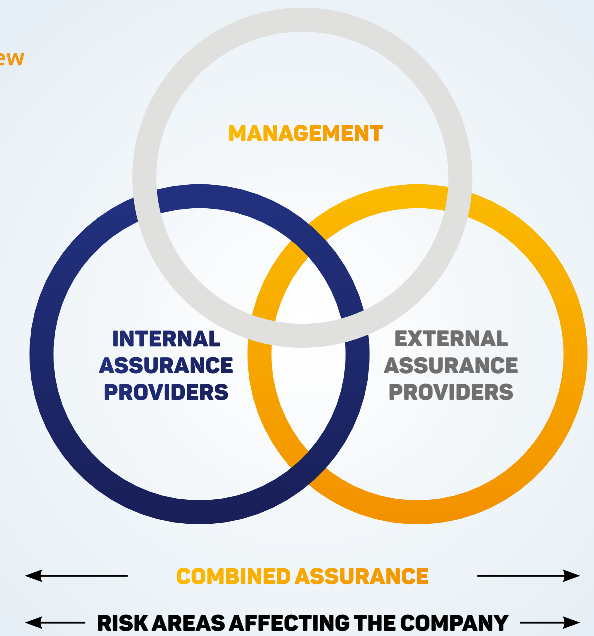
The purpose, authority and responsibilities of the Department are set out formally in a charter approved by the Board.

Organisational Status

To enhance independence and objectivity and ensure the 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 fulfil 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:

Combined Assurance Overview



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

The nature and significance of risks vary and will require assurance providers with the necessary expertise and experience to provide assurance that risks are adequately mitigated.

Assurance providers include external auditors, internal auditors, regulators, etc.

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

Group Internal Audit Report cont.

BDC ASSURANCE PROVIDERS

Objective

A co-ordinated approach to Corporation assurance activities.

Assurance providers are increasingly engaged and meet more frequently.

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

Assurance providers are increasingly independent.

Tip-Off Anonymous

The Corporation is committed to the highest standards of ethical, moral and legal business conduct. Ethical business behaviour 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 the 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.

If you are aware of any unethical business conduct or if you have any grievance

Call BDC TIP-OFFS ANONYMOUS HOTLINE

DON'T DELAY...CALL TIP-OFFS ANONYMOUS TODAY!

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

Toll Free: 0800 600 644 (BTC)
Orange: 1144
Mascom: 71119773
Free Fax: 0800 00 77 88
Email: bdc@tip-offs.com
Website: www.tip-offs.com

BDC

Risk Management Report

RISK MANAGEMENT REPORT

As per the King Code of Corporate Governance, the Board of Directors is responsible for overseeing risk management. The Board Risk and Compliance Committee is mandated by the Board for the design and implementation of BDC's risk framework. This is achieved through the approval of the risk appetite statement and policies.

BDC has a mature risk framework in place, the corporation follows the three lines of Assurance framework which clearly outlines the various parties responsible for risk within the organisation. The framework defined the BDC ERM architecture which defines risk from Five (5) broad view on

A. Investment and Credit risk
B. Asset and Liability Risk
C. Compliance Risk
D. Operational and Business continuity risk
E. Environmental, Social and Governance risk

There is a clearly defined escalation process from departments, through management to the Board who have the ultimate responsibility towards risk.

Below are the types of risks BDC is exposed and are both financial and non-financial in nature as encompassed within its Risk policy framework and its appetite and tolerance statement.

RISK	DESCRIPTION
Strategic Risk	This is a risk that may hinder the Corporation from achieving its strategic objectives. The impact of this risk is felt in the long run. This risk is managed through EXCO performance scorecards. EXCO reports to Key performance indicators that mitigate this risk monthly.
Credit Risk	Risks associated with the Corporation's credit investment activities, are managed through the defined risk appetite statement focusing on the effective allocation of the risk capital between products, geographic locations, individuals and across sectors.
This risk is managed through EXCO performance scorecards. EXCO reports to Key performance indicators that mitigate this risk monthly.	The risk exposes the Corporation's balance sheet to adverse movements or volatility of market rates or prices such as interest rates, credit spreads, equity prices, foreign exchange, liquidity and capital adequacy levels. These could lead to BDC being unable to service its debt obligations. These risks are periodically monitored and reported through the Asset and Liability Committee (ALCO), further matching of assets and liabilities is undertaken to reduce exposure.
Operational Risk	The notion of working from home required the streamlining of operations through the integration of IT systems, processes, and people. These are mitigated through scanning the environment for emerging risks, incident reporting logs as well as ensuring there is a robust business continuity management in place.
Compliance Risk	This is a threat that poses the Corporation with monetary fines, legal penalties, material loss and reputational damage. The Corporation has mitigated this risk by resourcing, developing compliance policies and procedures, training staff on compliance, developing the regulatory universe and compliance risk management plans as well as subscribing to a legislative screening solution.
Operational Risk	The notion of working from home required the streamlining of operations through the integration of IT systems, processes, and people. These are mitigated through scanning the environment for emerging risks, incident reporting logs as well as ensuring there is a robust business continuity management in place.
Environmental & Social Risk	BDC has made a conscious commitment towards responsible investing and requires the same of its investment partners. There are Environmental and Social risks that may crystalise from operations of BDC as well as from its investments therefore the need to have a management plan around these as a mitigation. BDC has in place an ESMS Framework that guides to mitigate this risk and this expectation is legislated into agreements with partners.

Sustainability Report.

SUSTAINABILITY REPORT

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 Report cont.

Focus Area	Commitments	Targets 2024	Sustainable Development Goals (SDGs) Supported
Full Compliance with Applicable Laws and Standards in Force	BDC shall only fund investments 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. 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.	Promote awareness of ethical values and principles Achieve zero regulatory penalties with regards to environmental and labour related issues.	SDG 8 – Decent work and economic growth SDG 16 – Peace, justice, and strong institutions
Systematic Risk and Impact Assessment	BDC is committed to full and consistent compliance with its Environmental and Social Management System to ensure that environment and social risks are assessed and evaluated throughout project life cycles. Screening for environmental and social impacts for appropriate categorisation is an integral part of credit assessment process and credit approval shall not be given where environmental and social risks cannot be avoided or minimised to manageable levels.	Achieve zero environmental and social risk related incidents.	SDG 8 – Decent work and economic growth
Health and Safety	At the very minimum, BDC and its clients shall adhere to the generally accepted occupational health and safety standards (as stipulated in Botswana Labour Laws) and the International Labour Organisation core labour standards.	Achieve zero work-related fatalities Achieve zero injury rate	SDG 3 – Good health and well-being SDG 6 – Clean water and sanitation SDG 8 – Decent work and economic growth
Gender Equality and Youth Empowerment	In line with Government's stated goals, BDC shall actively but responsibly invest in projects and personnel that advance the promotion of gender equality and youth economic empowerment.	Maintain a 50% share of women and men at management level by 2024. Invest in 8 youth owned projects by 2024.	SDG 5 – Gender equality SDG 10 – Reduced inequalities
Responsiveness to Climate Change	The assessment of the susceptibility to climate change shall form an integral part of BDC's environmental and social assessment process. Clients will be encouraged to develop projects and initiatives that mitigate against the impacts of climate change with a proper costing mechanism for such projects and initiatives. A Climate Screening process which entails a pro-active climate risk management approach enforces the incorporation of climate adaptation measurers into the design of investment projects as may be applicable. Climate Change Screening is performed by Business Development Executives assigned to individual projects, using the 'BDC Climate Screening Guidelines and Tools'.	Achieve zero routine blazing and emission of associated gas by 2024	SDG 7 – Affordable and clean energy SDG 13 – Climate action

Corporate Social Responsibility Report

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Corporation embraces the development of a more inclusive economy by proactively pursuing community development objectives that emphasise maximum impact on development returns. These activities involve projects that are ineligible for funding through BDC's commercial business channels and are frequently supported by donations, sponsorships, and strategic partnerships. As BDC grows and evolves, we strive to consistently implement impactful Corporate Social Investment and Corporate Social Responsibility initiatives that are aligned to our corporate strategy. BDC's CSR program is focused on initiatives that promote and support entrepreneurship, support inclusion of people living with disabilities and; promote and expose local talent through music and arts. The BDC Corporate Social Responsibility [CSR] Programme was established for the purpose of setting up a Grants and Donations Fund through which the Corporation will deliver on its Corporate Social Responsibility objective of extending financial and non-financial assistance to deserving organisations.

OBJECTIVES OF THE CSR PROGRAMME

The BDC CSR Programme intends to achieve the following goals:

- **Build Sustainable Community Relationships and Investments through our CSR initiatives**
- **Enhance BDC's reputation as a responsible value driven Corporate Citizen**
- **Contribute towards Sustainable CSR Projects and Initiatives that add to citizen development and empowerment**
- **Strengthen the BDC Corporate brand**
- **Improve profitability in view of the above**

Corporate Social Responsibility Report cont.

CRITERIA FOR DONATIONS, SPONSORSHIPS AND CSI

The distribution of the fund will seek to achieve an approximation of the following share of fund split but shall mainly be driven by needs identified on the ground.

Donation budget is under the Corporate Affairs Department while Sponsorships and CSI budget is under the BDC Trust Fund.

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 driven primarily aimed at improving Corporate brand image.

Corporate Social Investment 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.

15%
Donation

65%
Corporate Social Responsibility

20%
Sponsorship

Corporate Social Responsibility Report cont.

CRITERIA FOR DONATIONS, SPONSORSHIPS AND CSI

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

Persons qualifying for such support should meet the following criteria:

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

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

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

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

I. The conservation of the environment, including natural resources.
II. Creation of employment opportunities in communities throughout the Country.
III. The care, rehabilitation and training of the handicapped, socially disadvantaged and ill.
IV. Research and public education on the history, culture, people and economy of Botswana.
V. The provision of recreational and sporting activities representing the country at National level.
VI. The promotion of Botswana as an investment and tourist destination.
VII. The promotion and development of business and entrepreneurial skills for self-employment opportunities.
VIII. Support sustainable community based small developmental projects giving priority to youth and women.
IX. Promotion of talent through sports, music, arts and cultural activities.

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

Driving sustainability and longevity, especially for programmes which support vulnerable communities, shall continue to be a priority for our action.

CSR AND CSI INITIATIVES

During the fiscal year, the BDC implemented several CSR initiatives. As part of the Corporation's commitment to giving back to the communities in which it operates, BDC made a donation to the Grace World Africa Foundation's Walk Your Journey To The Future Shoeless Walk Initiative, which aimed to collect 100,000 pairs of shoes for underprivileged school-aged children in Botswana.

BDC also sponsored Miss Botswana 2022's return flight to Puerto Rico to attend Miss World pageant. Tonota Primary School Special Education Unit received a donation of printing and photocopying machines as part of the BDC CSR mandate to promote the inclusion of people with disabilities.

In addition to the donation to Tonota Primary School, BDC, through one of its Investee companies, Ba Isago University, donated hampers to the paediatric ward of Mahalapye District Hospital. BDC continues to provide assistance to Ramotswa Centre for Deaf School through the Adopt a School initiative, focusing on the school's students with disabilities program and learning facilities.

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% 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.

Consolidated and Separate Financial Statements
for the year ended 30 June 2022

General Information

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

Directors' Responsibilities Statement and Approval of the Financial Statements

The Directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements of Botswana Development Corporation Limited ("the Group"), comprising the statements of financial position as at 30 June 2022 and the statements profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and notes to consolidated and separate financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Standards).

The Directors are required by the Companies Act of Botswana (Companies Act, 2003) to maintain adequate accounting records and are responsible for the content and integrity of the financial information included in this report. It is their responsibility to ensure that the consolidated and separate financial statements fairly present the state of affairs of the Group and Company as at 30 June 2022 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 51-59. The Directors are responsible for such internal controls as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The consolidated and separate 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 60 to 73 which have been prepared on the going concern basis, were approved by the Board on 31, May 2023 by:

M. Mothibatsela
Chairman

C. Kgosidiile
Director

Directors' Report

The directors have pleasure in submitting their report on the consolidated and separate financial statements of Botswana Development Corporation Limited and the group for the year ended 30 June 2022.

1. Review of financial results and activities

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act 2003. The accounting policies have been applied consistently compared to the prior year.

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

2. Stated capital

The total number of ordinary shares issued and fully paid is 541,769,462 (2021: 541,769,462).

3. Directorate

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

Directors	Office	Designation	Nationality	
M Mothibatsela	Chairperson	Non-executive	Motswana	
C Kgosidiile	Managing Director	Executive	Motswana	
B Mphetlhe	Other	Non-executive	Motswana	
A Ralebala	Other	Non-executive	Motswana	
S Moncho	Other	Non-executive	Motswana	
O Otlaadisa	Other	Non-executive	Motswana	
J S Ntshole	Other	Non-executive	Motswana	
N M Setaelo	Other	Non-executive	Motswana	
M Ramaeba	Other	Non-executive	Motswana	
P Monare	Other	Non-executive	Motswana	**Resigned Tuesday, 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 40. 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.

Directors' Report (cont.)

5. Going concern

The group incurred a total comprehensive loss for the year ended 30 June 2022 of P 46million (2021: P 217million) and as of that date its total assets exceeded its total liabilities by P 2.59billion (2021: P2.58billion). The company incurred a total comprehensive loss for the year ended 30 June 2022 of P 77million (2021: P 107million) and as of that date its total assets exceeded its total liabilities by P 2.09billion (2021: P2.15billion). Current assets exceed current liabilities for both group and company by P877 million (2021: P297million) and P840million (2021: P256 million) respectively.

The Board of Directors has assessed based on profitability and cash flow projections that both the group and company have sufficient cash resources available to settle the obligations up to 12 months from the date of the approval of these financial statements. The company has a Capital and Debt Reserve Account (CDRA) with a balance of P182 246 000 and its primary purpose is to hold adequate reserves for repayment obligations under long term funding facilities as well as mitigating against the impact of credit losses.

The group and company have also implemented strategies to return to profitability and these are monitored regularly by the Board of Directors. Furthermore, the group and company 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.

The consolidated and separate 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 2022.

6. Directors fees and expenses

It is recommended that the directors fees of P305 595 and executive directors emoluments of P2 071 936 (2021: Fees P264 600, Emoluments P2 126 081) for the year to 30 June 2022 be ratified.

7. Dividends declaration

No dividends (2021: P0 million) have been declared post reporting date. This position would be evaluated in the next reporting period.

By Order of the Board

G. Ofetotse
Group Company Secretary

KPMG

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

Independent Auditor's Report

To the shareholder of Botswana Development Corporation Limited

Opinion

We have audited the consolidated and separate financial statements of Botswana Development Corporation Limited (the Group and Company) set out on pages *60 to 173, which comprise the statements of financial position as at 30 June 2022, 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 consolidated and separate financial statements.

In our opinion, the accompanying 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 2022, 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 as issued by the International Accounting Standards Board (IFRS 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) together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Botswana, 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.

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

Key audit matters

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

1) Valuation of investment properties

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

Refer to the 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.

Key audit matter	How the matter was addressed in our audit
The Group owns a portfolio of investment properties comprising office buildings, residential property, industrial property and mixed use properties. The carrying values of the investment properties amounted to P 1.181 million as at 30 June 2022. This accounts for 26.9% of the Group's total non-current assets and is a significant asset of the Group. The Group's investment properties are measured at fair value based on valuations carried out by independent qualified professional valuers (the "valuers"). The 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. Due to the significance of the value of investment properties and the estimation uncertainty 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.	Our audit procedures included the following: • We evaluated the competence, capabilities, independence and objectivity of the external 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, inspecting details of the valuers qualifications and experience and verifying their membership to professional bodies. • We evaluated the appropriateness of valuation methodologies used against those applied by other valuers for similar property types. • We obtained an understanding of the valuation process used by the valuers, including the significant assumptions and critical judgements applied in the valuation methodologies and evaluated whether these methodologies met the requirements of IFRS 13 *Fair Value Measurement.*

1) Valuation of investment properties

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

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.

Key audit matter	How the matter was addressed in our audit
	• 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: —We traced cash flows (rental incomes) to underlying lease contracts on a sample basis; —We compared expected market rental growth and discount rates to industry data; —We compared occupancy rates and rent free or void periods to historical data. In addition, we considered whether the historical data was an appropriate indication for future inputs in line with current market conditions; and —We traced the fair values of all the Group's investment properties to the independent valuers' reports. • We tested the design and implementation of 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. • 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 IAS40 *Investment Property* and IFRS 13 *Fair Value*

KPMG

1) Valuation of investment properties This key audit matter is applicable to the consolidated financial statements. 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.	
Key audit matter	How the matter was addressed in our audit
	Measurement.

2) Impairment of investments in subsidiaries and equity accounted investees This key audit matter is applicable to the separate financial statements. Refer to the 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.	
Key audit matter	How the matter was addressed in our audit
The carrying value of the Company's investments in subsidiaries and equity accounted investees amounted to P 1.4 billion at the reporting date. This constitutes 37.7% of the Company's total non-current assets. The accumulated impairment balance on investments in subsidiaries and equity accounted investees amounted to P 148.52 million and P 16.40 million respectively. Investment in subsidiaries and equity accounted investees are carried at cost less accumulated impairment losses. 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. The assessment of these investments for	Our audit procedures performed included the following: • We compared the carrying values of the investment in subsidiaries and equity accounted investees with the respective net asset values per the subsidiaries and equity accounted investees' financial statements. Where the above comparison indicated a possible impairment, we discussed with management and assessed the adequacy of their impairment assessment. • 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.

KPMG

2) Impairment of investments in subsidiaries and equity accounted investees This key audit matter is applicable to the separate financial statements. 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.	
Key audit matter	How the matter was addressed in our audit
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). 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 complex with estimation uncertainty and thus a key audit matter in our audit of the separate financial statements.	• We evaluated the competencies, capabilities, independence and objectivity of the external valuers, including an evaluation of controls in place for the appointment and assessment of these experts by management. We further evaluated the appropriateness of the valuation methodologies used against those applied by other valuers for similar asset types. • 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.*

3) Impairment of financial assets measured at amortised cost This key audit matter is applicable to the consolidated and separate financial statements. Refer to the 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.	
Key audit matter	How the matter was addressed in our audit
The financial assets measured at amortised cost are included under the "other investments" financial statements caption and amount to	Our audit procedures performed included the following: • We evaluated the design and

KPMG

3) Impairment of financial assets measured at amortised cost

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

Refer to the 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.

