BDC

ANNUAL REPORT
2023

SUSTAINABLE HORIZONS: NURTURING GROWTH FOR GENERATIONS

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FY23 Annual Report Welcome Statement

Welcome to our annual report for the financial year ended June 30, 2023 (FY23).

In this report, we highlight our ongoing commitment to excellence and dedication to our stakeholders. As we progress, we maintain our focus on adapting to change, challenging conventions and upholding high-performance standards.

Within these pages, you will discover insights into our achievements, portfolio management strategies, and our readiness to navigate shifting market dynamics. Our mission remains steadfast: To create sustainable economic value as a strategic investor of inclusive, impactful, and productive enterprises.

We encourage you to delve into this report and join us in commemorating our accomplishments as we continue our journey towards a transformative economy for Botswana.

Corporate Profile

Overview of BDC

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

Established in 1970, under the Companies Act, BDC is a company limited by shares and wholly 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 and Innovation**
- **Industry**
- **Property**
- **Tourism**
- **Services**

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

Vision

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

Values

- Client Centricity
- Innovation
- Integrity
- Sustainability

Products

- Equity Funding
- Debt Funding
- Mezzanine

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

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.

1. **COLLABORATION**
Teamwork | Synergy | Cooperation | Partnership | Concert

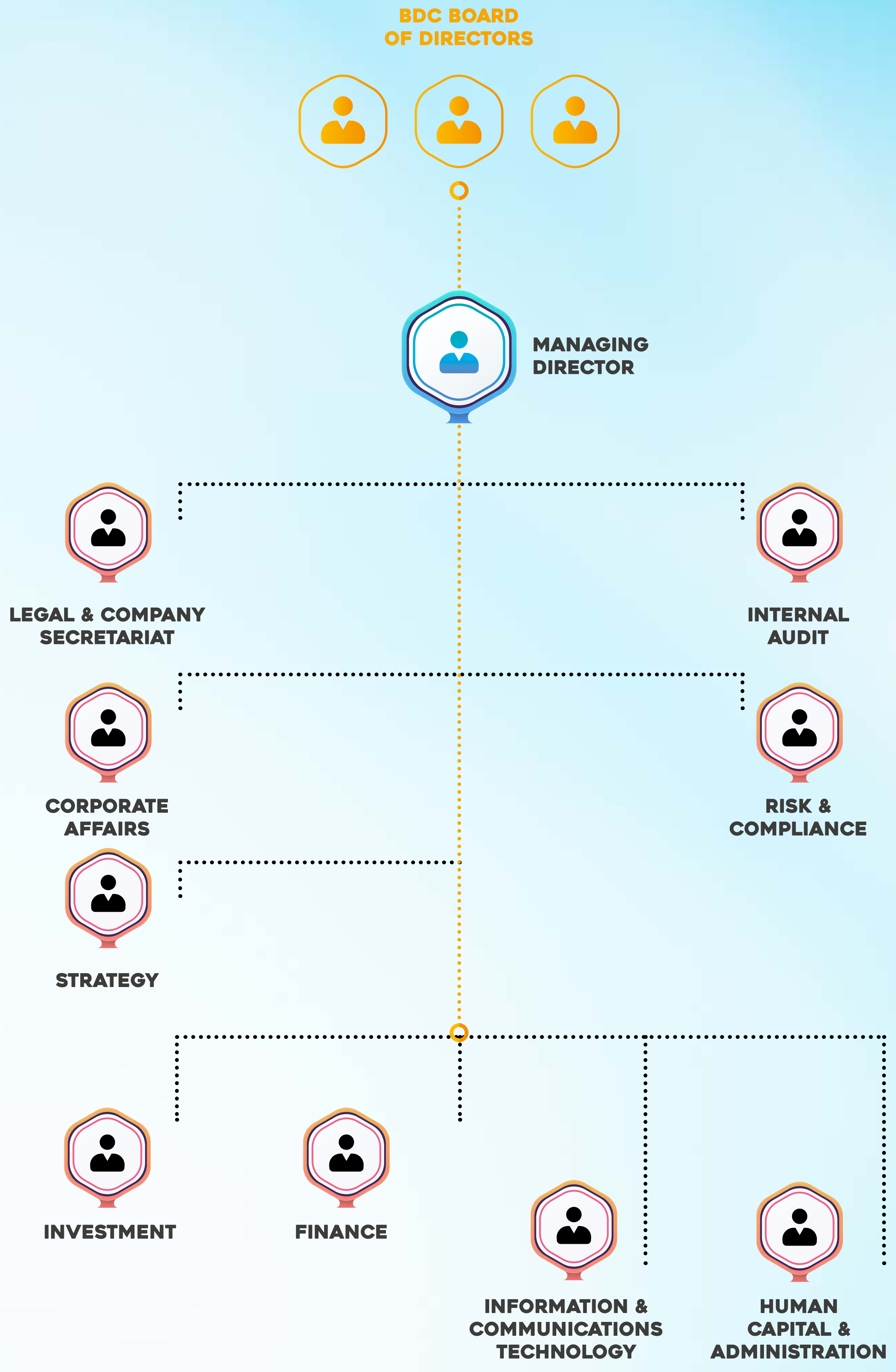
2. **INTEGRITY**
Honesty | Fairness | Accountability | Equality | Decency | Transparency | Trustworthiness

3. **ENTERPRISING**
Resourceful | Innovative | Creative | Enthusiastic | Energetic | Imaginative

4. **SUSTAINABILITY**
Future-focused | Credibility | Coherence | Consistency

5. **COMMERCIAL FOCUS**
Efficient | Profit-oriented | Cost Effective | Productive | Professional | Reliable | Responsive

Organisational Structure



BDC Major Activities/Events

This report seeks to provide a summary of the Major Activities that the Corporation engaged in for the period of July 2022 – June 2023 including; stakeholder engagement and management, business and investor community, and the public outreach campaigns.