Key audit matter	How the matter was addressed in our audit
P1.43 billion and P1.78 billion at the reporting date for the Group and Company respectively. This constitutes 24.2% and 33.8% of the Group and Company's total assets respectively. The accumulated expected credit loss on these financial assets amounted to P166.97 million and P210.55 million for Group and Company respectively. The financial assets measured at amortised cost consist of loans disbursed to subsidiaries, equity accounted investees and non-affiliated entities. Loans to subsidiaries, equity accounted investees and non-affiliated entities are initially recognised at fair value and subsequently measured at amortised cost less impairment. The impairment of these loans is considered based on the Expected Credit Loss (ECL) which considers Exposure at Default, the Probability of Default and the Loss Given Default (LGD). 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. 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	implementation of internal controls over the impairment of loans to ensure the appropriateness of key assumptions applied, the assessment of credit risk done by the Company's risk department and the directors of the final measurement of expected credit losses applied to the loans. • We reconciled the input parameters (credit risk ratings, LGDs and exposures) applied in the expected credit loss calculation to underlying records. • 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: — Re-calculating the Exposure at Default based on the remaining term of each loan; — Reassess credit rating of the borrowers using approaches deemed appropriate to derive reasonable credit risk ratings for each borrower. — Comparing the unsecured Loss Given Default to global market practice.

Section 04

Consolidated and Separate Financial Statements for the year ended 30 June 2022

KPMG

3) Impairment of financial assets measured at amortised cost

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

Refer to the 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.

Key audit matter	How the matter was addressed in our audit
statements.	— Assessing the appropriateness of the staging of the loans as well as the probability of default on each loan. • We considered the adequacy of the disclosures made in the financial statements in accordance with IFRS 9 *Financial Instruments.*

Other information

The directors are responsible for the other information. The other information comprises 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 auditor's report, and the annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do 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 that we have 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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation of consolidated and separate financial

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statements that give a true and fair view in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS 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 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.

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KPMG
Certified Auditors
Practicing Member: Archibald Gumede
Certified Auditor of Public Interest Entity
BAOA Certificate Number CAP 0045 2023
Gaborone
28 June 2023

Statements of Profit or Loss and Other Comprehensive Income

		GROUP		COMPANY	
Figures in Pula thousand	**Note(s)**	**2022**	**2021**	**2022**	**2021**
Income from trade	2	146,123	37,337	56,807	108,376
Cost of sales	6	(75,573)	(23,080)	-	-
Gross profit		**70,550**	**14,257**	**56,807**	**108,376**
Interest on loans	3	183,562	141,109	200,011	149,450
Rental income		66,997	44,240	-	-
Contractual Rental		60,785	46,111	-	-
- Straight line lease rental adjustment		6,212	(1,871)	-	-
		321,109	199,606	256,818	257,826
Finance Income	4	65,988	33,106	85,095	51,206
Other income	5	56,027	30,862	29,584	11,816
Fair value gain/(loss) on investment properties	8	46,886	(278)	-	-
- As per valuation		53,098	(2,149)	-	-
- Straight line lease rental adjustment		(6,212)	1,871	-	-
Share of loss of equity accounted investees, net of tax	13	(104,680)	(29,292)	-	-
Unrealised Impairment of equity investments*	6	5,025	(5,660)	(97,318)	(18,170)
Marketing expenses		(4,435)	(1,844)	(3,989)	(1,603)
Settlement Loss on Lease		(15,700)	-	-	-
Occupancy expenses		(28,872)	(28,111)	-	-
Expected credit losses	47	(8,769)	(25,239)	(26,439)	(23,211)
Unrealised foreign exchange losses		(33,260)	(23,865)	(33,260)	(23,865)
Other operating expenses		(144,653)	(126,550)	(87,792)	(103,966)
Finance costs*	4	(142,685)	(101,470)	(151,786)	(116,948)
Operating profit (loss)		**11,981**	**(78,735)**	**(29,087)**	**33,085**
Change in fair value of debt instruments		26,117	-	26,117	(1,130)
Profit /(Loss) before taxation	6	**38,098**	**(78,735)**	**(2,970)**	**31,955**
Income tax (expense)/credit	7	(21,249)	1,517	(10,121)	3,086
Profit/(loss) for the year		**16,849**	**(77,218)**	**(13,091**	**35,041**
Other comprehensive income:					
Items that will not be subsequently reclassified to profit or loss					
Losses on fair value of equity securities		(63,976)	(141,541)	(63,976)	(141,541)
Deferred taxation on revaluation loss		3,580	2,951	-	-
Loss on valuation of land and buildings		-	(474)	-	-
Share of other comprehensive income of equity accounted investees	13	(2,674)	(671)	-	-
Total items that will not be reclassified to profit or loss		**(63,070)**	**(139,735)**	**(63,976)**	**(141,541)**
Other comprehensive loss for the year, net of taxation		**(63,070)**	**(139,735)**	**(63,976)**	**(141,541)**
Total comprehensive loss for the year		**(46,221)**	**(216,953)**	**(77,067)**	**(106,500)**
Profit/(Loss) for the year attributable to:					
Owners of the Company		22,195	(71,902)	(13,091)	35,041
Non-controlling interest		(5,346)	(5,316)	-	-
		16,849	**(77,218)**	**(13,091)**	**35,041**

Statements of Profit or Loss and Other Comprehensive Income (cont.)

		GROUP		COMPANY	
Figures in Pula thousand	**Note(s)**	**2022**	**2021**	**2022**	**2021**
Other comprehensive loss attributable to:					
Owners of the Company		(65,813)	(140,201)	(63,976)	(141,541)
Non-controlling interest		2,743	466	-	-
		(63,070)	**(139,735)**	**(63,976)**	**(141,541)**

* Presentation of other operating expenses has been broken down to reflect unrealised impairment of equity investments and unrealised foreign exchange losses separately in current year and the same updated for prior year.

*Finance costs have been included under operating (loss)/profit which is a change in presentation from prior year where they were presented below operating profit."

Statements of Financial Position as at 30 June 2022

		GROUP		COMPANY	
Figures in Pula thousand	**Note(s)**	**2022**	**2021**	**2022**	**2021**
Assets					
Non-Current Assets					
Investment property	8	1,181,203	1,188,626	-	-
Property, plant and equipment	9	516,373	408,937	870	1,379
Intangible assets	10	120,658	2,817	2,037	2,813
Right-of-use assets	11	354	516	103,744	117,691
Goodwill	45	13,909	-	-	-
Investments in subsidiaries	12	-	-	1,057,406	960,409
Equity accounted investees	13	482,954	662,649	405,202	541,795
Other investments	14	1,994,734	2,099,752	2,254,878	2,264,968
Due from group companies	15	-	-	63,574	63,191
Deferred lease asset	46	172	91	-	-
Rental straight-lining adjustment	8	48,211	-	-	-
Deferred tax	29	21,416	18,710	-	-
		4,379,984	**4,382,098**	**3,887,711**	**3,952,246**
Current Assets					
Inventories	16	71,400	6,581	-	-
Trade and other receivables	17	119,974	139,943	98,049	103,851
Other investments	14	480,396	265,111	584,038	270,097
Other assets	18	9,550	8,462	-	-
Cash and cash equivalents	19	764,289	177,000	675,321	122,539
Current tax receivable		21,372	17,007	7,478	4,654
		1,466,981	614,104	1,364,886	501,141
Non-current assets classified as held for sale	39	21,563	-	10,865	-
Total Assets		**5,868,528**	**4,996,202**	**5,263,462**	**4,453,387**
Equity and Liabilities					
Equity					
Stated capital	20	888,269	888,269	888,269	888,269
ISF Equity Reserve	23	25,762	-	25,762	-
Fair value reserve	21	113,318	177,294	113,318	177,294
Other reserves	22	522,099	500,853	182,246	168,789
Claims equalisation reserve	23	1,207	1,207	-	-
Retained income		909,718	908,769	884,840	911,388
Equity attributable to owners of the Company		**2,460,373**	**2,476,392**	**2,094,435**	**2,145,740**
Non-controlling interests	24	121,268	104,518	-	-
Total equity		**2,581,641**	**2,580,910**	**2,094,435**	**2,145,740**
Liabilities					
Non-Current Liabilities					
Borrowings	25	2,156,783	1,453,569	2,100,837	1,388,567
Government grants	26	9,631	9,987	-	-
Bonds outstanding	27	377,518	507,316	377,518	507,316
Lease liabilities	11	174	347	155,863	166,903
Provisions for restoration costs	28	9,904	9,904	-	-
Deferred tax	29	120,945	115,022	-	-
Rental straight-lining adjustment	8	-	1,754	-	-
		2,674,955	**2,097,899**	**2,634,218**	**2,062,786**

Statements of Financial Position as at 30 June 2022

		GROUP		COMPANY	
Figures in Pula thousand	**Note(s)**	**2022**	**2021**	**2022**	**2021**
Current Liabilities					
Borrowings	25	225,429	64,616	212,494	53,403
Government grants	26	356	356	-	-
Current tax payable		8,718	1,570	717	717
Trade and other payables	30	145,545	146,964	84,313	78,478
Lease liabilities	11	161	166	11,023	8,610
Bonds outstanding	27	131,500	-	131,500	-
Bank overdraft	19&31	100,223	103,721	94,762	103,653
		611,932	317,393	534,809	244,861
Total Liabilities		**3,286,887**	**2,415,292**	**3,169,027**	**2,307,647**
Total Equity and Liabilities		**5,868,528**	**4,996,202**	**5,263,462**	**4,453,387**

Statements of Changes in Equity

Figures in Pula thousand	Stated capital	Fair value	ISF Equity reserves	Claims equalisation	Other reserves	Retained Income	Total attributable to members	Non-controlling interest	Total equity
Group									
Balance as at 01 July 2020	**888,269**	**318,835**	**-**	**1,207**	**465,499**	**1,014,685**	**2,688,495**	**109,368**	**2,797,863**
Loss for the year	-	-	-	-	-	(71,902)	(71,902)	(5,316)	(77,218)
Other comprehensive (loss)/income	-	(141,541)	-	-	1,340	-	(140,201)	466	(139,735)
Total comprehensive loss for the year	**-**	**(141,541)**	**-**	**-**	**1,340**	**(71,902)**	**(212,103)**	**(4,850)**	**(216,953)**
Transfer between reserves	-	-	-	-	34,014	(34,014)	-	-	-
	-	**-**	**-**	**-**	**34,014**	**(34,014)**	**-**	**-**	**-**
Balance as at 01 July 2021	**888,269**	**177,294**	**-**	**1,207**	**500,853**	**908,769**	**2,476,392**	**104,518**	**2,580,910**
Profit for the year	-	-	-	-	-	22,195	22,195	(5,346)	16,849
Other comprehensive (loss)/income	-	(63,976)	-	-	906	-	(63,070)	2,743	(60,327)
Total comprehensive loss for the year	**-**	**(63,976)**	**-**	**-**	**906**	**22,195**	**(40,875)**	**(2,603)**	**(43,478)**
Transfer between reserves	-	-	-	-	20,340	(21,246)	(906)	-	(906)
Equity contribution from parent	-	-	25,762	-	-	-	25,762	-	25,762
Dividend paid	-	-	-	-	-	-	-	(3,000)	(3,000)
Business combinations	-	-	-	-	-	-	-	22,353	22,353
	-	-	25,762	-	20,340	(21,246)	24,856	19,353	44,209
Balance as at 30 June 2022	**888,269**	**113,318**	**25,762**	**1,207**	**522,099**	**909,718**	**2,460,373**	**121,268**	**2,581,641**
Note(s)	20	21	23	23	22			24	
Company									
Balance as at 01 July 2020	**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 loss	-	(141,541)	-	-	-	-	(141,541)	-	(141,541)
Total comprehensive (loss)/income for the year	**-**	**-**	**-**	**-**	**-**	**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)	-	-	-
Total transactions with owner of the Company	**-**	**-**	**-**	**-**	**34,014**	**(34,014)**	**-**	**-**	**-**
Balance as at 01 July 2021	**888,269**	**177,294**	**-**	**-**	**168,789**	**911,388**	**2,145,740**	**-**	**2,145,740**
Loss for the year	-	-	-	-	-	(13,091)	(13,091)	-	(13,091)
Other comprehensive loss	-	(63,976)	-	-	-	-	(63,976)	-	(63,976)
Total comprehensive Loss for the year	**-**	**(63,976)**	**-**	**-**	**-**	**(13,091)**	**(77,067)**	**-**	**(77,067)**
Transfer between reserves	-	-	-	-	13,457	(13,457)	-	-	-
Equity contribution from parent	-	-	25,762	-	-	-	25,762	-	25,762
Total transactions with owners of the company	**-**	**-**	**25,762**	**-**	**13,457**	**(13,457)**	**25,762**	**-**	**25,762**
Balance as at 30 June 2022	**888,269**	**113,318**	**25,762**	**-**	**182,246**	**884,840**	**2,094,435**	**-**	**2,094,435**
Note(s)	20	21	23		22			24	

Statements of Cash Flows

Figures in Pula thousand	Note(s)	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
Cash flows from operating activities					
Cash (used in)/generated from operations	36	(64,761)	(60,049)	43,104	(82,129)
Tax paid		(14,198)	(6,358)	(13,329)	(3,730)
Net cash (used in)/generated from operating activities		**(78,959)**	**(66,407)**	**29,775**	**(85,859)**
Cash flows from investing activities					
Purchase of property, plant and equipment	9	(4,851)	(14,504)	(147)	(429)
Proceeds from sale of property plant and equipment		3,395	13,384	19	-
Purchase of investment property	8	(7,337)	(59,871)	-	(4,599)
Purchase of shares in subsidiary		-	-	(44,146)	(61,115)
Purchase of financial assets		(1,088)	(3,756)	-	-
Proceeds on disposal of investment		1,145	-	-	218
Share of cash from business combination		11,358	-	-	-
Dividends from associates		20,546	-	-	-
Loans repaid by borrowers		66,617	6,453	75,543	6,453
Loans repaid by subsidiaries		-	-	-	1,208
Proceeds from redemption of investment		115,099	-	117,545	-
Loans disbursed to ISF projects		(122,000)	(50,000)	(122,000)	(50,000)
Loans disbursed to unquoted investment companies		(126,627)	(396,703)	(126,627)	(396,703)
Loans disbursed to subsidiaries		-	-	(98,579)	(5,612)
Proceeds from disposal of investment properties		-	187,284	-	-
Interest received		80,487	65,234	109,643	65,234
Dividends received		31,394	7,649	56,807	108,376
Cash flow generated from /(used in) investing activities		**68,138**	**(244,830)**	**(31,942)**	**(336,969)**
Cash flows from financing activities					
Long term borrowings raised	25	1,173,396	349,145	1,173,396	344,514
Long term borrowings repaid	25	(528,925)	(443,292)	(536,726)	(310,561)
Proceeds from issue of bonds		-	158,698	-	158,698
Industry Support Funds raised	44	100,000	100,504	100,339	100,504
Payment on lease liabilities	11	(209)	(221)	(21,383)	(19,820)
Interest paid		(142,654)	(101,470)	(151,786)	(113,912)
Net cash generated from financing activities		**601,608**	**63,364**	**563,840**	**159,423**
Total cash movement for the year		**590,787**	**(247,873)**	**561,673**	**(263,405)**
Cash at the beginning of the year		73,279	321,152	18,886	282,291
Total cash at end of the year	19	**664,066**	**73,279**	**580,559**	**18,886**

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 2022 were signed and authorised for issue on 31 May 2023.

1. Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate 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 as issued by the International Accounting Standards Board (IFRS Standards) effective at the time of preparing these consolidated and separate 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 42.

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 consolidated and separate 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 (cont.)

1.3 Consolidation (continued)

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

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

Investments in subsidiaries in the separate financial statements

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

Business combinations

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

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

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

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

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

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

Significant Accounting Policies (cont.)

1.3 Consolidation (continued)

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. 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.

Significant Accounting Policies (cont.)

1.5 Significant judgements and sources of estimation uncertainty

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

Critical judgements in applying accounting policies

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

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 P1.181 billion as at 30 June 2022 (2021: P1.188 billion). This accounts for 27% (2021:27%) 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 group uses the following valuation models:

The discounted cash flow 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 per the income method 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. The last method is the cost method which is based upon the determination of a modern equivalent property and includes consideration of adjustments for "physical, functional, technological and economic obsolescence". It is generally applied based on the depreciated replacement cost. It may be considered as a primary methodology where "there is either no evidence of transaction prices for similar property or no identifiable actual or notional income stream that would accrue to the owner.

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. The land has been subdivided for differing uses based on the developments under construction and at this stage creates uncertainty regarding its valuation. The range of fair values is expected to vary from its cost of P40m to P264m. Once construction is completed, the property will be recognised at fair value. Construction commenced in the financial year ended 30 June 2018 and is currently ongoing..

Significant Accounting Policies (cont.)

1.5 Significant judgements and sources of estimation uncertainty (continued)

Impairment of investments in subsidiaries and equity accounted investees

The carrying value of the company's investments in subsidiaries and equity accounted investees amounted to P 1 483 million (2021: P1 502 million) at the reporting date. This constitutes 39% (2021: 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.

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.

Significant Accounting Policies (cont.)

1.5 Significant judgements and sources of estimation uncertainty (continued)

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

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

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

Lifetime ECLs (stages 2 and 3), which apply when a significant increase in credit risk has occurred on an individual or collective basis or when applying the simplified approach under IFRS 9

Intangible Assets-Customer contracts

The excess earnings method estimates the value of an intangible asset as the present value of the cash flows attributable to the subject intangible asset after excluding the proportion of the cash flows that are attributable to other assets required to generate the cash flows ("contributory assets"). It is often used for valuations where there is a requirement for the acquirer to allocate the overall price paid for a business between tangible assets, identifiable intangible assets and goodwill. The method takes a "residual" approach to estimate the income that an intangible asset is expected to generate. The calculation started with the total expected income stream from the group assets as a whole and deducted charges for all other charges for all other assets used to generate income with the intangible asset under review during its economic life. Residual streams where then discounted using asset specific rates

1.6 Investment property

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

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

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

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

Fair value

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

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

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

Significant Accounting Policies (cont.)

1.6 Investment property (continued)

Derecognition of investment property

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

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

1.7 Property, plant and equipment

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

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

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

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

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

Subsequent to initial recognition, property, plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses, except for land and buildings which are stated at revalued amounts. The revalued amount is the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting year.

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

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

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

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.

Significant Accounting Policies (cont.)

1.7 Property, plant and equipment (continued)

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	6-25 years
Furniture and fixtures	Straight line	4-10 years
Motor vehicles	Straight line	3-5 years
IT equipment	Straight line	3-5 years

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

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

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

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired.

When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

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

1.8 Site restoration and dismantling cost

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

Significant Accounting Policies (cont.)

1.8 Site restoration and dismantling cost (continued)

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.

Significant Accounting Policies (cont.)

1.9 Intangible assets (continued)

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.

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).

Significant Accounting Policies (cont.)

1.10 Financial instruments (continued)

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

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

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

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 include loan commitment and are recognised when the group becomes 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 in finance income and finance cost (note 4).

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.

Significant Accounting Policies (cont.)

1.10 Financial instruments (continued)

- 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).

Details of foreign currency risk exposure and the management thereof are provided in the financial instruments and risk management (note 41).

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

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

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

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

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

The group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the 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. The quantitative factors of the model rely on the use of financial statements to extract financial ratios, which assess the financial strength of the borrower from the calculated probability of default and Loss Given Default using a credit rating system .

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.

Significant Accounting Policies (cont.)

1.10 Financial instruments (continued)

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

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

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

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

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

Credit risk
Details of credit risk related to loans receivable are included in the specific notes and the financial instruments and risk management (note 41).

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.

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.

Significant Accounting Policies (cont.)

1.10 Financial instruments (continued)

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.

Dividends received on equity investments are recognised in profit or loss when the group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in income from trade (note 2).

Significant Accounting Policies (cont.)

1.10 Financial instruments (continued)

Derecognition

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

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

Borrowings and loans from related parties

Classification
Loans 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 41 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 41).

Derecognition

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

Significant Accounting Policies (cont.)

1.10 Financial instruments (continued)

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.

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.

Significant Accounting Policies (cont.)

1.10 Financial instruments (continued)

Any previously stated gains, losses or interest are not restated.

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

Financial liabilities

Financial liabilities are not reclassified.

1.11 Tax

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

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

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.

Significant Accounting Policies (cont.)

1.11 Tax (continued)

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

1.12 Leases

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

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

Details of leasing arrangements where the group is a lessee are presented in note 11 Right of Use Assets/Leases.

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 6).

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).

Significant Accounting Policies (cont.)

1.12 Leases (continued)

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

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

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

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

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.

Significant Accounting Policies (cont.)

1.12 Leases (continued)

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.

1.13 Inventories

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

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

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

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.

Significant Accounting Policies (cont.)

1.14 Other investments

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

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

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

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

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

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

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

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

A 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.

1.16 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.

Significant Accounting Policies (cont.)

1.16 Impairment of non-financial assets (continued)

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

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

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

1.17 Stated capital and equity

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

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

1.18 Compound instruments

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

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

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

1.19 Employee benefits

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

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

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

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

Significant Accounting Policies (cont.)

1.20 Provisions and contingencies

Provisions are recognised when:

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

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

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

Provisions are not recognised for future operating losses.

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

A constructive obligation to restructure arises only when an entity:

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 33.

1.21 Government grants

Government grants are recognised when there is reasonable assurance that:

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

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

Significant Accounting Policies (cont.)

1.21 Government grants (continued)

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 statements 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.

1.22 Revenue

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

The group recognises revenue from the following major sources:

Interest on Loans and other interest revenue

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

Dividend and distribution Income

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

Income from trade

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

Sale of goods

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

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.

Consolidated and Separate Financial Statements for the year ended 30 June 2022

Section 04

Significant Accounting Policies (cont.)

1.22 Revenue (continued)

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

1.23 Rental income

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

1.24 Cost of sales

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

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

1.25 Translation of foreign currencies

Group presentation currency
Items included in the consolidated and separate 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 and separate 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 consolidated and separate financial statements are recognised in profit or loss in the period in which they arise.

Significant Accounting Policies (cont.)

1.25 Translation of foreign currencies (continued)

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

	GROUP		COMPANY	
Figures in Pula thousand	**2022**	**2021**	**2022**	**2021**
2. Income from trade				
Income from trade:				
Sale of goods	76,773	-	-	-
Revenue from rendering of services	37,956	29,688	-	-
Dividends received:				
Subsidiaries	-	-	25,300	95,554
Associated companies	-	-	113	5,173
Quoted investments	31,394	7,649	31,394	7,649
	146,123	**37,337**	**56,807**	**108,376**
3. Interest on loans				
Interest on loans				
Subsidiaries	-	-	16,449	8,341
Associated companies	17,486	19,866	17,486	19,866
Quoted investments	166,076	121,243	166,076	121,243
	183,562	**141,109**	**200,011**	**149,450**

Interest on loans has been calculated based on effective interest rate method.

	GROUP		COMPANY	
4. Finance income and finance cost	**2022**	**2021**	**2022**	**2021**
Finance income:				
- Cash and cash equivalents	24,039	10,752	21,857	9,341
- Debenture interest	-	-	20,690	19,511
- Preference shares interest	41,949	22,354	42,548	22,354
	65,988	**33,106**	**85,095**	**51,206**
Finance costs:				
- Bank borrowings	(71,426)	(55,353)	(67,982)	(56,280)
- Long-term borrowings	(33,193)	(9,547)	(33,016)	(9,545)
- Bonds	(38,035)	(36,465)	(38,035)	(36,465)
- Lease interest	(31)	(105)	(12,753)	(14,658)
	(142,685)	**(101,470)**	**(151,786)**	**(116,948)**
5. Other income				
Recoveries received	-	4,811	-	-
Management fees	7,556	6,200	7,450	6,365
Arrangement and monitoring fees	3,049	4,977	2,948	4,977
African Development Bank training grant	6,380	244	380	244
Other income	25,601	9,156	5,365	230
Claim on security of investments	13,441	-	13,441	-
Levies	-	365	-	-
Debt collection and broker fees	-	5,109	-	-
	56,027	**30,862**	**29,584**	**11,816**

Notes to the Consolidated and Separate Financial Statements (cont.)

Figures in Pula thousand	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
5. Other income (continued)				

Management fees are earned from investee companies and these do not relate to rental properties.
*Recoveries includes cost recoveries from tenants for service fees

6. Profit before tax

The following items have been accounted for in arriving at profit before tax, in addition to the amounts already disclosed in notes 2, 3 and 4

Included in other operating expenses are the following items;

Figures in Pula thousand	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
Amortisation of government grant (note 26)	356	356	-	-
Auditors remuneration - external auditors	(1,770)	(1,900)	(937)	(811)
Consulting and professional fees	(12,806)	(13,487)	(8,069)	(14,069)
Consulting and professional fees - legal fees	(3,157)	(2,941)	(2,316)	(2,360)
Amortisation of intangible assets (note 10)	(6,508)	(70)	--	
Depreciation (note 9)	(14,569)	(12,525)	(623)	(1,091)
Directors' fees	(1,482)	(1,465)	(306)	(265)
Staff costs (as below)	(56,812)	(70,049)	(31,522)	(51,090)
Directors' emoluments	(2,072)	(2,162)	(2,072)	(2,162)
Settlement Loss on Lease	(15,700)	-	-	-
Repairs and maintenance	(1,796)	(1,313)	(191)	(322)
Subscriptions	(3,687)	(4,135)	(3,075)	(3,621)
Training	(1,767)	(824)	(1,108)	(556)
Staff costs				
Salaries and wages	(54,340)	(67,293)	(30,340)	(49,932)
Terminal benefits	(1,290)	(1,598)	-	-
Medical aid - company contributions	(1,182)	(1,158)	(1,182)	(1,158)
Included in cost of sales are the following items;				
Purchase of goods	55,905	21,482	-	-
Rendering of services	4,612	-	-	-
Employee costs	5,546	-	-	-
Depreciation and impairment	2,177	-	-	-
Manufacturing expenses	7,333	1,598	-	-
	75,573	**23,080**	**-**	**-**

Notes to the Consolidated and Separate Financial Statements (cont.)

7. Income tax expense/(credit)

Major components of the tax expense (credit)

Figures in Pula thousand	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
Botswana company taxation				
Normal taxation at 22%/15%	7,109	-	-	-
Normal taxation - prior year	(308)	-	-	-
Group tax relief	-	-	(383)	-
Withholding tax on dividends	7,560	-	-	(6,593)
Foreign income tax or withholding tax - recognised	-	1,536	7,560	1,536
Total normal taxation	14,361	1,536	7,177	(5,057)
Deferred tax - current year	4,265	(7,975)	-	-
Deferred tax for changes in estimates relating to prior years	-	-	-	-
Withholding tax on debenture interest	2,945	1,971	2,945	1,971
Deferred tax recognised in OCI	(322)	2,951	-	-
	21,249	**(1,517)**	**10,122**	**(3,086)**

Reconciliation of the tax expense/(credit)

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

Figures in Pula thousand	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
Accounting profit/(loss)	38,098	(78,735)	(2,970)	31,955
Tax calculated at 22%/15%	9,630	(16,165)	(653)	7,030
Income not subject to tax	(21,070)	(23,975)	(19,390)	(23,843)
Normal taxation - prior year	951	-	-	-
Capital gains tax	(13,127)	(8,665)	-	-
Expense not deductible for tax purposes	39,815	39,674	23,432	10,627
Utilisation of previously unrecognised tax losses	(4,931)	8,372	-	-
Withholding tax on debenture interest	2,945	1,971	2,945	1,971
Withholding tax on dividends received	7,560	1,536	7,560	1,536
Unrecognised deferred tax balances	(524)	(4,265)	(3,388)	6,186
Group tax relief	-	-	(384)	(6,593)
	21,249	**(1,517)**	**10,122**	**(3,086)**

<u>Income not subject to tax</u>
The Income Tax Act of Botswana details in Part 2 of the Second Schedule the gross income items that are exempted from taxation.

<u>Expenses not deductible for tax purposes</u>
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.

<u>Group</u>
The amount of income tax relating to revaluation of land and buildings recognised in other comprehensive income amounted to P3.58million (2021: P2.95million). Other movements in other comprehensive income did not have a tax impact on the group.

Notes to the Consolidated and Separate Financial Statements (cont.)

Figures in Pula thousand	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021

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

Unrecognised deferred tax balances

At 30 June 2022, there was a deferred tax liability of P99million (2021: P96 million) for temporary differences of P452 million (2021: P438 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:

Tax year:

Tax year	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
2016/2017	-	33,326	-	18,914
2017/2018	71,068	71,107	19,083	34,487
2018/2019	33,038	43,175	-	-
2019/2020	1,876	1,876	1,582	1,582
2020/2021	3,027	3,027	-	-
	109,009	**152,511**	**20,665**	**54,983**

8. Investment property

Reconciliation of investment property - Group

	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
Land and buildings at fair value	1,229,414	1,186,872	-	-
Rental straight-lining adjustment	(48,211)	1,754	-	-
Balance at the end of the year	**1,181,203**	**1,188,626**	**-**	**-**
Reconciliation of fair value				
Balance at beginning of the year	1,188,626	1,128,772	-	-
- At valuation	1,186,872	1,137,944	-	-
- Straight line lease rental adjustment	1,754	(9,172)	-	-
Additions during the year - acquisitions	7,270	59,871	-	-
Disposals during the year	(1,145)	-	-	-
Transfers to assets classified as held for sale	-	-	-	-
Rental deferral account	66	261	-	-
Transfer to property plant and equipment	(60,500)	-	-	-
Fair value gain/(loss) of investment properties	46,886	(278)	-	-
- Increase/(Decrease)n fair value during the year	53,098	(2,149)	-	-
- Straight line lease rental adjustment	(6,212)	1,871	-	-
Balance at end of the year	**1,181,203**	**1,188,626**	**-**	**-**

Notes to the Consolidated and Separate Financial Statements (cont.)

8. Investment property (continued)

Fair value of investment properties

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

Valuation technique - Discounted cash flows:

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

Significant unobservable inputs

Expected market rental growth (2022:5 - 8%, weighted average 6.5%; (2021: 3–5%, weighted average 4%)). Void periods (2022: 3-6 months on the basis of marketing of vacant space 2021: average 2 to 6 months after the end of each lease). Occupancy rate (2022: 60–75%, weighted average 68%; 2021: 60–75%, weighted average 68%). Rent-free periods (2022 and 2021:1-6 months period on new leases). Risk-adjusted discount rates (2022:8–15%, weighted average 12%; 2021: 8–15%, weighted average 12%). The COVID-19 pandemic resulted in the need for deferred rentals and tenant leniency. Though a onetime event, it could have significant loss implications on tenant business models.

Valuation technique - Comparable sales method:

Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific investment property. If this information is not available, the group uses alternative valuation methods such as recent prices on more active markets. These prices are adjusted based on the rental rates or selling price disparities of the different markets. Rental rates and selling prices fluctuate in the region of 20-53% (2021: 20-53%) of the reference location which is Gaborone. Relevant adjustments were made to arrive at the fair value of certain investment properties.

Valuation technique - cost replacement method:

The cost approach is based upon the determination of a modern equivalent property and includes consideration of adjustments for "physical, functional, technological and economic obsolescence". It is generally applied based on the depreciated replacement cost. It may be considered as a primary methodology where "there is either no evidence of transaction prices for similar property or no identifiable actual or notional income stream that would accrue to the owner". Where relevant the cost replacement method was averaged with other methods to reflect a more appropriate fair value of the investment property. The significant unobservable inputs include the area of the respective properties and the cost per square metre for the relevant location. The cost per square metre rates used varied from P8.50 to P38.00 for land and buildings. Professional fees , demolition and clearing costs and contingencies averaged 22%.

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 2022 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 2022. All of the Group's investment property is held under freehold interests.

Notes to the Consolidated and Separate Financial Statements (cont.)

Figures in Pula thousand	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021

8. Investment property (continued)

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. During the year, the Group acquired a subsidiary, Delta Automotive (Pty) Ltd, that was a lessee to one of its properties. As a result, the property with a carrying amount of P60.5 million was transferred from investment property to property, plant and equipment as it became owner- occupied in the current year

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.

Transactions associated with investment properties are:

	Group 2022	Group 2021	Company 2022	Company 2021
Rental income	55,563	44,240		
Repairs and maintenance expenses	(3,544)	(2,640)		

9. Property, plant and equipment

Group	2022 Cost or revaluation	2022 Accumulated depreciation	2022 Carrying value	2021 Cost or revaluation	2021 Accumulated depreciation	2021 Carrying value
Land and buildings	423,242	(4,004)	419,238	357,108	(5,220)	351,888
Plant and machinery	218,108	(136,603)	81,505	152,154	(104,680)	47,474
Furniture and fixtures	21,179	(17,709)	3,470	18,198	(15,823)	2,375
Motor vehicles	5,396	(3,871)	1,525	3,026	(2,428)	598
IT equipment	11,154	(10,244)	910	9,676	(8,254)	1,422
Capital - Work in progress	9,725	-	9,725	5,180	-	5,180
Total	**688,804**	**(172,431)**	**516,373**	**545,342**	**(136,405)**	**408,937**

Company	2022 Cost or revaluation	2022 Accumulated depreciation	2022 Carrying value	2021 Cost or revaluation	2021 Accumulated depreciation	2021 Carrying value
Furniture and fixtures	10,049	(9,950)	99	10,046	(9,800)	246
Motor vehicles	714	(454)	260	714	(326)	388
IT equipment	5,390	(4,879)	511	5,306	(4,561)	745
Total	**16,153**	**(15,283)**	**870**	**16,066**	**(14,687)**	**1,379**

Notes to the Consolidated and Separate Financial Statements (cont.)

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 2022

	Land and Buildings	Plant and machinery	Furniture and fixtures	Motor vehicles	IT equipment	Capital work in progress	Total
Cost or revaluation	423,242	218,108	21,179	5,396	11,154	9,725	688,804
Accumulated depreciation and impairment	(4,004)	(136,603)	(17,709)	(3,871)	(10,244)	-	(172,431)
Net book value at 30 June 2022	**419,238**	**81,505**	**3,470**	**1,525**	**910**	**9,725**	**516,373**
Net book value at beginning of year	**351,888**	**47,474**	**2,375**	**598**	**1,422**	**5,180**	**408,937**
Additions	58,889	1,044	545	23	306	4,545	65,352
Additions through business combinations - Fair value	-	6,644	-	-	-	-	6,644
Additions through business combinations - Cost	-	68,235	2,448	2,348	1,305	-	74,336
Additions through business combination - accumulated depreciation	-	(23,568)	(1,296)	(984)	(669)	-	(26,517)
Disposals and scrapping - cost	-	(5,667)	(14)	-	(133)	-	(5,814)
Disposals and scrapping - accumulated depreciation and impairment	-	30	11	-	96	-	137
Transfers (to) and from assets classified as held for sale	(53)	(4,302)	3	-	(2)	-	(4,354)
Transfers on disposal	6,621	-	(1)	(1)	3	-	6,622
Revaluations	5,599	-	-	-	-	-	5,599
Depreciation	(3,706)	(8,385)	(601)	(459)	(1,418)	-	(14,569)
	419,238	**81,505**	**3,470**	**1,525**	**910**	**9,725**	**516,373**

Notes to the Consolidated and Separate Financial Statements (cont.)

9. Property, plant and equipment (continued)

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)
Net book value at 30 June 2021	**351,888**	**47,474**	**2,375**	**598**	**1,422**	**5,180**	**408,937**
Net book value at beginning of year	**360,387**	**53,885**	**2,686**	**1,273**	**1,626**	**137**	**419,994**
Additions	32	8,555	17	-	720	5,180	14,504
Disposals and scrapping - 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)
	351,888	**47,474**	**2,375**	**598**	**1,422**	**5,180**	**408,937**

Notes to the Consolidated and Separate Financial Statements (cont.)

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Company - 2022

	Furniture fixtures	Motor vehicles	IT equipment	Total
Cost or revaluation	10,049	714	5,390	16,153
Accumulated depreciation and impairment	(9,950)	(454)	(4,879)	(15,283)
Net book value at 30 June 2022	**99**	**260**	**511**	**870**
Net book value at beginning of year	**246**	**388**	**745**	**1,379**
Additions	3	-	143	146
Disposals and scrapping - cost	-	1	(59)	(58)
Disposals and scrapping - accumulated depreciation and impairment	-	-	26	26
Depreciation	(150)	(129)	(344)	(623)
	99	**260**	**511**	**870**

Reconciliation of property, plant and equipment - Company - 2021

	Furniture 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)
Net book value at 30 June 2021	**246**	**388**	**745**	**1,379**
Net book value at beginning of year	**692**	**540**	**832**	**2,064**
Additions	-	-	429	429
Disposals and scrapping - cost	-	(462)	-	(462)
Disposals and scrapping - accumulated depreciation and impairment	-	439	-	439
Depreciation	(446)	(129)	(516)	(1,091)
	246	**388**	**745**	**1,379**

Notes to the Consolidated and Separate Financial Statements (cont.)