STAKEHOLDER ENGAGEMENT AND MANAGEMENT

Shareholder alignment and stakeholder engagement are critical aspects of the business and key to the successful delivery of our mandate. It is for this reason that the Corporation continues to prioritise strategic stakeholder engagement. During the period under review, the Corporation participated in several activities to reinforce its relations with stakeholders.

Ministry of Trade and Industry (MTI) Minister's Courtesy Call to BDC - Honourable Mmusi Kgafela visited BDC to address the BDC Board and create awareness around the Government's decision on the rationalisation of state-owned enterprises and the benefits of merging parastatals.

Chief of Staff Courtesy Call to BDC - The Chief of Staff from the Office of the President visited the Corporation to appreciate the business and to discuss what the Reset Agenda means for BDC.

Ministry of Trade and Industry (MTI) Assistant Minister's SPEDU Project Visits - The Assistant Minister of Trade and Industry, Honourable Beauty Manake recently visited the SPEDU region with the aim of engaging stakeholders on the consolidation of Manufacturing and Industrialisation opportunities in the region. Furthermore, the objective was to gain an appreciation of the projects' operations, their wins & challenges and to work together through a 1-ministry approach towards finding remedial action. to appreciate the projects' operations, challenges, and wins.

Botswana-South Africa business forum - BDC participated in the Botswana-South Africa business forum, a two-day event that saw the Botswana private sector engage their South African counterparts in roundtable sessions and Business to Business (B2B) meetings. The main objective of the Business Forum and Business Roundtable was to encourage business linkages between the two countries to facilitate trade and investment as well as possible joint-venture partnerships.

BDC Media Day - The Corporation hosted its media partners as part of its ongoing strategic media relations efforts. The aim was to brief the media on the business environment and how the Corporation has done well for itself, especially post covid-19; the progress BDC has made with its projects, and to shed a bit of light on the new corporate strategy, what it means to BDC, the business community and the economy.

Public Outreach (Trade Fairs, Expos) - BDC participated with its Group of companies at the Botswana Consumer Fair and the Global Expo after a two-year hiatus as a result of covid-19. BDC also participated in the biennial National Business Conference that was hosted by Business Botswana, which aimed to provide an opportunity for experts and captains of industries to share insights and exchange views on the required reforms to place Botswana's economy on a growth path and to advance her people. Furthermore, BDC participated in the Botswana/South Africa Fashion Trade which aimed at showcasing ready-to-wear collections for the South Africa Fashion Industry, created by Botswana designers. The event was part of the market access initiatives by the Botswana Consulate General in Johannesburg, which aims to meet the core Economic Diplomacy objectives of seeking market access opportunities for Botswana-based Enterprises.

Mall Activations - The business hosted mall activations to interact with the public and to further build literacy on BDC's mandate and its value proposition.

Business Botswana Golf Day – BDC's participation in the golf event was part of the ongoing public outreach efforts. The tournament attracted a large number of members of the business community, with whom the Corporation interacted.

Business Botswana Northern Trade Fair (Business Forum): BDC participated in the conversations held at the Business Forum, wherein the Managing Director spoke to the theme "Accelerating Industrialisation Through Beneficiation Value Addition". He further presented BDC's value proposition to the Francistown business community.

16th National Business Conference - BDC participated at the 2022 National Business Conference, under the theme "Roadmap to High Income: Accelerating Transformation" which aimed to provide an opportunity for experts and captains of industries to share insights and exchange views on the required reforms to place Botswana's economy on a growth path and to advance her people.

SADC DFRC Roundtable - The forum provided an opportunity for Development Financial Institutions to demonstrate their commitment to promoting the creation of Sustainable DFIs in Southern Africa and experience the latest, innovative, tested, and ground-breaking approaches to address the key issues facing DFIs, such as Governance, Funding, and integration of Social and Environmental Sustainability.

AADFI CEO Forum - BDC sponsored & participated in the forum, which sought to provide an opportunity for the Corporation to interact with its counterparts under the theme 'Building partnerships for resource mobilisation in financing SDGs in Africa'. BDC also participated in the panel discussions under the theme 'African DFI's In The Quest For Relevance In Achieving The 2030 Agenda'.