9. **Property, plant and equipment (continued)**

Reconciliation of property, plant and equipment - Company - 2022

	Furniture fixtures	Motor vehicles	IT equipment	Total
Cost or revaluation	10,049	714	5,390	16,153
Accumulated depreciation and impairment	(9,950)	(454)	(4,879)	(15,283)
Net book value at 30 June 2022	**99**	**260**	**511**	**870**
Net book value at beginning of year	**246**	**388**	**745**	**1,379**
Additions	3	-	143	146
Disposals and scrapping - cost	-	1	(59)	(58)
Disposals and scrapping - accumulated depreciation and impairment	-	-	26	26
Depreciation	(150)	(129)	(344)	(623)
	99	**260**	**511**	**870**

Reconciliation of property, plant and equipment - Company - 2021

	Furniture 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)
Net book value at 30 June 2021	**246**	**388**	**745**	**1,379**
Net book value at beginning of year	**692**	**540**	**832**	**2,064**
Additions	-	-	429	429
Disposals and scrapping - cost	-	(462)	-	(462)
Disposals and scrapping - accumulated depreciation and impairment	-	439	-	439
Depreciation	(446)	(129)	(516)	(1,091)
	246	**388**	**745**	**1,379**

Notes to the Consolidated and Separate Financial Statements (cont.)

9. **Property, plant and equipment (continued)**

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. With the COVID-19 pandemic, the group and company undertook annual revaluation exercises.

Refer to note 8 for specific details regarding the valuation of the land and buildings.

The carrying value of the revalued assets under the cost model would have been :

	2022	2021
Group - Cost		
Land	7,846	7,846
Buildings	51,217	51,217
	59,063	**59,063**
Group - Accumulated depreciation		
Buildings	(28,433)	(27,245)
Group - Net carrying amount		
Land	7,846	7,846
Buildings	23,703	24,789
	31,549	**32,635**

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

Notes to the Consolidated and Separate Financial Statements (cont.)

10. Intangible assets

Group	2022			2021		
	Cost/ Valuation	Accumulated amortisation	Carrying value	cost/ Valuation	Accumulated amortisation	Carrying value
Computer software, other	5,683	(3,646)	2,037	6,463	(3,646)	2,817
Customer contracts	125,125	(6,504)	118,621	-	-	-
Total	**130,808**	**(10,150)**	**120,658**	**6,463**	**(3,646)**	**2,817**

Company

Computer software, other	2,037	-	2,037	2,813	-	2,813

Reconciliation of intangible assets - Group - 2022

	Opening balance	Additions through business	Other changes, movements	Amortisation	Total
Computer software, other	2,817	-	(776)	(4)	2,037
Customer contracts	-	125,125	-	(6,504)	118,621
	2,817	**125,125**	**(776)**	**(6,508)**	**120,658**

Reconciliation of intangible assets - Group - 2021

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

Reconciliation of intangible assets - Company - 2022

	Opening balance	Other changes, movements	Total
Computer software, other	2,813	(776)	2,037

Reconciliation of intangible assets - Company - 2021

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

Notes to the Consolidated and Separate Financial Statements (cont.)

10. Intangible assets (continued)

Computer software with a cost of P2,037,000 has not been amortised as it was under development at year-end. The intangible asset is internally generated.

Customer contracts relates to original equipment manufacture contracts for Delta Automotive Technologies (Pty) Ltd. These are multi-year contracts with auto manufactures to supply wiring harnesses for specific car models.The value in use of customer contracts of P125million are Volkswagen, Nissan and Renault harnesses. The contracts were valued at a post -tax discount rate of 16% as of 21 December 2021 and adjusted to 21.54% on a pre-tax discount basis in accordance with IAS 36.55.Refer significant estimates and judgments on these contracts at note 1.5

Notes to the Consolidated and Separate Financial Statements (cont.)

Figures in Pula thousand	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021

11. Right of use assets/Leases

The group leases several assets, including buildings. The average lease term for buildings is 5 years (2021: 5 years).

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

Net carrying amounts of right-of-use assets

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

Buildings	-	-	103,390	117,175
Motor vehicles	354	516	354	516
	354	**516**	**103,744**	**117,691**

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	-	-	13,785	15,169
Motor vehicles	162	364	162	364
	162	**364**	**13,947**	**15,533**

Other disclosures

Capital portion of lease liability paid	186	116	8,630	5,162
Interest expense on lease liabilities	241	105	12,753	14,658
Leases of low value assets included in operating expenses	37	43	37	43
Total cash outflow from leases	217	221	21,383	19,820

At 30 June 2022, the group is committed to Pnil (2021: Pnil) for short-term leases.

Notes to the Consolidated and Separate Financial Statements (cont.)

Figures in Pula thousand	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021

11. Right of use assets/Leases (continued)

Lease liabilities

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

Within one year	161	166	11,023	8,610
Two to five years	174	347	13,782	11,212
More than years	-	-	142,081	155,691
	335	**513**	**166,886**	**175,513**

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:

Less than one year	57,133	49,081	-	-
One to two years	53,593	46,924	-	-
Two to three years	49,548	44,351	-	-
Three to four years	42,512	38,703	-	-
Four to five years	33,122	31,763	-	-
More than five years	84,539	117,391	-	-

Notes to the Consolidated and Separate Financial Statements (cont.)

12. Investment in 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.

2022	Ordinary shares at cost	Preference shares at cost	Total investment	% of shares held
Agriculture	112,562	-	112,562	-
Farm Development Company (Pty) Ltd	-	-	-	100 %
Talana Farms (Pty) Ltd	9,237	-	9,237	100 %
LP Amusements (Pty) Ltd	60,426	-	60,426	100 %
Malutu Investments (Pty) Ltd	16,196	-	16,196	100 %
Milk Afric (Pty) Ltd	26,703	-	26,703	100 %
Industry	171,647	-	171,647	-
Lobatse Clay Works (Pty) Ltd	112,206	-	112,206	100 %
Delta Automotives Technology (Pty) Ltd	59,441	-	59,441	60 %
Services	14,584	-	14,584	-
Export Credit Insurance & Guarantee (Pty) Ltd	14,584	-	14,584	100 %
Property management	907,136	-	907,136	-
Botswana Hotel Development Co. (Pty) Ltd	104,098	-	104,098	100 %
Commercial Holdings (Pty) Ltd	377,048	-	377,048	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 %
	1,205,929	-	**1,205,929**	
Less: Accumulated impairment			(148,523)	
			1,057,406	

The accumulated impairment of P148 523 033 (2021: P161 892 204) relates to the write down of some subsidiaries on the basis of their net asset values. Prior year accumulated impairment included P19 959 000 for a fully impaired investment in Coast to Coast Inn (Pty) Ltd which was written off during the year.

Notes to the Consolidated and Separate Financial Statements (cont.)

12. Investment in subsidiaries (continued)

2021	Ordinary shares at cost	Preference shares at cost	Total investment	% of shares held
Agriculture	**105,825**	-	**105,825**	-
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 %
Industry	**75,000**	-	**75,000**	-
Lobatse Clay Works (Pty) Ltd	75,000	-	75,000	100 %
Services	**29,343**	**5,200**	**34,543**	
Export Credit Insurance & Guarantee (Pty) Ltd	14,584	-	14,584	100 %
Coast-to-Coast Inn (Pty) Ltd	14,759	5,200	19,959	100 %
Property management	**906,933**	-	**906,933**	-
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 %
	1,117,101	**5,200**	**1,122,301**	
Less: Accumulated impairment			(161,892)	
			960,409	

All the above subsidiaries are registered in Botswana

In the year ended 30 June 2021; Investments in Western Industrial Estate (Pty) Ltd increased to P374 million following the transfer of Plot 18721 in Palapye acquired by the Company.

In December 2021 the Group acquired control in Delta Automotives Technologies (Pty) Ltd with ordinary shareholding of 60 % by way of conversion of P46 million worth of preference shares from Pasdec Automotives (Pty) Ltd. (Refer to note 50 for more details)

Impairment increased mainly due to the write down of holding of subsidiaries to their net asset values. Impairment loss of P6.6 million (2021: P5.8million) is included in the statement of profit and loss (refer to note 47).

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.

Notes to the Consolidated and Separate Financial Statements (cont.)

13. Equity accounted investees

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

Group - 2022	**Ordinary shares at cost**	**Post Acquisition Reserve**	**Total investment**	**% of shares held**
Agriculture	**4,432**	**(4,191)**	**241**	**-**
Marekisetso A Merogo (Pty) Ltd	4,432	(4,191)	241	23 %
Industry	**44,370**	**(16,969)**	**27,401**	**-**
Nampak DivFood Botswana	23,077	(7,757)	15,320	26 %
Indus Healthcare (Pty) Ltd	21,293	(9,212)	12,081	26 %
Services	**217,511**	**(28,142)**	**189,369**	**-**
Peermont Global (Botswana) Ltd	3,000	28,705	31,705	40 %
TransUnion (Pty) Ltd	147	11,724	11,871	49 %
Mashatu Nature Reserve (Pty) Ltd	10,287	102,821	113,108	33 %
Kamoso Africa (Pty) Ltd	204,077	(171,392)	32,685	24 %
Property management	**264,824**	**17,520**	**282,344**	**-**
Letlole La Rona Limited	264,824	17,520	282,344	40 %
Total all sectors			**499,355**	
Less: Accumulated impairment			(16,401)	
			482,954	

Group - 2021				
Agriculture	**4,432**	**(4,191)**	**241**	**-**
Marekisetso A Merogo (Pty) Ltd	4,432	(4,191)	241	23 %
Industry	**44,370**	**(11,586)**	**32,784**	**-**
Nampak DivFood Botswana	23,077	(7,757)	15,320	26 %
Indus Healthcare (Pty) Ltd	21,293	(3,829)	17,464	26 %
Services	**263,376**	**121,758**	**385,404**	**-**
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 %
Property management	**264,824**	**1,092**	**265,916**	**-**
Letlole La Rona Limited	264,824	1,092	265,916	40 %
Total all sectors			**684,345**	
Less: Accumulated impairment			(21,426)	
			662,919	

Notes to the Consolidated and Separate Financial Statements (cont.)

	GROUP		COMPANY	
Figures in Pula thousand	**2022**	**2021**	**2022**	**2021**
13. Equity accounted investees (continued)				
Group investment as disclosed above	-	-	482,954	705,241
Add/Less post acquisition reserves	-	-	56,208	(128,239)
	-	-	539,162	577,002
Less loss on disposal	-	-	(10,698)	-
Less: fair value of LLR	-	-	-	(2,673)
Less: Accumulated impairment	-	-	(123,262)	(32,534)
	-	**-**	**405,202**	**541,795**

All associated companies/partnerships are registered in Botswana.

Impairments on Equity accounted investments at group level amounted to P16,401,000 (2021: P21,425,835), these were as a result of significant write down of goodwill of an associate company .

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

Movement in equity accounted investees:				
Opening balance	662,649	722,322	541,795	547,950
Share of loss net of tax	(104,680)	(29,292)	-	-
Dividend received	(20,803)	(24,685)	-	-
Transfer to held for sale	(21,563)	-	(10,865)	-
Share of other comprehensive income net of tax	(2,674)	(671)	-	-
Total before impairment	512,929	667,674	530,930	547,950
Investment cost adjustment	(35,000)	-	(35,000)	-
Adjustment on fair value of LLR	-	-	-	(1,130)
Impairment charged for the year	5,025	(5,025)	(90,728)	(5,025)
	482,954	**662,649**	**405,202**	**541,795**

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.

Impairment for equity accounted investees increased from P32.5 million to P123 million due to write down of some investments on the basis of their net asset values. One associate company sub-group was subject to a significant write down of goodwill resulting in a jump in impairment recorded in the year. In June 2022 investment in Transport Holdings (Pty) Ltd was transferred to held for sale (refer to note 38 for more details). The investment cost amounted to P10 864 648 and with post-acquisition reserves of P10 698 228.

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 (cont.)

14. Other investments

Group	2022 Current investments	2022 Non-current investments	2022 Total	2022 % interest	2021 Current investments	2021 Non-current investments	2021 Total	2021 % interest
Financial assets at amortised cost								
Long term placements								
Deposits with RMB Botswana	-	-	-	- %	-	115,099	115,099	5.25 %
- To associate companies								
P Pather Capital II	6,600	5,050	11,650	- %	-	-	-	- %
Mashatu (Pty) Ltd	-	20,573	20,573	7.50 %	-	19,223	19,223	7.50 %
Transport Holdings (Pty) Ltd	29,900	23,591	53,491	11.00 %	29,900	38,915	68,815	11.00 %
- To non-affiliated entities								
Botswana based entities	427,951	306,390	734,341	14.00 %	351,566	434,325	785,891	14.00 %
Regional entities	4,213	633,267	637,480	15.00 %	-	499,105	499,105	15.00 %
Industry Support Fund (refer to note 44)	86,271	42,535	128,806	5.25 %	-	51,235	51,235	5.25 %
Total financial assets at amortised cost	554,935	1,031,406	1,586,341	-	381,466	1,157,902	1,539,368	-
Equity securities at fair value through profit/loss Preference shares								
Pasdec Automotives Technologies (Pty) Ltd	-	-	-	- %	-	52,100	52,100	12.00 %
Crates and Pallets (Pty) Ltd	-	7,022	7,022	13.00 %	-	3,192	3,192	13.00 %
Thakadu and Kwena Hotels (Pty) Ltd	-	11,729	11,729	16.00 %	-	8,602	8,602	16.00 %
Indus Healthcare (Pty) Ltd	-	34,573	34,573	9.65 %	-	28,204	28,204	9.65 %
Minergy Coal (Pty) Ltd	-	127,308	127,308	18.00 %	-	79,999	79,999	18.00 %
Total equity securities at fair value through profit/loss	-	180,632	180,632	-	-	172,097	172,097	-

Notes to the Consolidated and Separate Financial Statements (cont.)

Group	2022 Current investments	2022 Non-current investments	2022 Total	2022 % interest	2021 Current investments	2021 Non-current investments	2021 Total	2021 % interest
Debt securities - designated at fair value through profit/loss								
RFG Botswana Limited (note 49)	60,309	300,000	360,309	10.00 %	4,192	300,000	304,192	10.00 %
Equity securities-designated at Fair value through other comprehensive income								
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 %	-	205,875	205,875	3.14 %
Net gain in fair value reserve (Note 21)	-	197,104	197,104		-	177,322	177,322	
Total Debt and Equity securities - designated at fair value	60,309	825,326	885,635		4,192	805,544	809,736	
	615,244	**2,037,364**	**2,652,608**		**385,658**	**2,135,543**	**2,521,201**	
Less: Accumulated impairment	(134,848)	(42,630)	(177,478)		(120,547)	(35,791)	(156,338)	
	480,396	**1,994,734**	**2,475,130**		**265,111**	**2,099,752**	**2,364,863**	

Notes to the Consolidated and Separate Financial Statements (cont.)

14. Other investments (continued)

The Company holds 20,812,462 (2021: 20,812,462) and 50,283,975 (2021: 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 Sechaba Breweries Holdings Ltd as at 30 June 2022. For the year ended 30 June 2022, 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% (2021: 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 by the Board 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 Technologies (Pty) Ltd of P52 100 000 were redeemable in May 2019. However, an offer was made to restructure the facility to a longer term facility and to buyout the stake from existing shareholders. The preference shares were converted to a 60% ordinary shares in Delta Automotive Technologies (Pty) Ltd. 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). The loan facility was paid off in December 2021 and thus the security held redeemed and placed in money market investments.

	COMPANY	
Figures in Pula thousand	**2022**	**2021**
Consolidated other investments as above (gross):	2,652,608	2,521,201
Add back loans and preference shares to subsidiaries:		
Lobatse Clay Works (Pty) Ltd	94,555	84,641
Botswana Hotel Development Corporation (Pty) Ltd	48,386	53,213
Delta Automotive Technologies (Pty) Ltd	180,470	-
Western Industrial Estate (Pty) Ltd	19,965	19,787
Milk Afric (Pty) Ltd	35,458	35,458
Fairground Holdings (Pty) Ltd	11,599	-
P Panther Capital II	(11,650)	-
Delta Automotive Technologies (Pty) Ltd ISF	25,555	-
Subtotal	3,056,946	2,714,300
Accumulated impairment	218,030)	(179,235)
	2,838,916	**2,535,065**
Classified as follows		
Current assets	584,038	270,097
Non-current assets	2,254,878	2,264,968
	2,838,916	**2,535,065**

Notes to the Consolidated and Separate Financial Statements (cont.)

	GROUP		COMPANY	
Figures in Pula thousand	**2022**	**2021**	**2022**	**2021**

14. Other investments (continued)

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

Maturity analysis of gross loans, financial assets at amortised costs				
Up to 1 year	554,935	385,389	739,554	396,251
1-5 years	1,010,833	968,422	1,121,396	1,213,213
>5 years	20,573	185,557	129,729	123,071
Subtotal	1,586,341	1,539,368	1,990,679	1,732,535
Impairment loss allowance	(177,148)	(156,338)	(218,030)	(179,235)
	1,409,193	**1,383,030**	**1,772,649**	**1,553,300**

	GROUP		COMPANY	
Figures in Pula thousand	**Fair value**	**Dividends**	**Fair value**	**Dividends**
2022				
Equity securities designated at FVOCI				
Sechaba Brewery Holdings Limited	363,177	23,725	363,177	23,725
Cresta Marakanelo Limited	51,289	-	51,289	-
GRIT Real Estate Limited	110,859	7,668	110,859	7,668
	525,325	**31,393**	**525,325**	**31,393**
2021				
Equity securities designated at FVOCI				
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
	505,544	**7,649**	**505,544**	**7,649**

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 P1.6 billion (2021: P1.539 million) and P1.991 billion (2021: P1.732 million) respectively. Corresponding impairment allowances at year end for group and company amounted to P169 million (2021: P156 million) and P211 million (2021: P179million) respectively.

Notes to the Consolidated and Separate Financial Statements (cont.)

Figures in Pula thousand	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
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	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
Export Credit Insurance and Guarantee(Pty) Ltd	-	-	1,565	1,565
Lobatse Clay Works(Pty) Ltd	-	-	(9,409)	(8,478)
Commercial Holdings(Pty) Ltd	-	-	7,977	7,977
Botswana Hotel Development Company(Pty) Ltd	-	-	44,329	42,367
Milk Afric (Pty) Ltd	-	-	(514)	-
Residential Holdings (Pty) Ltd	-	-	14,487	14,598
Talana Farms(Pty) Ltd	-		555	466
Western Industrial Estates(Pty) Ltd	-	-	5,821	5,821
LP Amusement Centre (Pty) Ltd	-	-	(2,865)	(2,779)
Malutu Enterprises (Pty) Ltd	-	-	1,628	1,654
	-	**-**	**63,574**	**63,191**

16. Inventories

	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
Raw materials, components	19,879	2,715	-	-
Work in progress	43,953	3,743	-	-
Finished goods and consumables	10,683	1,609	-	-
Amortisation of fair value gain	(1,629)	-	-	-
	72,886	8,067	-	-
Inventories (write-downs)	(1,486)	(1,486)	-	-
	71,400	**6,581**		

Amounts of inventory recognised as an expense in cost of sales amounts to P55 million (2021:P23.1 million)

Notes to the Consolidated and Separate Financial Statements (cont.)

17. Trade and other receivables

Figures in Pula thousand	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
Gross trade receivables	56,825	46,299	16,726	10,434
Allowance for doubtful debts	(31,129)	(29,560)	-	-
Net trade receivables	25,696	16,739	16,726	10,434
Prepayments	32,086	31,701	29,062	30,208
Advances to officers	396	125	305	305
Preference shares interest	-	39,351	-	39,351
Value Added Tax (VAT)	21,108	9,551	2,886	2,886
Due from related parties	313	835	-	-
Debenture interest receivable	-	10,635	-	10,635
Other	26,530	19,583	49,070	10,032
Refundable taxes	13,845	11,423	-	-
Total trade and other receivables	**119,974**	**139,943**	**98,049**	**103,851**

The average credit period is 30 days (2021: 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 Pnil (2021: 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	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
1 - 30 days	-	-	1,242	515
31 - 60 days	3,501	3,963	-	28
61 - 90 days	1,840	5,027	593	4,673
91-120 days and above	30,738	-	6,013	-
Total	**36,079**	**8,990**	**7,848**	**5,216**

Movement in the allowance for doubtful debts	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
Balance at beginning of the year	29,560	24,215	1,176	1,176
Allowance charged during the year	1,572	5,307	-	-
Amounts written off as uncollectable	-	38	5,502	-
Balance at end of the year	**31,132**	**29,560**	**6,678**	**1,176**

Notes to the Consolidated and Separate Financial Statements (cont.)

Figures in Pula thousand	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021

17. Trade and other receivables (continued)

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.

	2022 Trade receivable	2022 Provisions	2022 Not impaired	2021 Trade receivable	2021 Provisions	2021 Not impaired
Current	9,333	(1,014)	8,319	8,480	(1,076)	7,404
1-30 days	5,797	(387)	5,410	4,412	(147)	4,265
31-60 days	1,398	(360)	1,038	3,536	(591)	2,945
61-90 days	1,737	(801)	936	881	(519)	362
more than 90 days	38,560	(28,567)	9,993	28,990	(27,227)	1,766
	56,825	**(31,129)**	**25,696**	**46,299**	**(29,560)**	**16,742**

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

	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
Balance at beginning of the year	8,462	4,706	-	-
Interest income - reinvested	-	283	-	-
Net deposits	1,088	3,473	-	-
Balance at end of the year	**9,550**	**8,462**		

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.

19. Cash and cash equivalents

Cash and cash equivalents consist of:	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
Cash on hand	5	5	-	-
Bank balances	171,195	72,542	90,030	38,401
Money market funds	537,456	52,554	495,063	33,634
Industry Support Funds (refer to note 43)	54,192	50,504	54,192	50,504
Other cash and cash equivalents	1,441	1,395	-	-
Cash held on behalf of subsidiaries	-	-	36,036	-
Bank overdraft	(100,223)	(103,721)	(94,762)	(103,653)
	664,066	**73,279**	**580,559**	**18,886**
Current assets	764,289	177,000	675,321	122,539
Current liabilities	(100,223)	(103,721)	(94,762)	(103,653)
	664,066	**73,279**	**580,559**	**18,886**

Notes to the Consolidated and Separate Financial Statements (cont.)

Figures in Pula thousand	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021

19. Cash and cash equivalents (continued)

Cash held on behalf of subsidiaries

The company has setup a bank account with Standard Chartered Bank Botswana for the use by owner managed property companies for their daily cash management. The account is used solely by the respective subsidiaries as they have restrictive control. As at 30 June 2022, P36 036 408 was held in the account on behalf of the subsidiaries.

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 5.8% (2021: 4.8%).The proportionate amount of interest up to 30 June is added to the cost of investment to approximate fair value.

20. Stated Capital

	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
Ordinary shares 541 769 462 Ordinary shares of No Par value (2021: 541 769 462)	888,269	888,269	888,269	888,269

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

21. Fair value reserve

	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
Balance at beginning of the year	177,294	318,835	177,294	318,835
Fair value movement during the year	(63,976)	(141,541)	(63,976)	(141,541)
	113,318	**177,294**	**113,318**	**177,294**
Comprising:				
Sechaba Breweries Holdings Limited	360,566	301,078	360,566	301,078
Cresta Marakanelo Limited	(26,650)	(15,084)	(26,650)	(15,084)
Grit Real Estate Income Group Limited	(220,598)	(108,700)	(220,598)	(108,700)
	113,318	**177,294**	**113,318**	**177,294**

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 (cont.)

22. Other Reserves

	Debt and Capital Reserve	Statutory capital & solvency reserves	Revaluation reserve	Total
Company				
Balance as at 30 June 2020	134,775	-	-	134,775
Transfers during the year	34,014	-	-	34,014
Balance at 30 June 2021	168,789	-	-	168,789
Transfers during the year	13,457	-	-	13,457
Balance at 30 June 2022	**182,246**			**182,246**
Group				
Subsidiaries				
Balance as at 30 June 2020	-	2,262	250,689	252,951
Transfers from retained earnings	-	-	2,011	2,011
Balance at 30 June 2021		**2,262**	**252,700**	**254,962**
Transfer from retained earnings	-	-	10,463	10,463
Balance at 30 June 2022		**2,262**	**263,163**	**265,425**
Associates				
Balance as at 30 June 2020	-	-	77,773	77,773
Share of other comprehensive loss of associates	-	-	(671)	(671)
Balance at 30 June 2021			**77,102**	**77,102**
Share of other comprehensive loss of associates	-	-	(2,674)	(2,674)
Balance at 30 June 2022			**74,428**	**74,428**
Total Other reserves at 2021	**168,789**	**2,262**	**329,802**	**500,853**
Total Other reserves at 2022	**182,246**	**2,262**	**337,591**	**522,099**

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 P4.4million (2021: P34.1million) in accordance with policy and utilised PNil (2021: PNil). The funds were invested in an interest bearing account and earned P9.1million (2021: P9million)

Notes to the Consolidated and Separate Financial Statements (cont.)

Figures in Pula thousand	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021

22. Other Reserves (continued)

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 and ISF Equity Reserve

	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
Claims Equalisation Reserve				
Balance at beginning and end of the year	1,207	1,207	-	-

It is the policy of a subsidiary company to transfer 10% of the net commercial and domestic premium income from retained earnings into the claims equalisation reserve. The transfer from retained earnings ceases when the balance in the reserve account amounts to 150% of the highest gross premium income over the past five years. A transfer amounting to PNil (2021: PNil) was made to retained earnings to reduce the impact of abnormal claims.

	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
ISF Equity Reserve				
Balance as at 30 June 2021	-	-	-	-
Transfers during the year	25,762	-	25,762	-
Balance as at 30 June 2022	**25,762**		**25,762**	

The company was mandated to administer a P300 million facility on behalf of the Botswana Government for large business (refer to note 44). In an amendment to the agreement, the Government of Botswana agreed that all collections made on the loans issued be absorbed by the company and treated as shareholder equity for future investments. The repayments will cover cost of administration. As at 30 June 2022, the total transferred to the reserve amounted to P25 762 000.

24. Non-controlling interest

	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
Balance at beginning of the year	104,518	109,368	-	-
Share of loss and OCI for the year of subsidiaries	(2,603)	(4,850)	-	-
Additions due to business combination	22,353	-	-	-
Dividends paid	(3,000)	-	-	-
Balance at end of the year	**121,268**	**104,518**		

In December 2021 the Company acquired 60% in Delta Automotive Technologies (Pty) Ltd, as a result the company is accounted as subsidiary with 40% belonging to minority interest (refer to note 50).

Notes to the Consolidated and Separate Financial Statements (cont.)

Figures in Pula thousand	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
25. Borrowings				
Held at amortised cost				
Absa Bank of Botswana Limited A maximum loan of P179 960 000 that accrues interest at 2.1% below prime rate. The loan is repayable in 168 equal monthly instalments. The loan is secured by a first mortgaged bond over Lot 70667 Gaborone	58,952	69,775	-	-
National Development Bank A P3 986 520 million facility repayable over a period of 30 months at equal instalments of P172 673.35. The facility attracts a floating interest rate of prime less 1.5%. and matures in August 2024.	2,377	3,987	-	-
Botswana Government Unsecured loan bearing no interest repayable annually in instalments amounting to 50% of the total incremental free cash flow generated by Gaborone International Conference Centre (GICC), subject to a minimum of P200 000 for the first year, escalated thereafter at a rate equal to the increase in Consumer Price Index for urban areas.	48,386	53,213	48,385	53,213
Absa Bank of Botswana Limited Term loan facility bearing interest rate of prime plus 1% margin payable over 10 years with interest payable on a quarterly basis and capital repayments from year 3 to 10. The facility is secured by second covering surety mortgage bond of P259 040 000 over Lot 70667, Gaborone	-	350,000	-	350,000
Standard Chartered Bank Botswana Secured long term loan facility of BWP50 million bearing interest rate of prime rate plus 1.25% per annum repayable over 5 years. Interest is paid semi-annually in arrears with instalments commencing 6 months after end of availability period. The facility is secured by African Guaranteed Fund cover of maximum 75% on principal .	45,074	-	45,074	-
RMB Botswana Term loan facility of P150 000 000 bearing interest rate of prime rate less 0.50% margin. The loan is repayable on maturity in 2023 and interest payments paid quarterly in arrears. The loan is secured by cession over shares in Sechaba Brewery Holdings Limited and Letlole la Rona Limited as well as cession of P100 000 000 cash collateral (refer note 14).	-	150,000	-	150,000

Notes to the Consolidated and Separate Financial Statements (cont.)

Figures in Pula thousand	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
25. Borrowings (continued)				
First National Bank , Absa Bank Botswana Limited and Stanbic Bank Botswana Syndicated facility Long term unsecured loan facility of P775 000 000 bearing interest at a rate of prime plus 1.35% margin. Interest is payable semi-annually in arrears with 16 equal amortizing repayments starting 6 months at the end of the capital grace period.	776,131	-	776,131	-
Industry Support Funds (ISF) 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 44)	179,228	100,504	179,228	100,504
G Keichler & Sons (Pty) Ltd 3-year term facility bearing interest at a rate of 8% per year repayable monthly.	5,373	-	-	-
African Development Bank Non-sovereign guaranteed line of credit facility of USD80 million bearing interest rate at 6 months Libor plus 3% per annum. Repayable by semi-annual instalments, amortised with a 2-year principal grace period and balance payable in 16 equal and consecutive payments for a period of 8 years.	1,003,438	616,612	1,003,438	616,812
SCB Commercial Facility Unsecured 60 months facility of USD16.2 million bearing interest of 5.20% payable in 10 semi-annual equal instalments commencing six months after end of availability period .	200,507	106,441	200,507	106,441
First Capital Bank 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.	60,568	65,000	60,568	65,000
Bank Gaborone The facility attracts interest of prime lending plus 3.5% and is repayable over a period of 84 months at equal instalments of BWP40540.60. The loan is secured by covering mortgage bond of Lot 50660, Gaborone.	2,179	2,454	-	-
Total Loans	2,382,212	1,518,186	2,313,331	1,441,970

Notes to the Consolidated and Separate Financial Statements (cont.)

Figures in Pula thousand	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
25. Borrowings (continued)				
Split between non-current and current portions				
Non-current liabilities	2,156,783	1,453,569	2,100,837	1,388,567
Current liabilities	225,429	64,616	212,494	53,403
	2,382,212	**1,518,185**	**2,313,331**	**1,441,970**
Maturity analysis of gross borrowings				
Not later than 1 year	225,429	64,616	212,494	53,403
Later than 1 year, but not later than 5 years	1,122,169	346,500	1,065,244	490,024
Later than 5 years	1,034,614	1,107,070	1,035,593	898,543
Gross borrowings	**2,382,212**	**1,518,186**	**2,313,331**	**1,441,970**

Notes to the Consolidated and Separate Financial Statements (cont.)

Figures in Pula thousand	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
26. Government grants				
Non-current liabilities	9,631	9,987	-	-
Current liabilities	356	356	-	-
	9,987	**10,343**		
Balance at beginning of the year	10,343	10,699	-	-
Amortisation during the year	(356)	(356)	-	-
	9,987	**10,343**		
Gross Government grants	32,456	32,456	-	-
Amortisation	(12,469)	(12,113)	-	-
Utilised as provision for impairment loss	(10,000)	(10,000)	-	-
	9,987	**10,343**		

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 (cont.)

Figures in Pula thousand	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
27. Bonds outstanding				
At fair value through profit (loss)				
BDC 001	82,030	82,030	82,030	82,030
Effective date: June 2016				
Tenor: 13 years				
Pricing: Botswana prime rate plus 2.25%				
Repayment mechanism: 3 equal instalments of principal - 2027, 2028 and 2029				
Collateral: None				
BDC 002	131,500	131,500	131,500	131,500
Effective date: August 2017				
Tenor: 5 years				
Pricing: Botswana prime rate plus 1.25%				
Repayment mechanism: Bullet at maturity				
Collateral: Listed securities				
BDC 003	142,530	142,530	142,530	142,530
Effective date: February 2018				
Tenor: 10 years				
Pricing: Botswana prime rate plus 1.75%				
Repayment mechanism: 3 equal instalments of principal - June 2027, 2028 and 2029				
Collateral: Listed securities .				
BDC 004	162,140	162,140	162,140	162,140
Effective date: September 2020				
Tenor: 11 years				
Pricing: Fixed rate at 8%				
Repayment mechanism: 3 equal instalments of principal - 2029, 2030 and 2031				
Collateral: None				
Issuance Costs on BDC 001	(3,090)	(3,395)	(3,090)	(3,395)
Issuance Costs on BDC 002	(53)	(683)	(53)	(683)
Issuance Costs on BDC 003	(62)	(70)	(62)	(70)
Issuance Costs on BDC 004	(2,891)	(3,204)	(2,891)	(3,204)
Bond discount	(3,086)	(3,532)	(3,086)	(3,532)
	509,018	**507,316**	**509,018**	**507,316**

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

Split between non-current and current portions

Figures in Pula thousand	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
Non-current liabilities	377,518	507,316	377,518	507,316
Current liabilities	131,500	-	131,500	-
	509,018	**507,316**	**509,018**	**507,316**

Notes to the Consolidated and Separate Financial Statements (cont.)

Figures in Pula thousand	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
28. Provisions for restoration costs				
Balance at beginning and end of year	9,904	9,904	-	-

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 2022 and 2021, 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% (2021: 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% (2021: 5.22%) reflects the risks specific to the provision as management believes the cashflows are highly likely. These estimates depend on labour costs, known environmental impacts, the effectiveness of remedial and restoration measures, inflation rates and risk-free interest rates specific to each liability. The Company also estimates the timing of the outlays, which is subject to change depending on continued operation or newly discovered reserves.

The entity being referred to ceased operations in 2017 and is currently implementing a turnaround strategy to commence operations .

Notes to the Consolidated and Separate Financial Statements (cont.)

Figures in Pula thousand	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
29. Deferred tax				
Deferred tax liability				
Capital gains tax	(41,013)	(38,095)	-	-
Accumulated tax losses	(79,932)	(76,927)	-	-
Total deferred tax liability	**(120,945)**	**(115,022)**		
The capital gains and losses are on property plant and equipment.				
Deferred tax asset				
Investment properties, property, plant and equipment	154	(530)	-	-
Provisions	1,486	(1,486)	-	-
Deferred tax balance from temporary differences other than unused tax losses	1,640	(2,016)	-	-
Tax losses available for set off against future tax income	19,776	(16,694)	-	-
Total deferred tax asset	**21,416**	**(18,710)**		
Deferred tax liability	(120,945)	(115,022)	-	-
Deferred tax asset	21,416	18,710	-	-
Total net deferred tax liability	**(99,529)**	**(96,312)**		
Reconciliation of net deferred tax liability				
At beginning of year	96,312	101,355-	-	
Charged to profit/(loss)-current year capital allowances	5,557	(4,271)	-	-
Charged to profit/(loss)- prior year	(1,048)	2,933	-	-
Charged to profit/(loss) -tax losses in current year	5,023	6,819	-	-
Charged to profit/(loss) -capital gains tax	(6,315)	(10,524)	-	-
	99,529	**96,312**		

Section 04

Consolidated and Separate Financial Statements for the year ended 30 June 2022

Notes to the Consolidated and Separate Financial Statements (cont.)

Figures in Pula thousand	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
30. Trade and other payables				
Financial instruments:				
Trade payables	46,043	20,080	60,578	27,490
Trade payables - related parties	36	886	20	620
ISF interest payable	-	1,235	-	1,235
Interest accruals	3,830	14,579	12	9,802
Accrued expenses	10,313	16,918	6,876	12,708
Deposits	62,283	60,643	9,172	9,184
Non-financial instruments:				
Amounts received in advance	752	1,323	-	-
Payroll accruals	11,564	21,821	7,539	17,280
Value Added Taxation payable	10,724	9,479	116	159
	145,545	**146,964**	**84,313**	**78,478**
31. Bank Overdrafts				
Bank overdraft	100,223	103,721	94,762	103,653
The Group's bank overdraft limits are as follows:				
- Standard Chartered Bank Botswana Limited	70,000	70,000	70,000	70,000
- Bank Gaborone Limited	6,500	-	-	-
- Absa Bank Botswana Limited	45,000	-	-	-
- Stanbic Bank Botswana Limited	55,000	55,000	55,000	55,000
	176,500	**125,000**	**125,000**	**125,000**

Land and buildings were pledged as security for overdraft of P6 500 000 for a subsidiary company , being 1st Continuing coverage Mortgage Bond of P9,000 000 over Lot 69336, Gaborone (A portion of Lot 0660 Gaborone) The P45million overdraft is secured over deed of hypothecation over all movable assets in the amount of P80million. The Company's facilities are unsecured.

32. Commitments

Commitments relating to subsidiaries

The company has the following commitments relating to subsidiary companies:

	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
Commitments to provide funding to subsidiaries.			95,400	-

Notes to the Consolidated and Separate Financial Statements (cont.)