Botswana-Netherlands Investment Promotion Mission (Virtual) - The Corporation participated in the mission that was jointly organised by the Embassy of Botswana in Brussels, the Botswana Investment and Trade Centre (BITC) and the Netherlands Africa Business Council (NABC). The objectives of the event were to: Attract investors from the Netherlands and the European Union, Facilitate interaction and networking between experts and the Private Sector from Botswana and potential investors from the Netherlands and the EU; and Create a platform for exchanging ideas and experiences on import and export procedures and market opportunities between Botswana and the Netherlands.

IMF/World Bank Financial Sector Assessment Program Mission - BDC participated at the IMF/World Bank Financial Sector Assessment Program Mission. The engagement aimed to discuss BDC's strategic position and role in aiding the development of digital financial services and products.

Minister's Visit to LCW and Milk Afric: - BDC hosted the Honourable Minister of Trade & Industry, Mmusi Kgafela on a tour of the LCW and Milk Afric projects, in order to appraise him on the status of the projects, progress towards operationalisation and the challenges thereof.

Ministry Performance Improvement Forum (led by Chief of Staff) - The engagement was aimed at onboarding Parastatals on the approaches undertaken in the development of the revised Level One Performance Plan.

The IMF/WORLD Bank financial sector assessment programme (FSAP) second phase in-country mission - The Bank of Botswana coordinated a second phase in-country joint International Monetary Fund (IMF) and World Bank FSAP for Botswana. The engagement involved conversations about the roles played by the different state-owned financial institutions, regulatory compliance and their respective strategies.

11th Meeting of the African Continental Free Trade Area (AfCFTA) Council of Ministers of Trade in Gaborone - The objective of the meeting was to conclude outstanding issues on Trade in Goods to facilitate the implementation of the AfCFTA. The implementation of the Agreement aims to provide Botswana's Private Sector with market access to the larger African market of 1.3 billion and stimulate industrial development, investment and job creation which are in line with Vision 2036.

Botswana-Switzerland Business Forum - The main objective of the forum was to explore investment and trade opportunities, promote Botswana as an investment destination of choice, as well as facilitate possible Joint-Venture arrangements between interested investors from both Botswana & Switzerland.

LGBTIQ+ Business Engagement - The initiative brought together representatives of LGBTIQ+ civil society organisations (CSOs) and small business owners from Angola, Zimbabwe, South Africa, Botswana, Zambia, and Eswatini. It created a platform to share insights, knowledge, and experiences on identifying and maximising opportunities for LGBTIQ+ entrepreneurs and organisations to promote inclusion, diversity, and equality in the workplace and in business.

Mashatu Nature Reserve official opening - BDC attended the official opening ceremony of the Mashatu Euphorbia Villas. The ceremony was officiated by His Excellency the President of the Republic of Botswana, Dr Mokgweetsi Eric Keabetswe Masisi.

African Development Bank Supervisory Mission - The Corporation hosted a team from the AFDB, who as part of their visit, toured Lobatse Clay Works and Kamoso Africa to appreciate results against overall project objectives and assess the impact, achievements, and constraints.

National Productivity Strategy - The Corporation participated in a workshop which aimed to validate the draft national productivity and competitiveness policy and strategy. This is in alignment with the country's efforts to boost productivity across various sectors of the economy and improve the nation's ability to compete effectively in the global marketplace.

BDC Strategic Journey

Our new strategy highlights our ambition to move away from being largely focused on creating operating efficiencies to 'maximising long-term value for the shareholder and creating wealth for future generations by deeply integrating Botswana into the global economy through investments and partnerships".

Moreover, in fulfilling our purpose of "creating sustainable economic value as a strategic investor of inclusive, impactful and productive enterprises" we endeavour to become "a premier investment partner of choice in the transformation of Botswana's economy."

The Corporation remained resilient and resolute in the execution of its strategic agenda, despite the global challenges since inception of our Beyond 2019 Strategy.

We have made substantial progress and have built a strong foundation for growth. Have successfully navigated through effect of COVID – 19 crisis and Russia – Ukraine conflict. We are now looking to the future and aim to raise our performance to new levels.

Horizon 1 (2021/23):
Doing things Better

We focused on optimising the business, whereby the following initiatives were implemented.

- Cost management/rationalisation
- Business architecture review
- Customer service strategy
- Information technology strategy
- Performance management framework
- Organisational structure review
- Talent Management Strategy

Horizon 2 (2023/24)
Doing things differently

Started to focus on realigning the business by implementing the following initiatives which are various stage of implementation:

- Investment and divestment strategy
- Product, Pricing and Funding strategy
- Capital raising strategy
- Rebranding programme & brand management strategy
- Human Capital Management Strategy
- Group Internal Audit Strategic Plan

Horizon 3 (2024/26)
Doing different things

Will focus on growing and reinventing the business and will embark on the following initiatives:

- Balance Sheet Restructuring
- Enhance Portfolio Quality & Performance
- Integrated Information Management System
- Partnership framework
- Project management framework
- Leadership and culture transformation framework

"creating sustainable economic value as a strategic investor of inclusive, impactful and productive enterprises…"

Strategic Framework

To drive our strategic agenda and outperformance, we have prioritised the following strategic outcomes:

Pioneering Industries and unlocking value in untapped sectors across botswana.

Investing locally in large scale export-orientated businesses, with a key focus on citizen economic inclusion.