Figures in Pula thousand	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
33. Contingent liabilities				
Legal matters against certain subsidiaries	(1,750)	(1,600)	-	-
Guarantees and Bonds outstanding	(309,832)	(399,262)	-	-
	(311,582)	**(400,862)**		

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

The legal matters in 2021 are for an alleged breach of contract for sale of a plot.

34. 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 P2.8 million (2021: P2.7 million).

Notes to the Consolidated and Separate Financial Statements (cont.)

35. Related parties

Relationships	
Ultimate holding company	The company is owned 100% by the Government of Botswana. Related balances consist of amounts due from/(to) entities the under common ownership or control other than the Government of the Republic of Botswana and its entities
Subsidiaries	Refer to note 12
Associates	Refer to note 13
Members of key management	Executive Director Executive management

Related party balances

	GROUP AND COMPANY 2022	GROUP AND COMPANY 2021
Phakalane Property Development (Pty) Ltd		
Due to Phakalane Estates	915	915
Western Industrial Estates (Pty) Ltd		
Cash invested on behalf of subsidiaries	12,784	18,120
Group tax relief with BDC	6,661	5,821
Loan from BDC	19,892	18,581
Payables to BDC	1	523
Dividend due to BDC	11,000	-
Commercial Holdings (Pty) Ltd		
Cash invested on behalf of subsidiary by BDC	3,832	3,716
Group tax relief with BDC	9,716	7,977
Dividend due to BDC	5,000	-
Letlole la Rona Limited		
Debenture interest and dividend due to BDC	11,335	12,618
Botswana Hotel Development Company (Pty) Ltd		
Group tax relief with BDC	44,329	42,367
Loan from BDC	48,386	53,212
Cash invested on behalf of subsidiary	2,237	2,256
Talana Farms (Pty) Ltd		
Group tax relief	555	466
Dividend due to BDC	300	-
Malutu Enterprises (Pty) Ltd		
Group tax relief with BDC	1,628	1,654
Residential Holdings (Pty) Ltd		
Group tax relief with BDC	14,487	14,598
Cash invested on behalf of subsidiary by BDC	43	278

Notes to the Consolidated and Separate Financial Statements (cont.)

	GROUP AND COMPANY	
	2022	2021
35. Related parties (continued)		
LP Amusement Centre (Pty) Ltd		
Group tax relief with BDC	(2,779)	(2,779)
Export Credit Insurance & Guarantee (Pty) Ltd		
Group tax relief with BDC	1,565	1,565
Lobatse Clay Works (Pty) Ltd		
Loan from BDC	94,555	84,641
Group tax relief	(9,409)	(8,478)
Milk Afric (Pty) Ltd		
Loan from BDC	35,440	-
Delta Automotive Technologies (Pty) Ltd		
Loan from BDC	180,470	-
ISF Loan	25,556	-
Related party transactions		
Directors' fees paid		
Botswana Development Corporation	306	265
Botswana Hotel Development Company (Pty) Ltd	26	32
Commercial Holdings (Pty) Ltd	56	48
Export Credit Insurance & Guarantee (Pty) Ltd	319	258
Western Industrial Estates (Pty) Ltd	53	69
Letlole La Rona Limited	2,928	2,843
Residential Holdings (Pty) Ltd	26	24
Directors' remuneration for executive services - short term benefits		
Botswana Development Corporation	2,172	2,162
Management fees paid to BDC		
Botswana Hotel Development Company (Pty) Ltd	217	209
Key management remuneration		
Botswana Development Corporation	12,524	16,979
Delta Automotive Technologies (Pty) Ltd	648	-
Fairgrounds Holdings (Pty) Ltd	3,357	3,183
Letlole La Rona Limited	3,004	4,957
LP Amusement Centre (Pty) Ltd	998	998
Export Credit Insurance & Guarantee (Pty) Ltd	3,999	3,612
Dividends Received		
Botswana Hotel Development Company	1,000	3,000
NPC Investments (Pty) Ltd	-	2,053
Talana Farms (Pty) Ltd	300	500
Western Industrial Estates (Pty) Ltd	11,000	5,000
Transunion (Pty) Ltd	-	4,900
Letlole La Rona Limited	53	113
Commercial Holdings (Pty) Ltd	10,000	85,000
Marekisetso a merogo (Pty) Ltd	-	160

Notes to the Consolidated and Separate Financial Statements (cont.)

	GROUP		COMPANY	
Figures in Pula thousand	2022	2021	2022	2021
35. Related parties (continued)				
Finance costs paid to BDC				
Milk Afric (Pty) Ltd			626	500
Western Industrial Estates (Pty) Ltd			1,486	1,477
Lobatse Clay Works (Pty) Ltd			7,572	6,807
Mashatu (Pty) Ltd			1,350	789
Pasdec Automotive (Pty) Ltd			-	10,108
Delta Automotive technologies(Pty) Ltd			7,392	-
Transport Holdings (Pty) Ltd			9,518	8,969
Rental income from BDC				
Commercial Holdings (Pty) Ltd			18,919	19,352
Interest income on debentures				
Letlole La Rona Limited			20,689	19,511
Compensation to executive directors and key management				
Salaries, allowances and other short term benefits	17,694	22,031	10,724	15,200
Post employment benefits	3,832	3,971	1,800	1,800
Renumeration for executive directors	2,172	2,163	2,172	2,162
	23,698	**28,165**	**14,696**	**19,162**

The finance costs on related party facilities bear interest at rates of 8-12% and payable within a period of 5-15 years
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Notes to the Consolidated and Separate Financial Statements (cont.)

Figures in Pula thousand	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
36. Cash (used in)/generated from operations				
Profit /(loss) before tax - continued and discontinued operations	38,098	(78,735)	(2,970)	31,955
Adjustments for:				
Depreciation	14,732	12,770	14,570	16,624
Amortisation of Government grants	(356)	(356)	-	-
Loss on disposal of property, plant and equipment	14	-	14	-
Non-cash acquisition of shares	(13,441)	-	(13,441)	-
Fair value debt instrument	(26,117)	-	(26,117)	-
Share of profits of equity accounted investees	104,680	29,292	-	-
Dividends received	(31,394)	(7,649)	(56,807)	(108,376)
Finance income	(231,846)	(169,152)	(210,302)	(148,215)
Finance costs	142,654	107,845	151,786	116,948
Fair value adjustment of investment properties	(53,098)	1,544	-	-
Interest on lease liabilities	31	45	12,753	14,658
Net gain on disposal of investment properties	-	-	-	(14,196)
Interest on preference shares	-	-	(42,548)	-
Movements in expected credit losses	4,023	25,182	38,796	64,618
Movements in provision for losses on investment	-	-	97,319	-
Rental straight line adjustment	(31,833)	8,965	-	
Movement in provisions for losses on investments ISF	(4,007)	-	(4,007)	-
Amortisation of intangible assets	7,284	-	776	-
Fair value adjustment on PPE	(5,599)	-	-	-
Exchange gains and losses on foreign investments and loans	55,979	34,552	55,979	(56,416)
Discount on bonds	1,703	1,655	1,703	(3,438)
Changes in working capital:				
Inventories	(919)	80	-	-
Trade and other receivables	(22,135)	(47,383)	(4,825)	18,512
Trade and other payables	(13,214)	21,297	30,425	(14,803)
Derecognition of lease liability	-	-	-	-
	(64,761)	**(60,049)**	**43,104**	**(82,129)**

Notes to the Consolidated and Separate Financial Statements (cont.)

37. 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

Figures in Pula thousand	Note	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
Level 1					
Recurring fair value measurements					
Assets					
Equity investments at fair value through other comprehensive income					
Listed shares	14	525,326	505,544	525,326	505,544
Financial assets mandatorily at fair value through profit or loss					
Other equity instrument	18	9,550	8,462	9,550	-
Total		**534,876**	**514,006**	**534,876**	**505,544**
Level 3					
Recurring fair value measurements					
Assets					
Debt instruments at fair value through other comprehensive income					
RFG Botswana Limited	14	360,309	304,192	360,309	304,192
Financial assets mandatorily at fair value through profit or loss					
Preference shares	14	180,632	172,097	180,632	172,097
Total		**540,941**	**476,289**	**540,941**	**476,289**
Non-recurring fair value measurements					
Assets held for sale and disposal groups in accordance with IFRS 5					
Equity instrument		21,563	-	10,865	-
Total		**21,563**		**10,865**	

Notes to the Consolidated and Separate Financial Statements (cont.)

37. Fair value information (continued)

Level 1

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

Level 2

There were no level 2 financial instruments in the current 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.

The Group also utilises 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 BWP 14,381,132.34 on the basis of relative market value. Significant unobservable inputs utilised 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 Fairground Holdings is based on a predetermined valuation approach as per the provisions of the preference share agreement signed in 2015. The valuation as of 30th June 2022 was computed as part of the recently completed share acquisition transaction and signed off by the promoters at BWP 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/BWP 2.62 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 BWP 127 307 602 as at 30 June 2022, 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 2022. 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.

Notes to the Consolidated and Separate Financial Statements (cont.)

Figures in Pula thousand		GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
37. Fair value information (continued)					
Level 3					
Recurring fair value measurements					
Assets					
Investment property					
Investment property	8	1,181,203	1,181,626	-	-
Land and buildings		-	207,319	-	-
Total		**1,181,203**	**1,388,945**		

Reconciliation of assets and liabilities measured at level 3

Assets	Note(s)	Opening balance	Gains/ losses recognised in profit or loss	Gains/ losses recognised in other compre-hensive income	Purchases	Transfers into level 3	Closing balance
Group - 2022							
Investment property							
Investment property		1,188,626	46,886	(1,079)	7,270	(60,500)	1,181,203
Property, plant and equipment							
Land and Buildings	9	207,319	-	-	-	-	207,319
Total		**1,395,945**	**46,886**	**(1,079)**	**7,270**	**(60,500)**	**1,403,215**
Group - 2021							
Assets							
Investment property							
Investment property	8	1,128,772	(17)	-	59,871	-	1,188,626
Property, plant and equipment							
Land and buildings	9	209,550	(2,231)	-	-	-	207,319
Total		**1,338,322**	**(2,248)**	**-**	**59,871**	**-**	**1,395,945**

Notes to the Consolidated and Separate Financial Statements (cont.)

37. Fair value information (continued)

* 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 (cont.)

38. Interests in other entities

38.1 Entities with non-controlling interests and material associate companies

Name of subsidiary	Phakalane Property Development	Fairgrounds Holdings (Pty) Ltd	Delta Automotive Technologies
Principal Place of Business	Phakalane	Plot 50381, Fairground Office Park	Plot 50371, Fairground Office Park
Nature of Business	Property Developers	Conference Facilities, Renting office Space, Operating a Restaurant, a bar and takeaway	Manufacture and distribution of high quality electrical wiring harnesses for the automotive industry in all its aspects.
Proportion of ownership held by NCI	49% (2021:49%)	49% (2021:49%)	40% (2021:100%)
Proportion of voting rights held by NCI	49% (2021:49%)	49% (2021:49%)	40% (2021:100%)
Profit / (loss) allocated to NCI of subsidiary in P'000s	P3 029 (2021: P47)	P4 448 (2021: P4 524)	P1 820 (2021: PNil)
Accumulated NCI of subsidiary in P'000s	P12 883 (2021: P10 061)	P90 070 (2021: P90 225)	P33 609 (2021 PNil)
Dividend paid to NCI in P'000s	P2 940 (2021: PNil)	PNil (2021 :PNil)	PNil (2021 :PNil)

Name of associate	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 accommodation in northern Botswana

Notes to the Consolidated and Separate Financial Statements (cont.)

38. Interests in other entities (continued)

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

Principal Place of Business	Gaborone	Gaborone	Gaborone	Tuli Enclave
Proportion of ownership interest held by entity	40% (2021: 40%)	24% (2021: 24%)	40.36% (2021: 40.36%)	33% (2021: 33%)
Investment measure	Equity method	Equity method	Equity method	Equity method
Dividends received from associate in P'000	PNil (2021: PNil)	PNil (2021: PNil)	P20 803 (2021: P19 624)	PNil (2021: PNil)

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

Subsidiary companies

Statements of Comprehensive Income

Revenue	**Fairground Holdings**	**Phakalane Property Development**	**Delta Automotive Technologies**
	11,058	-	76,883
Cost of sales	(7,480)	-	(57,769)
Gross profit	3,578	-	19,114
Operating income	393	2,940	9,653
Finance income	85	-	455
Fair value adjustment	-	150	150
Operating expenses	(16,402)	-	(24,152)
Profit before tax	(12,346)	3,090	5,070
Income tax credit/(expense)	3,320	33	(6,540)
Profit for the year from continuing operations	(9,026)	3,123	(1,470)
Loss on revaluation of land and buildings	2,249	-	-
Deferred taxation on revaluation loss	3,349	-	-
Total comprehensive income for the year	**(3,428)**	**3,123**	**(1,470)**

Statements of Financial Position

Non-current assets	211,508	27,178	65,473
Current assets	8,740	-	112,524
Total assets	**220,248**	**27,178**	**177,997**
Capital and reserves	183,816	26,157	(84,023)
Non-current liabilities	21,823	1,021	194,240
Current liabilities	4,609	-	68,050
Total equity and liabilities	**220,248**	**27,178**	**178,267**

Notes to the Consolidated and Separate Financial Statements (cont.)

38. Interests in other entities (continued)

38.2 Summarised financial information for non-controlling interests and material associate companies (continued)

Equity accounted investee's companies

Statements of Comprehensive Income	**Letlole La Rona**	**Peermont Global Resorts**	**Mashatu Nature Reserve**	**Kamoso Africa (Pty) Ltd**
Year end	June	December	June	June
Revenue	107,912	79,375	50,845	1,182,184
Profit/(loss) for the year from continuing operations	98,874	(4,317)	(4,461)	(374,519)
Total comprehensive income for the year	98,874	(4,317)	(4,461)	(372,459)
Statements of Financial Position				
Non-current assets	1,291,327	176,574	405,122	500,972
Current assets	151,365	33,966	28,473	290,972
Total assets	**1,442,692**	**210,540**	**433,595**	**791,944**
Capital and reserves	846,584	79,263	343,790	380,160
Non-current liabilities	534,501	70,908	69,596	277,982
Current liabilities	61,607	60,369	20,209	133,802
Total equity and liabilities	**1,442,692**	**210,540**	**433,595**	**791,944**

Equity accounted investee's company results are disclosed for the year ended 30 June 2022. Total comprehensive income has been derived from the latest available results.

39. Non-current assets classified as held for sale

In June 2022 the company resolved to dispose one of the equity accounted investee's companies, Transport Holdings (Pty) Ltd in line with its strategic objectives. The investment which was under operating segment of services has been accounted as "held for sale" and is measured at cost of P10 864 648 for the company and equity accounted for the Group at carrying amount of P10 864 648. The sale has been concluded subsequent to year end in July 2022 at a cash consideration of P17 922 834.99.

Assets and liabilities

Non-current assets held for sale				
Equity accounted investee	21,563	-	10,865	-

40. Events after the reporting period and going concern

The Capital reserve fund for the Company stood at P182million (2021: P169 million) as at 30 June 2022. Additional allocation of P4.4 million was approved subsequent to year end in line with policy.

Subsequent to year end the Company disposed its 20% stake in Transport Holdings (Pty) Ltd at P17.9million

In October 2022, the Company disposed 860,231 shares in Sechaba Breweries Holdings Limited after which shareholding reduced to 18.04% from 19% previously held.

Notes to the Consolidated and Separate Financial Statements (cont.)

40. Events after the reporting period and going concern (continued)

Going Concern

The group incurred a total comprehensive loss for the year ended 30 June 2022 of P 46million (2021: P 217million) and as of that date its total assets exceeded its total liabilities by P 2.59billion (2021: P2.58billion). The company incurred a total comprehensive loss for the year ended 30 June 2022 of P 77million (2021: P 107million) and as of that date its total assets exceeded its total liabilities by P 2.09billion (2021: P2.15billion). Current assets exceed current liabilities for both group and company by P877 million (2021: P297million) and P840million (2021: P256 million) respectively.

The Board of Directors has assessed based on profitability and cash flow projections that both the group and company have sufficient cash resources available to settle the obligations up to 12 months from the date of the approval of these financial statements. The company has a Capital and Debt Reserve Account (CDRA) with a balance of P182 246 000 and its primary purpose is to hold adequate reserves for repayment obligations under long term funding facilities as well as mitigating against the impact of credit losses.

The group and company have also implemented strategies to return to profitability and these are monitored regularly by the Board of Directors. Furthermore, the group and company 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.

The consolidated and separate 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 2022.

Notes to the Consolidated and Separate Financial Statements (cont.)

41. Financial instruments and risk management Categories of financial instruments

Categories of financial assets

Group - 2022	Note(s)	Fair value through profit or loss	Fair value through other comprehensive income - equity instruments	Fair value through profit or loss - Mandatory	Amortised cost	Total	Fair value
Trade and other receivables	17	-	-	-	119,974	119,974	119,974
Other investments - short term portion	14	-	-	-	480,396	480,396	480,396
Cash and cash equivalents	19	-	-	-	764,269	764,269	764,269
Other investments	14	360,309	525,325	180,632	928,468	1,994,734	1,944,734
Other assets	18	-	-	-	9,550	9,550	9,550
		360,309	**525,325**	**180,632**	**2,302,657**	**3,368,923**	**3,318,923**

Group - 2021	Note(s)	Fair value through profit or loss	Fair value through other comprehensive income - equity instruments	Fair value through profit or loss - Mandatory	Amortised cost	Total	Fair value
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
		304,192	**505,544**	**168,906**	**1,711,626**	**2,690,268**	**2,690,268**

Notes to the Consolidated and Separate Financial Statements (cont.)

41. Financial instruments and risk management

Categories of financial assets

Company - 2022	Note(s)	Fair value through profit or loss	Fair value through other comprehensive income - equity instruments	Fair value through profit or loss - Mandatory	Amortised cost	Total	Fair value
Trade and other receivables	17	-	-	-	98,049	98,049	98,049
Other investments	14	360,309	525,325	180,632	1,188,612	2,254,878	2,254,878
Cash and cash equivalents	19	-	-	-	675,321	675,321	675,321
Other investments - short term portion	14	-	-	-	584,038	584,038	584,038
		360,309	**525,325**	**180,632**	**2,546,020**	**3,612,286**	**3,612,286**

Company - 2021	Note(s)	Fair value through profit or loss	Fair value through other comprehensive income - equity instruments	Fair value through profit or loss - Mandatory	Amortised cost	Total	Fair value
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
		304,192	**505,544**	**168,906**	**1,782,813**	**2,761,455**	**2,887,878**

Notes to the Consolidated and Separate Financial Statements (cont.)