Investing globally in high-return commercial and strategic projects with economic 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.

BDC Corporate Governance Report for financial year 2023

"The role and responsibility of the Board of Directors ("the Board") of Botswana Development Corporation Limited ("BDC" or "the Corporation") is to set the strategic direction as well as guide the implementation of the Beyond 2019 Strategic Intent ("strategy")."

The Board is cognisant that good Corporate Governance is pivotal for the implementation and execution of the strategy.

In light of this, the Board continues to uphold the highest standards of corporate governance and good ethical culture.

This commitment to good corporate governance as overseen by the Board, has enabled BDC to continuously maximise long-term value for the Shareholder and create wealth for future generations in a sustainable manner.

BDC is a State-Owned Enterprise ("SOE") which is governed by various statutory enactments. The Board has further developed and put in place a robust governance framework to ensure effective and efficient operations of the Corporation.

As part of its commitment to good corporate governance, and as recommended by the Botswana Accountancy Oversight Authority ("BAOA"), BDC formally adopted the King III Code of Corporate Governance of South Africa, as its corporate governance code on the 15th of June 2022.

BDC further strives to be a future-fit-for purpose organisation and continuously prepares to be compliant with the King IV Code of Corporate Governance of South Africa.

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 to Management and 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 Board comprises of the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.

In FY23, the BDC Board comprised of a total of nine (9) members of which eight (8) were Independent Non-Executive members and one (1) was an Executive Member.

BDC continues to support the principles of gender diversity and had a female representation of 33.33% on its Board.

When appropriate, the Board appoints independent professionals to assist it to execute its duties and responsibilities.

During the period under review, the Board appointed one (1) Independent member or co-opted member with requisite knowledge and skills, to serve on its Finance and Audit Committee.

Applicable Legislation

- The Companies Act (Cap 42:01)
- The Financial Reporting Act (Cap 46:10)
- The Financial Intelligence Act (Cap 08:07)

BDC Governance Documents

- Shareholder Compact
- BDC Constitution
- Board Charter
- Governance Framework
- Delegation of Authority Policy
- IT Security Policy
- BDC Corporate Scorecard
- BDC Risk Appetite Statement
- BDC Processes Manual
- Credit Pricing Policy
- Board Committee Terms of Reference
- Treasury Policy and Framework
- Credit and Investment Policy
- Credit Risk and Portfolio Management Framework

BDC Board Chairman's Statement - for the financial year ending 30 June 2023

I am delighted to present the Chairperson's Statement for the fiscal year ended June 30, 2023, highlighting the progress and achievements of Botswana Development Corporation (BDC).

As Chairperson of the Board of Directors, I am honoured to reaffirm our steadfast commitment to our mandate and strategic excellence during this period.

At BDC, our unwavering strategic focus is guided by our core values and principles outlined in our 2021–2026 Strategic Priorities. Our commitment to maximising long-term value for the Shareholder – being the Government of Botswana, fostering economic transformation, and creating sustainable economic value through strategic investments and partnerships remains paramount.

Despite evolving economic conditions, BDC has demonstrated resilience and growth.

Total income for the year ended June 30, 2023, amounted to P383 million, reflecting a 3% increase over the previous year.

This growth was primarily driven by impressive increases in interest and dividend income, partially offset by subdued performance in other income categories. Despite challenges such as foreign exchange fluctuations, BDC has remained agile and focused on optimising its investment portfolio.

As a business, we recognise the critical importance of mindset change in achieving our aspirations as an organisation and aligning with the national vision to achieve high-income economic status by 2036.

Challenging the status quo, embracing creativity, efficiency, agility, and self-confidence is essential in navigating the rapidly evolving global landscape.

Our commitment to fostering a positive mindset within BDC is fundamental not only to our progress but also to Botswana's prosperity.

By promoting a growth mindset, embracing diversity and inclusion, fostering confidence, prioritising well-being, communicating a clear vision, and continually measuring and adapting, we ensure that our workforce is prepared to embrace the opportunities ahead.

Moreover, BDC remains deeply committed to sustainability. We understand that sustainable practices are integral to long-term success.

By embracing green growth principles, facilitating private sector funding, and catalysing investments in cleaner technologies and sustainable practices, we contribute significantly to Botswana's environmental and economic goals.

Looking ahead, BDC remains resolute in its mandate of fostering economic growth, inclusivity, and sustainability. We will continue to pursue strategic investments, forge impactful partnerships, and adapt to evolving market dynamics to maximise value for the Shareholder and contribute to our nation's economic transformation.

FINANCIAL HIGHLIGHTS

	Change	2023	2022
INTEREST ON LOANS	14%	BWP 227MIL	BWP 200MIL
NET WORTH	7%	BWP 2.2BIL	BWP 2.1MIL
INCOME FROM TRADE	21%	BWP 67MIL	BWP 57MIL
GROUP INTEREST ON LOANS	10%	BWP 202MIL	BWP 184MIL
GROUP INCOME FROM TRADE	106%	BWP 301MIL	BWP 146MIL

BOARD OF DIRECTORS

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

Mr Mothibatsela 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, Maleho is presently Chairman of the Board of Pula Medical Aid Fund, where he has served as Trustee since 2011, and Chairman of the board since 2016. He is also a director on the board of Okavango Diamond Company.