41. Financial instruments and risk management Categories of financial instruments

Categories of financial liabilities

Group - 2022	Note(s)	Amortised cost	Leases	Total	Fair value
Trade and other payables	30	145,546	-	145,546	145,546
Borrowings	25	2,382,212	-	2,382,212	2,382,212
Lease liabilities	11	-	5,635	5,635	5,635
Bonds outstanding	27	509,018	-	509,018	509,018
Bank overdraft	19	100,223	-	100,223	100,223
		3,136,999	**5,635**	**3,142,634**	**3,142,634**
Group - 2021					
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	513
Bonds outstanding	27	507,316	-	507,316	507,316
Bank overdraft	19	103,721	-	103,721	103,721
		2,276,186	**513**	**2,276,699**	**2,153,243**
Company - 2022					
Trade and other payables	30	84,314	-	84,314	84,314
Borrowings	25	2,313,331	-	2,313,331	2,313,331
Lease liabilities	11	-	166,886	166,886	166,886
Bonds outstanding	27	509,018	-	509,018	509,018
Bank overdraft	19	94,762	-	94,762	94,762
		3,001,425	**166,886**	**3,168,311**	**3,168,311**
Company - 2021					
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
		2,131,331	**175,512**	**2,306,843**	**2,127,559**

Notes to the Consolidated and Separate Financial Statements (cont.)

Figures in Pula thousand		GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021

41. Financial instruments and risk management (continued)

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 150%.

The capital structure and gearing ratio of the group at the reporting date was as follows:

Bonds outstanding	27	509,018	507,316	509,018	507,316
Borrowings	25	2,383,212	1,518,185	2,313,331	1,441,970
Lease liabilities	11	5,635	513	166,886	175,512
Trade and other payables	30	145,546	146,964	84,314	78,480
Total borrowings		**3,043,411**	**2,172,978**	**3,073,549**	**2,203,278**
Cash and cash equivalents	19	(664,067)	(73,279)	(580,559)	(18,886)
Net borrowings		**2,379,344**	**2,099,699**	**2,492,990**	**2,184,392**
Equity		2,581,641	2,580,910	2,094,435	2,145,740
Gearing ratio		92 %	81 %	119 %	102 %

Notes to the Consolidated and Separate Financial Statements (cont.)

41. Financial instruments and risk management (continued)

Financial risk management

Overview

The group is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

The board has overall responsibility for the establishment and oversight of the group's risk management framework. The board has established the board risk and compliance committee (BRCC), 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 compliance 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 compliance committee.

Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The group is exposed to credit risk on loans receivable (at amortised cost), debt instruments at fair value through oci, trade and other receivables, cash and cash equivalents, and loan commitments.

Credit risk for exposures other than those arising on cash and cash equivalents, are managed by making use of credit approvals, limits and monitoring. The group only deals with reputable counterparties with consistent payment histories. Sufficient collateral or guarantees are also obtained when necessary. Each counterparty is analysed individually for credit worthiness 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.

Notes to the Consolidated and Separate Financial Statements (cont.)

41. Financial instruments and risk management (continued)

In order to calculate credit loss allowances, management determine whether the loss allowances should be calculated on a 12 month or on a lifetime expected credit loss basis. This determination depends on whether there has been a significant increase in the credit risk since initial recognition. If there has been a significant increase in credit risk, then the loss allowance is calculated based on lifetime expected credit losses. If not, then the loss allowance is based on 12 month expected credit losses. This determination is made at the end of each financial period. Thus the basis of the loss allowance for a specific financial asset could change year on year.

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

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

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

Notes to the Consolidated and Separate Financial Statements (cont.)

41. Financial instruments and risk management (continued)

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

		2022			2021		
Group	**Notes**	**Gross carrying amount**	**Credit loss allowance**	**Amortised cost / fair value**	**Gross carrying amount**	**Credit loss allowance**	**Amortised cost / fair value**
Financial assets at amortised costs	14	1,586,339	(166,934)	1,419,405	1,157,902	(152,948)	1,004,954
Debt instruments at fair value through profit or loss		360,309	-	360,309	304,192	(198)	303,994
Trade and other receivables	17	151,103	(31,129)	119,974	116,828	(29,560)	87,268
Other investments	14	705,958	(10,542)	695,416	673,449	(3,192)	670,257
Cash and cash equivalents	19	674,061	-	674,061	126,496	-	126,496
		3,477,770	**(208,605)**	**3,269,165**	**2,378,867**	**(185,898)**	**2,192,969**
Company							
Financial assets at amortised cost	14	1,990,728	(210,450)	1,780,278	1,732,466	(152,948)	1,579,518
Debt instruments at fair value through profit and loss	14	360,309	-	360,309	304,192	-	304,192
Trade and other receivables	17	98,049	-	98,049	70,757	-	70,757
Other investments	14	717,557	(10,542)	707,015	720,068	(3,192)	716,876
Cash and cash equivalents	19	675,321	-	675,321	126,496	-	126,496
		3,841,964	**(220,992)**	**3,620,972**	**2,953,979**	**(156,140)**	**2,797,839**

Notes to the Consolidated and Separate Financial Statements (cont.)

41. Financial instruments and risk management (continued)

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.

Group - 2022	Weighted average loss rate %	Gross carrying amount	Impairment loss allowance	Credit impaired
Credit rating B to AAA (Stage 1)	21.00 %	1,198,735	(22,082)	No
Credit rating B- to CCC- (Stage 2)	34.00 %	63,027	(2,600)	No
Credit grade C or lower (Stage 3)	56.00 %	324,577	(142,252)	Yes
		1,586,339	**(166,934)**	
Company - 2022				
Credit rating B to AAA (Stage 1)	21.00 %	1,208,758	(22,232)	No
Credit rating B- to CCC- (Stage 2)	41.00 %	327,381	(30,459)	No
Credit grade C or lower (Stage 3)	47.00 %	454,589	(157,759)	Yes
		1,990,728	**(210,450)**	
Group - 2021				
Credit rating B to AAA (Stage 1)	21 %	893,170	(14,410)	No
Credit rating B- to CCC- (Stage 2)	41 %	173,873	(6,327)	No
Credit grade C or lower (Stage 3)	52 %	305,991	(132,211)	Yes
		1,373,034	**(152,948)**	
Company - 2021				
Credit rating B to AAA (Stage 1)	21 %	912,957	(14,678)	No
Credit rating B- to CCC- (Stage 2)	41 %	262,543	(26,006)	No
Credit grade C or lower (Stage 3)	47 %	390,631	(135,158)	Yes
		1,566,131	**(175,842)**	

Notes to the Consolidated and Separate Financial Statements (cont.)

41. Financial instruments and risk management (continued)

Liquidity risk

The group is exposed to liquidity risk, which is the risk that the group will encounter difficulties in meeting its obligations as they become due.

The group manages its liquidity risk by effectively managing its working capital, capital expenditure and cash flows. The financing requirements are met through a mixture of cash generated from operations and long and short term borrowings. Committed borrowing facilities are available for meeting liquidity requirements and deposits are held at banking institutions.

There have been no significant changes in the liquidity risk management policies and processes since the prior reporting period.

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

Group - 2022	Notes	Less than 1 year	1 to 5 years	Over 5 years	Total	Carrying amount
Non-current liabilities						
Borrowings	25	-	1,122,169	1,034,614	2,156,783	2,156,783
Bonds outstanding	27	-	377,518	-	377,518	377,518
Lease liabilities	11	-	174	5,300	5,474	5,474
Current liabilities						
Trade and other payables	30	145,456	-	-	145,456	145,546
Borrowings	25	226,217	-	-	226,217	225,429
Bonds outstanding	27	131,500	-	-	131,500	131,500
Lease liabilities	11	161	-	-	161	161
Bank overdraft	19	100,223	-	-	100,223	100,223
		603,557	**1,499,861**	**1,039,914**	**3,143,332**	**3,142,634**
Group - 2021						
Non-current liabilities						
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	11	-	513	-	513	513
Current liabilities						
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
		292,349	**1,696,630**	**1,042,772**	**3,031,751**	**2,928,093**

Notes to the Consolidated and Separate Financial Statements (cont.)

41. Financial instruments and risk management (continued)

Company - 2022	Notes	Less than 1 year	1 to 5 years	Over 5 years	Total	Carrying amount
Non-current liabilities						
Borrowings	25	-	1,065,244	1,035,593	2,100,837	2,100,837
Bonds outstanding	27	-	377,518	-	377,518	377,518
Lease liabilities	11	-	13,782	142,081	155,863	155,863
Current liabilities						
Trade and other payables	30	84,374	-	-	84,374	84,374
Borrowings	25	212,494	-	-	212,494	212,494
Lease liabilities	11	11,023	-	-	11,023	11,023
Bank overdraft	19	94,762	-	-	94,762	94,762
Bonds outstanding	27	131,500	-	-	131,500	131,500
		534,153	**1,456,544**	**1,177,674**	**3,168,371**	**3,168,371**
Company - 2021						
Non-current liabilities						
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
Current liabilities						
Trade and other payables	30	76,011	-	-	76,011	78,480
Borrowings	25	53,403	-	-	53,403	53,403
Lease liabilities	11	8,444	-	-	8,444	8,444
Bank overdraft	19	103,653	-	-	103,653	103,653
		241,511	**760,727**	**1,201,720**	**2,203,958**	**2,306,931**

Notes to the Consolidated and Separate Financial Statements (cont.)

41. Financial instruments and risk management (continued)

Financing facilities

Unsecured bank overdraft facility, reviewed annually and payable on call:

Used	94,762	103,721	94,762	103,653
Unused	30,238	21,279	30,238	21,347
	125,000	**125,000**	**125,000**	**125,000**

Secured bank loan facilities with various maturity dates:

Used	5,461	-	-	-
Unused	46,039	-	-	-
	51,500			

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:

US Dollar exposure:

Non-current assets:					
Loans receivable	14	637,480	490,355	637,480	490,355
Equity instrument at fair value through other comprehensive income		110,859	97,202	110,859	97,202
Current assets:					
Cash and cash equivalents	19	54,474	13,626	54,474	13,626
Non-current liabilities:					
Borrowings	25	(1,203,945)	(723,253)	(1,203,945)	(723,253)
Net US Dollar exposure		**(401,132)**	**(122,070)**	**(401,132)**	**(122,070)**

Notes to the Consolidated and Separate Financial Statements (cont.)

41. Financial instruments and risk management (continued)

Exposure in foreign currency amounts

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

US Dollar exposure:

Non-current assets:					
Loans receivable	14	53,573	44,916	53,573	44,916
Equity instruments		8,900	8,903	8,900	8,903
Current assets:					
Cash and cash equivalents	19	990	1,248	990	1,248
Non-current liabilities:					
Borrowings	25	(96,200)	(66,250)	(96,200)	(66,250)
Net US Dollar exposure		**(32,737)**	**(11,183)**	**(32,737)**	**(11,183)**

Exchange rates

Pula per unit of foreign currency:				
US Dollar	12.361	10.917	12.361	10.917

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 **Increase or decrease in rate**	**2022** **Increase**	**2022** **Decrease**	**2021** **Increase**	**2021** **Decrease**
Impact on profit or loss:				
US Dollar % (2021: 1%)	(4,047)	4,047	(1,221)	1,221

Notes to the Consolidated and Separate Financial Statements (cont.)

41. Financial instruments and risk management (continued)

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 (cont.)

41. Financial instruments and risk management (continued)

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

	Note	Average effective interest rate (%)		Carrying amount 'P000	
Group		**2022**	**2021**	**2022**	**2021**
Figure in Pula thousand					
Variable rate instruments: Assets					
Other investments	14	8.31 %	13.50 %	479,020	362,297
Cash and cash equivalents	19	4.80 %	4.80 %	764,290	126,496
Short term investments	14	6.70 %	5.90 %	9,550	8,462
				1,252,860	**497,255**
Liabilities					
Borrowings	25	7.57 %	5.23 %	2,181,705	1,311,241
Bonds outstanding	27	5.75 %	5.75 %	346,878	341,972
Bank overdraft	19	4.75 %	4.75 %	100,223	103,721
				2,628,806	**1,756,934**
Fixed rate instruments:					
Assets					
Other investments	14	12.54 %	13.50 %	1,638,711	972,888
Liabilities					
Borrowings	25	5.20 %	5.15 %	200,507	106,441
Bonds outstanding	27	8.00 %	8.00 %	162,140	162,140
				362,647	**268,581**
Company					
Variable rate instruments:					
Assets					
Other investments		8.58 %	13.50 %	464,321	362,297
Cash and cash equivalents	19	5.80 %	4.80 %	675,321	72,035
				1,139,642	**434,332**
Liabilities					
Borrowings	25	7.57 %	5.23 %	2,112,824	1,311,241
Bonds outstanding	27	5.75 %	5.75 %	346,878	341,972
Bank overdraft	19	5.75 %	5.75 %	94,762	103,653
				2,554,464	**1,756,866**
Fixed rate instruments:					
Assets					
Other investments	14	12.05 %	13.50 %	1,934,589	1,143,090
Liabilities					
Borrowings	25	5.20 %	5.15 %	200,507	106,441
Bonds outstanding	27	8.00 %	8.00 %	162,140	162,140
				362,647	**268,581**

Notes to the Consolidated and Separate Financial Statements (cont.)

41. Financial instruments and risk management (continued)

Interest rate sensitivity analysis

The following sensitivity analysis has been prepared using a sensitivity rate which is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. All other variables remain constant. The sensitivity analysis includes only financial instruments exposed to interest rate risk which were recognised at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

Group **Increase or decrease in rate**	**2022 Increase**	**2022 Decrease**	**2021 Increase**	**2021 Decrease**
Impact on profit or loss and equity:				
Bonds and other borrowings 2% (2021:1 %)	(50,572)	50,572	(826)	826
Bank overdraft 2% (2021:1%)	(2,004)	2,004	(51)	51
Other cash and cash equivalents 2% (2021:1 %)	15,286	(15,286)	63	(63)
Short term investments 2% (2021:1 %)	2,515	(2,515)	4	(4)
Other investments 1% (2021:1%)	3,628	(3,628)	181	(181)
	(31,147)	**31,147**	**(629)**	**629**

Company

Impact on profit or loss and equity:				
Bonds and other borrowings 2% (2021:1%)	(49,194)	49,194	(826)	826
Bank overdrafts 2% (2021:1 %)	(1,895)	1,895	(53)	53
Cash and cash equivalents 2% (2021:1 %)	13,506	(13,506)	36	(36)
Other investments 1% (2021:1%)	7,530	(7,530)	181	(181)
	(30,053)	**30,053**	**(662)**	**662**

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 (cont.)

41. Financial instruments and risk management (continued)

Group and Company Increase or decrease in rate	2022 Increase	2022 Decrease	2021 Increase	2021 Decrease
Impact on equity:				
Sechaba Brewery Holdings Limited shares 5% (2021: 15%)	54,476	(54,476)	62,436	(62,436)
Cresta Marakanelo Limited shares 15% (2021: 15 %)	9,428	(9,428)	12,779	(12,779)
Grit Real Estate Income Group 15% (2021: 15%)	14,580	(14,580)	4,523	(4,523)
	78,484	**(78,484)**	**79,738**	**(79,738)**
Impact on profit or loss:				
Letlole La Rona Limited -% (2021: 15%)	-	-	41,255	(41,255)
RFG Botswana 2022: 10% (2021: -)	54,046	(54,046)	-	-
	54,046	**(54,046)**	**41,255**	**(41,255)**
Total impact on profit or loss and equity	**132,530**	**(132,530)**	**120,993**	**(120,993)**

42. 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

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

Notes to the Consolidated and Separate Financial Statements (cont.)

42. Segmental information (continued)

30 June 2022	Rental	Trade	Services	Total
Revenue	-	87,832	58,291	146,123
Interest on loans	-	-	183,562	183,562
Rental income	61,775	-	-	61,775
EBITDA	94,408	(24,672)	128,083	197,819
Profit (Loss) for the year	101,478	(27,550)	(3,481)	70,447
Included in operating profit				
Finance cost	(2,335)	(2,283)	(138,067)	(142,685)
Finance income	988	(31)	65,031	65,988
Fair value gain on investment properties	46,886	-	-	46,886
Intangible assets	-	118,621	2,037	120,658
Cash and cash equivalents	36,067	62,183	666,040	764,290
Total liabilities				
Overdraft	-	5,461	94,762	100,223
Government grant	356	-	-	356
Borrowings	58,952	9,929	2,313,331	2,382,212
30 June 2021				
Revenue	-	13,619	23,718	37,337
Interest on loans	-	-	141,109	141,109
Rental income	44,240	-	-	44,240
EBITDA	34,082	(1,844)	4,784	37,022
Profit for the year	32,521	(17,543)	(92,196)	(77,218)
Included in operating profit				
Finance cost	(1,561)	(6,903)	(93,006)	(101,470)
Finance income	819	153	32,134	33,106
Fair value gain on investment property	(278)	-	-	(278)
Total assets	**1,433,671**	**382,826**	**3,179,705**	**4,996,202**
Intangible assets	-	4	2,813	2,817
Cash and cash equivalents	50,720	3,921	122,359	177,000
Total liabilities	**408,525**	**177,508**	**1,829,259**	**2,415,292**
				Total
Borrowings		123,288	1,394,897	1,518,185
Government grants		10,343	-	10,343
Overdrafts		-	103,721	103,721

Notes to the Consolidated and Separate Financial Statements (cont.)

42. Segmental information (continued)

Segmental revenue and results
The steering 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.

Transactions within the group take place on an arm's 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.

43. New Standards and Interpretations

43.1 Standards and interpretations effective and adopted in the current year

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

Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 4

An insurer applying the temporary exemption from IFRS 9 shall apply the new requirements of IFRS 9 concerning situations where a change in the basis for determining the contractual cash flows of a financial asset or financial liability is required by interest rate benchmark reform.

The effective date of the group is for years beginning on or after 01 January 2021.

The group has adopted the amendment for the first time in the 2022 consolidated and separate financial statements. The impact of the amendment is not material.

Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 7

The amendment sets out additional disclosure requirements related to interest rate benchmark reform. The effective date of the group is for years beginning on or after 01 January 2021.

The group has adopted the amendment for the first time in the 2022 consolidated and separate financial statements. The impact of the amendment is not material.

Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9

When there is a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform then the entity is required to apply paragraph B5.4.5 as a practical expedient. This expedient is only available for such changes in basis of determining contractual cash flows.

Notes to the Consolidated and Separate Financial Statements (cont.)

43. New Standards and Interpretations (continued)

Additional temporary exemptions from applying specific hedge accounting requirements as well as additional rules for accounting for qualifying hedging relationships and the designation of risk components have been added to hedge relationships specifically impacted by interest rate benchmark reform.