Mmonesi Ayrl Ralebala
BDC Board Vice Chairperson and Human Capital Committee Chairperson

Mr Ralebala is Executive Chairman of the LSG Group which 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 from more than 120 personnel. A graduate in Mechanical Engineering from Kenya Polytechnic University, Mr Ralebala'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.

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 Corporate Finance and Strategy, Information Technology and Supply Chain Management and Business transformation to name a few. Mr. Kgosidiile holds a Bachelor of Commerce (Accounting) Degree and a Master's in Business Administration from the University of Botswana.

He is a fellow of the Chartered Institute of Management Accountants and serves as its Membership Assessor. He is also a fellow member of the Botswana Institute of 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.

Boniface G. Mphetlhe
Director

Mr Boniface G. Mphetlhe has worked as an Economist in the Ministry of Finance and Development Planning for more than 10 years in the Development Programmes Section and the Macroeconomics Section. He worked in various positions in the Development Programmes Section up to the level of Chief Economist in 2006 after which he was appointed Director for Macroeconomics Policy, where he was responsible for economic policy coordination, including the preparation of the National Development Plan.

Mr Mphetlhe 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.

Shirley Moncho -
Director

Ms Moncho is currently the Chief Executive Officer 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 international trade, agricultural policy, and industry development. Professionally skilled in international trade policy analysis, policy and strategy development, agricultural development, regional integration, and project management. 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, Botswana Export Credit Insurance and Guarantee Company (BECI), Chemical, Biological, Nuclear and Radiological Weapons Management Authority and Gaborone Immigration Selection Committee.

Onalenna Otlaadisa-Diloro
Board Risk and Compliance Committee Chairperson

Ms. Otlaadisa-Diloro is a seasoned attorney with over 16 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 she chairs the Remunerations and Nominations Committee.

Mmoloki Ramaeba
Investment Committee Chairperson

Mr Ramaeba is a seasoned investment banking, finance, and economics executive with over 27 years of experience in several senior banking management roles such as Regional Chief Operating Officer – Corporate & Investment Banking of Atlas Mara – Botswana and later serving as Chief of Staff to Group CEO at Atlas Mara, Dubai UAE. Mr Ramaeba is a transactions and structuring expert who has worked across numerous products, including, inter alia; debt and equity, mergers & acquisitions, capital markets, as well as treasury and balance sheet management.

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 Ltd in Ireland and London.

Further, Mr Ramaeba sits on the boards of other public entities such as Botswana Railways where he serves as the Chairperson of the board.

Julia Ntshole
Finance and Audit Committee Chairperson

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 and currently holds the position of Head, Non-Financial Risk.

Ms Ntshole is a holder of a Bachelor of Commerce (Accounting) from the University of Botswana. She is a member of the Association of Chartered Certified Accountants (ACCA). Ms Ntshole 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.

Ndinabo Max Setaelo
Director

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 sector. With over 20 years in the industry at Management and 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.

BOARD ACTIVITIES

In the year under review, the BDC Board undertook the following key activities:

Organisational Restructure

Pursuant to the approval of the BDC Beyond 2019 Strategic Intent on the 31st of January 2022, BDC embarked on an organisational review.

The purpose of the organisational review was to ensure that the Corporation acquired the requisite skills and resources to achieve the objectives of the Beyond 2019 Strategic Intent. As such, the Board approved the organisational restructure on the 18th of April 2023.

Board Evaluation

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.

An internal evaluation is conducted annually, and an external evaluation is facilitated by an independent consultant every two years. In FY23, an internal evaluation was undertaken by the Board.

Tour of BDC Investment Projects

In the year under review, the Board visited the different companies and operations in which BDC has invested either debt, equity or both (Mezzanine). The Board underwent a tour of Lobatse Clayworks (Pty) Ltd, Delta Automotive Technologies (Pty) Ltd, Milk Afric (Pty) Ltd, Francistown Academic Hospital, Sidilega Private Hospital and Fairgrounds Holding (Pty) Ltd.

Dissolution of the Board Tender Committee

The enactment of the Public Procurement Act of 2022 abolished all tender committees of public bodies, including BDC.

As such, the BDC Board Tender Committee was dissolved by the Board on the 26th of September 2022 to enable the Corporation to comply with the Public Procurement Act, as all tender matters of the Corporation are now bestowed upon the Managing Director in his capacity as the Accounting Officer.

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.

DIRECTOR	BOARD	FAC	HCC	BIC	BRCC	TOTAL AMOUNT
Maleho Mothibatsela	11/11	•	•	•	•	BWP 22, 275.00
Cross Kgosidiile	10/11	•	9/10	7/8	3/4	N/A
Mmoloki Ramaeba	10/11	•	9/10	7/8	•	BWP 42, 120.00
Julia Ntshole	8/11	6/7	5/10	•	2/4	BWP 34, 020.00
Boniface G. Mphetlhe	7/11	7/7	•	5/8	•	BWP 30, 780.00
Mmonesi Aryl Ralebala	11/11	•	10/10	8/8	•	BWP 46, 980.00
Onalenna Otlaadisa	8/11	•	•	•	4/4	BWP 19, 440.00
Ndinabo Max Setaelo	8/11	6/7	•	•	•	BWP 22, 680.00
Shirley Moncho	7/11	•	•	•	4/4	N/A
Michael Lesolle*	•	3/4	•	•	•	BWP 4, 860.00

Directors fees for FY23 amounted to BWP416,000.00 inclusive of other fees paid for official engagements

Key:
• Not a member
* Mr. Michael Lesolle resigned from the Finance and Audit Committee on the 10th of February 2023
N/A Not Applicable

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

Risk and Compliance Committee:

The Committee consists of four (4) members comprising of three (3) Non-Executive Board Members and one (1) Executive member. The Head of Investment Evaluation and Portfolio Risk 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 consists of four (4) members comprising of three (3) Non-Executive Board Members and one (1) Executive member. The Chief Investment Officer 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 four (4) members comprising of three (3) Non-Executive Board Members and one (1) external independent appointee. The Managing Director, Chief Financial Officer, Chief Audit Executive, Head of ICT 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. The Committee ensures that proper and effective control and ethical practices are preserved at every level of delegation by providing a special focus on these subjects 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.

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Human Capital Committee:

The Committee consist of four (4) members comprising of three (3) Non-Executive Board Members and one (1) Executive member. The Head of Human Capital & Administration 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.

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. These include:

Executive Committee:

The Executive Committee ("EXCO") is made up of Senior Management. EXCO is responsible 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 is carrying out its business in compliance with legislation and regulations; the integrity of the operational, control, compliance, and governance framework of BDC is maintained; implementation of BDC's policies and governance arrangements across all functions of the business are effective.

Credit and Investment Committee:

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

Assets and Liabilities Committee:

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

BDC KING III COMPLIANCE STATEMENT:

BDC is compliant with a majority of the principles outlined in the King III Code on Corporate Governance for South Africa, 2009 ("King III").

BDC focuses on improving its 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 FY23:

Principle	King III Principle	BDC Compliance	Responsible Entity
Ethical and Corporate status of BDC			
Principle 1	Effective leadership based on an ethical foundation	Complied	Board
Principle 2	Responsible corporate citizen	Complied	Board
Principle 3	Effective management of the Company's ethics	Complied	Board
The Board and Directors			
Principle 4	The Board is the custodian of corporate governance	Complied	Board
Principle 5	The Board appreciates that strategy, risk, performance, and sustainability are inseparable	Complied	Board
Principle 6	The Board considers business rescue proceedings when appropriate	Not applicable	Board
Principle 7	Directors act in the best interest of the company	Complied	Board
Principle 8	The Chairman of the Board is an executive director	Complied	Board
Principle 9	Establish a delegation of authority framework	Complied	Board
Principle 10	The Board comprises a balance of power, with a majority of non-executive director who are independent	Complied	Board
Principle 11	Directors are appointed through a formal process	Not Applicable	Shareholder
Principle 12	Formal induction & ongoing training of directors is conducted	Complied	Board
Principle 13	The Board is assisted by a competent and suitably qualified and experienced Company Secretary	Complied	Board
Principle 14	Regular performance of the Board, Committees and individual directors is conducted	Complied	Board
Principle 15	The Board ensures the integrity of the Company's integrated report	Complied	Board
Principle 16	A governance framework is agreed between the Corporation and its subsidiaries	Complied	Board
Principle 17	Directors are fairly and responsibly remunerated	Partially complied	Shareholder
Principle 18	Remuneration of directors is disclosed in the annual report	Complied	Board
Principle 19	The Corporations remuneration policy is approved by the shareholders	Not complied	Shareholder
Internal Audit			
Principle 20	Effective risk based independent internal audit	Complied	Board
Principle 21	Written assessment of the effectiveness of the company's system of internal controls & risk management	Complied	Board
Principle 22	Internal Audit is strategically positioned to achieve its objectives	Complied	Board
Finance & Audit Committee			
Principle 23	Effective and Independent	Complied	FAC
Principle 24	Suitably skilled and experienced independent non-executive directors	Complied	FAC

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Principle	King III Principle	BDC Compliance	Responsible Entity
Principle 25	Chaired by an independent non-executive director	Complied	FAC
Principle 26	Oversees integrated reporting	Complied	FAC
Principle 27	A combined assurance model is compiled to improve efficiency in assurance activities	Complied	FAC
Principle 28	Satisfies itself of the expertise, resources, and experience of the company's financial function	Complied	FAC
Principle 29	Oversees the external audit process	Complied	FAC
Principle 30	Reports to the Board and Shareholders on how it discharged its duties	Complied	FAC

Managing Director's Statement - for the financial year ending 30 June 2023

Mr. Cross Kgosidiile
Managing Director

I am delighted to present to you the comprehensive integrated annual report of Botswana Development Corporation for the period ended 30 June 2023. This report not only highlights our commitment to sustainable development but also provides detailed insights into our financial performance and strategic initiatives aimed at nurturing growth for generations to come.