The effective date of the group is for years beginning on or after 01 January 2021.

The group has adopted the amendment for the first time in the 2022 consolidated and separate financial statements. The impact of the amendment is not material.

Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 16

If there is a lease modification as a result of the interest rate benchmark reform, then as a practical expedient the lessee is required to apply paragraph 42 of IFRS 16 to account for the changes by remeasuring the lease liability to reflect the revised lease payment. The amendment only applies to modifications as a result of the interest rate benchmark reform.

The effective date of the group is for years beginning on or after 01 January 2021.

The group has adopted the amendment for the first time in the 2022 consolidated and separate financial statements. The impact of the amendment is not material.

Interest Rate Benchmark Reform - Phase 2: Amendments to IAS 39

Temporary exemptions from applying specific hedge accounting requirements as well as additional rules for accounting for qualifying hedging relationships and the designation of financial items as hedged items have been added to hedge relationships specifically impacted by interest rate benchmark reform.

The effective date of the group is for years beginning on or after 01 January 2021.

The group has adopted the amendment for the first time in the 2022 consolidated and separate financial statements. The impact of the amendment is not material.

43.2 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 01 July 2022 or later periods:

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

If a parent loses control of a subsidiary which does not contain a business, as a result of a transaction with an associate or joint venture, then the gain or loss on the loss of control is recognised in the parents' profit or loss only to the extent of the unrelated investors' interest in the associate or joint venture. The remaining gain or loss is eliminated against the carrying amount of the investment in the associate or joint venture. The same treatment is followed for the measurement to fair value of any remaining investment which is itself an associate or joint venture. If the remaining investment is accounted for in terms of IFRS 9, then the measurement to fair value of that interest is recognised in full in the parents' profit or loss.

The effective date of the amendment is to be determined by the IASB.

Notes to the Consolidated and Separate Financial Statements (cont.)

43. New Standards and Interpretations (continued)

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

Lease liability in a sale and leaseback

The amendment requires that a seller-lessee in a sale and leaseback transaction, shall determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee.

The effective date of the amendment is for years beginning on or after 01 January 2024.

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

Initial application of IFRS 17 and IFRS 9 - Comparative information

A narrow-scope amendment to the transition requirements of IFRS 17 for entities that first apply IFRS 17 and IFRS 9 at the same time. The amendment regards financial assets for which comparative information is presented on initial application of IFRS 17 and IFRS 9, but where this information has not been restated for IFRS 9. Under the amendment, an entity is permitted to present comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset before. The option is available on an instrument-by-instrument basis. In applying the classification overlay to a financial asset, an entity is not required to apply the impairment requirements of IFRS 9.

The effective date of the amendment is for years beginning on or after 01 January 2023.

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

Deferred tax related to assets and liabilities arising from a single transaction - Amendments to IAS 12

The amendment adds an additional requirement for transactions which will not give rise to the recognition of a deferred tax asset or liability on initial recognition. Previously, deferred tax would not be recognised on the initial recognition of an asset nor liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit or loss. The additional requirement provides that the transaction, at the time of the transaction must not give rise to equal taxable and deductible temporary differences.

The effective date of the amendment is for years beginning on or after 01 January 2023.

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

Notes to the Consolidated and Separate Financial Statements (cont.)

43. New Standards and Interpretations (continued)

Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2.

IAS 1 was amended to require that only material accounting policy information shall be disclosed in the consolidated and separate financial statements. The amendment will not result in changes to measurement or recognition of financial statement items, but management will undergo a review of accounting policies to ensure that only material accounting policy information is disclosed.

The effective date of the amendment is for years beginning on or after 01 January 2023.

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

Definition of accounting estimates: Amendments to IAS 8

The definition of accounting estimates was amended so that accounting estimates are now defined as "monetary amounts in consolidated and separate financial statements that are subject to measurement uncertainty."

The effective date of the amendment is for years beginning on or after 01 January 2023.

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

Classification of Liabilities as Current or Non-Current - Amendment to IAS 1

The amendment changes the requirements to classify a liability as current or non-current. If an entity has the right at the end of the reporting period, to defer settlement of a liability for at least twelve months after the reporting period, then the liability is classified as non-current.

If this right is subject to conditions imposed on the entity, then the right only exists, if, at the end of the reporting period, the entity has complied with those conditions.

In addition, the classification is not affected by the likelihood that the entity will exercise its right to defer settlement. Therefore, if the right exists, the liability is classified as non-current even if management intends or expects to settle the liability within twelve months of the reporting period. Additional disclosures would be required in such circumstances.

The effective date of the amendment is for years beginning on or after 01 January 2023.

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

IFRS 17 Insurance Contracts

The IFRS establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued.

The effective date of the standard is for years beginning on or after 01 January 2023.

It is unlikely that the standard will have a material impact on the group's consolidated and separate financial statements.

Notes to the Consolidated and Separate Financial Statements (cont.)

43. New Standards and Interpretations (continued)

Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 1

A subsidiary that uses the cumulative translation differences exemption, may elect in its financial statements, to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary.

The effective date of the group is for years beginning on or after 01 January 2022.

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

Reference to the Conceptual Framework: Amendments to IFRS 3

The amendment makes reference to the Conceptual Framework for Financial Reporting issued in 2018 rather than to the IASC's Framework for the Preparation and Presentation of Financial Statements. The amendment specifically points to the treatment of liabilities and contingent liabilities acquired as part of a business combination, and which are in the scope of IAS 37 Provisions, Continent Liabilities and Contingent Assets or IFRIC 21 Levies. It clarifies that the requirements of IAS 37 or IFRIC 21 should be applied to provisions, contingent liabilities or levies to determine if a present obligation exists at the Acquisition date. The amendment further clarifies that contingent assets of acquirees share not be recognised as part of the business combination.

The effective date of the group is for years beginning on or after 01 January 2022.

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

Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9

The amendment concerns fees in the '10 per cent' test for derecognition of financial liabilities. Accordingly, in determining the relevant fees, only fees paid or received between the borrower and the lender are to be included.

The effective date of the group is for years beginning on or after 01 January 2022.

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

Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16

The amendment relates to examples of items which are included in the cost of an item of property, plant and equipment. Prior to the amendment, the costs of testing whether the asset is functioning properly were included in the cost of the asset after deducting the net proceeds of selling any items which were produced during the test phase. The amendment now requires that any such proceeds and the cost of those items must be included in profit or loss in accordance with the related standards. Disclosure of such amounts in now specifically required.

The effective date of the group is for years beginning on or after 01 January 2022.

Notes to the Consolidated and Separate Financial Statements (cont.)

43. New Standards and Interpretations (continued)

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

Onerous Contracts - Cost of Fulfilling a Contract: Amendments to IAS 37

The amendment defined the costs that are included in the cost of fulfilling a contract when determining the amount recognised as an onerous contract. It specifies that the cost of fulfilling a contract comprises the costs that relate directly to the contract. These are both the incremental costs of fulfilling the contract as well as an allocation of other costs that relate directly to fulfilling contracts (for example depreciation allocation).

The effective date of the group is for years beginning on or after 01 January 2022.

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

Annual Improvement to IFRS Standards 2018-2020: Amendments to IAS 41

"Taxation" has been removed from the list of cash flows excluded from the fair value determination of biological assets. The effective date of the group is for years beginning on or after 01 January 2022.

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

IFRS 15 Revenue from Contracts with Customers

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

Notes to the Consolidated and Separate Financial Statements (cont.)

43. New Standards and Interpretations (continued)

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

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation. IFRS 15 also includes extensive new disclosure requirements.

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

The group does not envisage the adoption of the standard until such time as it becomes applicable to the group's operations. It is unlikely that the standard will have a material impact on the group's consolidated and separate financial statements.

44. 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 2022, the Company had P200million (2021: P100million)of the funds allocated by Government of which P122 million (2021: P50million) had been disbursed to eligible entities.

Notes to the Consolidated and Separate Financial Statements (cont.)

	GROUP		COMPANY	
Figures in Pula thousand	**2022**	**2021**	**2022**	**2021**
44. Funds under management (continued)				
ISF Balance due to Government				
ISF funds allocated	200,000	100,000	200,000	100,000
Interest earned on fixed deposits	843	504	843	504
Loan repayment transferred to equity (note 23)	(25,762)	-	(25,762)	-
Interest payable from loans disbursed	4,147	1,235	4,147	1,235
	179,228	**101,739**	**179,228**	**101,739**
Balances as at 30 June				
Loans disbursed	172,000	50,000	172,000	50,000
Interest receivable on loans	8,567	1,235	8,567	1,235
Equity reclassification	(25,762)	-	(25,762)	-
Amounts held as cash	24,423	50,504	24,423	50,504
	179,228	**101,739**	**179,228**	**101,739**
Movement in ISF funds under management				
Opening Balance	100,504	-	100,504	-
Allocations from Government	100,000	100,000	100,000	100,000
Interest earned on fixed deposits	339	504	339	504
Subtotal	200,843	100,504	200,843	100,504
Loan repayment transferred to equity (note 23)	(25,762)	-	(25,762)	-
Interest payable from loans disbursed	8,154	1,235	8,154	1,235
	183,235	**101,739**	**183,235**	**101,739**

45. Goodwill

Group	**2022** Cost	Accumulated impairment	**Carrying value**	**2021** Cost	Accumulated impairment	**Carrying value**
Goodwill	13,909	-	13,909	-	-	-

Reconciliation of goodwill - Group - 2022

	Opening balance	**Additions through business combinations**	**Total**
Goodwill	-	13,909	13,909

In reviewing the goodwill for impairment the following key assumptions were made;

- The recoverable values of assets at the end of their useful lives are estimated to be nil.
- No material change in the asset composition and utilization rates between our factory visit in September 2022 and the valuation date of June 2022.
- Inflation rates will average between 8-10%.
- The cost of equity for auto & parts is a good proxy of the expected returns on DeltaAutos assets.

Notes to the Consolidated and Separate Financial Statements (cont.)

Figures in Pula thousand	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021

46. 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.

	Group 2022	Group 2021	Company 2022	Company 2021
Opening Balance	91	131	-	-
Movement included in profit or loss	81	(40)	-	-
The deferred lease asset as at 30 June	**172**	**91**	-	-
Within one year	766	909	-	-
After one year, before five years	336	340	-	-
	1,102	**1,249**	-	-

Notes to the Consolidated and Separate Financial Statements (cont.)

47. Movement in impairment allowances

Group	2022 Equity accounted invest	2022 Other invest ments	2022 Trade and other receiva bles	2022 Charge to profit/ loss	2021 Equity accounted invest ments	2021 Other invest ments	2021 Trade and other receiva bles	2021 Charge to profit/ loss
Note(s)	**13**	**14**	**17**	**13**	**14**	**17**		
Opening balance	21,426	156,338	29,560	-	16,400	135,909	24,215	-
ECLs/Bad debts w/off	-	7,200	1,569	8,769	-	19,935	5,304	25,239
Unrealised impairment loss on equity valuation	(5,025)	-	-	(5,025)	5,026	631	3	5,660
Write offs*	-	-	-	-	-	(137)	38	(99)
Income adjustment (IFRS 9)**	-	13,940	-	13,940	-	-	-	-
Closing Balance	**16,401**	**177,478**	**31,129**	**-**	**21,426**	**156,338**	**29,560**	**-**

Company	2022 Invest-ment in subsid-aries	2022 Equity accoun-ted invest ments	2022 Other invest -ments	2022 Trade and other receiva -bles	2022 Charge to profit/ loss	2021 Invest-ment in subsid-aries	2021 Equity accounted invest -ments	2021 Other invest -ments	2021 Trade and other receiva -bles	2021 Charge to profit/ loss
Note(s)	**12**	**13**	**14**	**17**		**12**	**13**	**14**	**17**	
Opening balance	161,892	32,534	179,235	1,176	-	156,138	27,509	153,339	1,176	-
ECLs/ Bad debts w/off	-	-	20,937	5,502	26,439	-	-	23,211	-	23,211
Unrealised impairment loss on equity valuation	6,589	90,729	-	-	97,318	5,754	5,025	7,391	-	18,170
Write offs*	(19,958)	(1)	-	-	(19,959)	-	-	(4,706)	-	(4,706)
Income adjustment (IFRS 9)**	-	-	17,858	-	17,858	-	-	-	-	-
Closing Balance	**148,523**	**123,262**	**218,030**	**6,678**	**-**	**161,892**	**32,534**	**179,235**	**1,176**	**-**

*Investment write-off relates to an investment that was fully impairment in prior years thus there was no net profit or loss impact.
**Income adjustment (IFRS 9) relates to impairment movements for interest earned on impaired loans receivable. The impairment is offset with the corresponding interest income

Notes to the Consolidated and Separate Financial Statements (cont.)

48. Changes in liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities - Group - 2022

	Opening balance	Interest accrued	Foreign exchange move-ments	Fair value changes	New facilities/ drawd owns	Total non-cash move-ments	Cash flows	Closing balance
Borrowings	1,518,185	25,858	139,532	(3,668)	1,278,769	1,440,491	(576,464)	2,382,212
Bonds outstanding	507,316	-	1,702	-	-	1,702	-	509,018
Lease liabilities	513	-	241	-	-	241	(419)	335
	2,026,014	**25,858**	**141,475**	**(3,668)**	**1,278,769**	**1,442,434**	**(576,883)**	**2,891,565**
Total liabilities from financing activities	**2,026,014**	**25,858**	**141,475**	**(3,668)**	**1,278,769**	**1,442,434**	**(576,883)**	**2,891,565**

Reconciliation of liabilities arising from financing activities - Group - 2021

	Opening balance	Interest accrued	Foreign exchange move-ments	Fair value changes	New facilities/ drawd owns	Total non-cash move-ments	Cash flows	Closing balance
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
	1,888,652	**6,840**	**689**	**609,657**	**(36,311)**	**580,875**	**(443,513)**	**2,026,014**
Total liabilities from financing activities	**1,888,652**	**6,840**	**689**	**609,657**	**(36,311)**	**580,875**	**(443,513)**	**2,026,014**

Notes to the Consolidated and Separate Financial Statements (cont.)

48. Changes in liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities - Company - 2022

	Opening balance	Interest accrued	Foreign exchange move-ments	Fair value changes	New facilities/ drawd owns	Total non-cash move-ments	Cash flows	Closing balance
Borrowings	1,441,970	24,591	139,532	1,273,396	(3,670)	1,433,849	(562,488)	2,313,331
Bonds outstanding	507,316	1,702	-	-	-	1,702	-	509,018
Lease liabilities	175,512	12,753	-	-	-	12,753	(21,379)	166,886
	2,124,798	**39,046**	**139,532**	**1,273,396**	**(3,670)**	**1,448,304**	**(583,867)**	**2,989,235**
Total liabilities from financing activities	**2,124,798**	**39,046**	**139,532**	**1,273,396**	**(3,670)**	**1,448,304**	**(583,867)**	**2,989,235**

Reconciliation of liabilities arising from financing activities - Company - 2021

	Opening balance	Interest accrued	Foreign exchange move-ments	Fair value changes	New facilities/ drawd owns	Total non-cash move-ments	Cash flows	Closing balance
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
	1,980,030	**18,164**	**(36,241)**	**8,832**	**603,722**	**594,477**	**(449,709)**	**2,124,798**
Total liabilities from financing activities	**1,980,030**	**18,164**	**(36,241)**	**8,832**	**603,722**	**594,477**	**(449,709)**	**2,124,798**

Notes to the Consolidated and Separate Financial Statements (cont.)

49. Debt instrument at fair value through profit and loss

Capital invested	300,000	300,000	300,000	300,000
Fair value gains	26,117	-	26,117	-
Interest income	38,384	4,192	38,384	4,192
Cumulative distributions	(4,192)	-	(4,192)	-
Carrying value as at 30 June 2023	**360,309**	**304,192**	**360,309**	**304,192**

Fair value gains have been determined based on the 30 June 2022 closing spot price for Rhodes Food Group Holdings Limited of ZAR11.05 per share . The loan agreement caters for the use of the 30-day VWAP which was ZAR10.54 at June 2022.

50. Business combinations

Delta Automotive Technologies (Pty) Ltd

On Monday, 27 December 2021 the group acquired 60% of the voting equity interest of Delta Automotive Technologies(Pty) Ltd which resulted in the group obtaining control over Delta Automotive Technologies(Pty) Ltd. Delta Automotive Technologies(Pty) Ltd is principally involved in the manufacture and distribution of high-quality electrical wiring harnesses for the automotive industry and other engineering activities in the automotive industry.

Goodwill of P13.9million - arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of the entities, as well as from intangible assets which did not qualify for separate recognition. Goodwill is not deductible for income tax purposes.

Fair value of assets acquired and liabilities assumed

Property, plant and equipment	-	-	54,832	-
Intangible assets	-	-	125,125	-
Deferred tax	-	-	7,734	-
Inventories	-	-	63,901	-
Loans to shareholders	-	-	10,947	-
Trade and other receivables	-	-	10,087	-
Cash and cash equivalents	-	-	11,359	-
Deferred tax	-	-	(6,685)	-
Financial liabilities	-	-	(202,831)	-
Other payables	-	-	(6,789)	-
Trade and other payables	-	-	(11,795)	-
Total identifiable net assets	-	-	55,885	-
Non-controlling interest	-	-	(16,934)	-
Goodwill	-	-	13,909	-
			52,860	

Acquisition related costs

The acquisition related costs amounted to Pnil.

Notes to the Consolidated and Separate Financial Statements (cont.)

51. Directors' emoluments

P305 595. (2021: P264 600) directors fees were paid to the non-executive directors or any individuals holding a prescribed office during the year.

Executive

2022

	Emoluments	Directors' fees	Total
Directors emoluments	2,072	-	2,072
B Mphetlhe	-	41	41
A Ralebala	-	43	43
N Bogatsu	-	7	7
J S Ntshole	-	41	41
O Otlaadisa	-	25	25
N M Setaelo	-	36	36
M Lesolle	-	13	13
M Lefhoko	-	4	4
M Mothibatsela	-	43	43
M Ramaeba	-	53	53
	2,072	**306**	**2,378**

2021

Directors emoluments	1,666	496	-	2,162
B Mphetlhe	-	-	23	23
R Chilisa	-	-	32	32
T Molebatsi	-	-	22	22
A Ralebala	-	-	46	46
O Tebogo	-	-	43	43
N Bogatsu	-	-	34	34
O Otlaadisa	-	-	45	45
S Rasebota	-	-	2	2
M Mothibatsela	-	-	16	16
P Monare	-	-	2	2
	1,666	**496**	**265**	**2,427**

Notes