At BDC, we are deeply committed to sustainable development and recognise our responsibility to foster growth that benefits both current and future generations. Through strategic investments and partnerships, we are paving the way for a resilient and prosperous future for Botswana.

Our strategic priorities, as outlined in the BDC 2021–2026 Strategic Plan, guide our actions and decisions. We are focused on maximising long-term value for the Shareholder and creating wealth for future generations by integrating Botswana into the global economy through strategic investments and partnerships. Our vision is to be an investment partner of choice in the transformation of Botswana's economy, while our mission is to create sustainable economic value as a strategic investor in inclusive, impactful, and productive enterprises.

The financial performance of BDC for the year ended 30 June 2023 demonstrates our resilience and commitment to creating value. Despite the challenges posed by the global economic environment, we achieved commendable results.

Total income for the year amounted to P383 million for the Company, representing a 3% increase over the prior year. This growth was driven by mixed performance in underlying income baskets, with notable increases in interest income and dividend income. The company attained profitability, recording a profit of P2.2million and a total comprehensive income of P81million. This result reflects our prudent investment decisions and effective cost management efforts. Our total asset base was at P5.1 billion, while net worth was recorded at P2.25 billion, demonstrating our commitment to value creation and asset growth.

Group revenue closed the year at P470 million, driven by remarkable growth in income from trade, which grew by 87% to P132 million. This performance reflects improved business activities and new contracts won by investee companies, particularly in the automotive industry. The group remained profitable, with a profit before tax of P71 million, showcasing our ability to generate sustainable returns. The group's total asset base stood at P5.7 billion, with investment assets realising an 6% year-on-year growth, underscoring our focus on value creation and asset growth.

Environmental, Social, and Governance (ESG) principles are integral to our operations. We are committed to conducting business in an environmentally responsible manner, promoting social well-being, and upholding the highest standards of corporate governance.

Through our ESG initiatives, we aim to create a positive impact while mitigating risks and enhancing long-term value.

To realise our vision for a high-income economy by 2036, we understand the importance of fostering a mindset change. We are committed to promoting innovation, entrepreneurship, and a culture of excellence within the Corporation and the broader business community.

By embracing a growth mindset and fostering continuous learning and adaptation, we are laying the groundwork for sustainable economic transformation.

As we look to the future, we remain cautiously optimistic about the opportunities that lie ahead.

Despite the uncertainties, we are confident in Botswana's resilience and potential for economic growth.

We will continue to execute our strategic priorities, pursue sustainable investments, and uphold our commitment to creating long-term value for our Shareholder and stakeholders.

FINANCIAL PERFORMANCE

TOTAL INCOME FOR THE YEAR

BWP 383 MILLION

THIS GROWTH WAS DRIVEN BY MIXED PERFORMANCE IN UNDERLYING INCOME BASKETS, WITH NOTABLE INCREASES IN INTEREST INCOME AND DIVIDEND INCOME.

GROUP REVENUE

BWP 470 MILLION

THIS PERFORMANCE REFLECTS IMPROVED BUSINESS ACTIVITIES AND NEW CONTRACTS WON BY INVESTEE COMPANIES, PARTICULARLY IN THE AUTOMOTIVE INDUSTRY.

> "To realise our vision for a high-income economy by 2036, we understand the importance of fostering a mindset change."

Executive Management

Mr. Cross Kgosidiile
Managing Director

Ms. Benedicta Abosi
Chief Financial Officer

Mr. Tshepo Lemo
Chief Investment Officer (Ag)

Mr. Boitumelo Banabotlhe
Chief Audit Executive

Ms. Boitshwarelo Lebang-Kgetse
Head of Corporate Affairs & Strategy

Ms. Thabile Moipolai
Head of Human Capital & Administration

Mr. Gilbert Ofetotse
Head of Legal & Company Secretary

Mr. Botshelo Mokotedi
Head of Investment Evaluation and Portfolio Risk

Mr. Kebareileng Lebalang
Head of Information & Communication Technology

INVESTMENT REPORT

The financial year ended June 2023 began on a cautious note with economies on a trajectory to recover from the effects of COVID 19, though challenged by the Russia-Ukraine war. In Botswana, by the end of the year, some macros such as inflation were on a clear path to recovery.

Inflation was generally on a downward trend, declining from 14.2% in July 2022 to 4.6% in June 2023 and was expected to remain within the Bank of Botswana objective range of 3%-6% into the medium term.

The projected decrease in inflation is due to, among others, absence of upward adjustment of administered prices, subdued domestic demand, projected appreciation of the Pula against the South African rand and zero rating of a select number of items from value added tax.

Another noteworthy event in the year is the Government of Botswana and De Beers Group deal, wherein the parties reached an agreement in principle on a new 10-year Sales Agreement for Debswana's rough diamond production and a 25-year extension of the Debswana mining licences.

The agreement includes a transition to increasing the share of Debswana supply sold via ODC to 50% over the duration of the agreement. It further encompasses a Diamonds for Development Fund, with an agreed upfront investment of BWP 1 billion and further contributions over the next 10 years that could total up to BWP 10 billion.

The Fund aims to create substantial additional value to the Botswana economy.

For the year ended 30 June 2023 the Corporation disbursed a total of BWP304 million. This represents underperformance of 68% compared to budget, reflective of delayed conversion of the pipeline.

There are transactions near closed amounting to BWP300 million which are expected to set the business on a positive trajectory for the next financial year.

Furthermore, following the organisational review exercise, the Corporation anticipates an increase in pipeline conversion owing to enhanced focus as a result of specialisation.

Lastly a robust Investment and Divestment strategy has been developed and is expected to focus the Corporation and assist in achievement of its strategic objectives.

Portfolio Valuation

As of 30 June 2023, the value of the portfolio excluding Industry Support Fund (ISF) increased to BWP4.97 billion compared to BWP4.7 billion in June 2022.

This represents a 5.7% increase from previous year, mainly driven by factors include accrued interest, improved prices on some of the listed investment, appreciation of the dollar and some disbursements.

The portfolio quality slightly deteriorated as indicated by increased NPLs from 12.6% in March 2023 to 13.1% in June 2023, edging towards the AADFI NPL benchmark of 15%. This is primarily driven by legacy investments yet to be written off.

The corporation will continue to assist borrowers in distress through various loan restructuring efforts on the merit of each business case.

Pipeline and Deal Conversion

The Corporation has approved a transaction amounting to P250million which is poised to increase the BDC footprint in the northern region of Botswana.

An additional BWP 174.8 million worth of transactions were at advanced stages, due diligence and awaiting respective investment committee approvals.

Lastly there were transactions amounting to BWP1.3 billion at term sheet negotiation stage, and about BWP375.2 million at initial investment appraisal stage. The Corporation remains assured of a fruitful future and a stable financial profile, exploring investments in its priority sectors which are core sectors in which the country's future economic policy is underpinned.

The corporation continues to work tirelessly in collaboration with other partners to ensure the delivery of its mandate – including the identification of suitable commercially viable projects to advance BDC's mandate.

Existing Portfolio Companies

In addition to the funds expended on new projects discussed above, the Corporation further provided approximately BWP52 million as follow-on capital towards existing portfolio companies to support their capital expenditure initiatives.

HUMAN CAPITAL REPORT

Re-organising the business for success

The boundaries that were once assumed to be the natural order of things are slowly falling away as disruption and discontinuity challenges the traditional models and ways of work.

Organisations and their employees must collaborate to navigate this evolving landscape, drawing upon a fresh set of principles to navigate the dynamic realm of work. This includes consistent review of the organisational strategies, policies, and processes to align with best practice and industry trends. In an effort to stay ahead, human capital was prompted to review its strategies, policies, and processes to effectively support the new strategic intent for the Corporation. Key to this, was the implementation of the new organisational structure, a strategic move, to optimize our resources, improve workflow, and position the Corporation for sustained growth. The review of our operations involved a thorough analysis of roles, responsibilities, and skill requirements to ensure a streamlined and efficient workforce that will effectively drive high performance /high engagement culture.

Building a dynamic workforce for Success

The changing landscape of the business world has intensified the need for a skilled workforce, making it increasingly challenging to identify and retain top talent. In an effort to responding to these dynamics, Human Capital concluded its new and improved talent management strategies review, which will enhance our talent management strategies, align to the Corporation goals, and ensure the sustained growth and success of our business. This review is not merely a compliance-driven initiative but a strategic investment in our most valuable asset, which is, our people.

By aligning our talent management practices with our business objectives, we are creating a resilient and agile workforce, capable of navigating the complexities of the business landscape. Furthermore, the refined policies resulting from this review will position us to attract, develop, and retain top talent, ensuring our continued success. These initiatives are aimed at fostering business continuity and maximizing shareholder value by empowering key resources to reach their full potential, thereby ensuring the Corporation's success. Human Capital continues to prioritise employee wellbeing by implementing tailor-made wellness initiatives. This initiative is one of our critical drivers of employee performance as it facilitates and promotes a healthy team ultimately increasing efficiencies across the Corporation.

Providing Opportunities to grow Success

As the demand for skilled professionals increases and the landscape of leadership requirements evolves rapidly, organizations are recognizing the imperative to build capabilities internally, not just seek them externally. The battleground of talent acquisition has shifted towards talent development. As a result, Human Capital, remain steadfast in its commitment to capacity building, recognizing it as a pivotal priority in navigating the current business environment.

This is achieved through our online learning platform - the BDC Academy, designed to facilitate continuous learning and development. By harnessing the power of digitization, we empower employees to take ownership of their learning journey, offering a self-paced environment conducive to growth and professional advancement. Through the BDC Academy, the Corporation leverages technology to provide accessible and flexible learning opportunities, ensuring that our workforce remains equipped with the skills and knowledge essential for success in their roles. By prioritizing capacity building and investing in our employees' development, Human Capital strengthens our Corporation's resilience and adaptability, as well as fostering a culture of continuous learning, enhancing individual capabilities and fueling innovation and driving sustainable business growth.

Our DNA

Our Corporation DNA is shaped by the recognition that in today's business landscape, culture is not just a peripheral aspect, but a fundamental component tightly connected with our employment brand and performance. We understand that exceptional companies consciously cultivate and manage their culture, leveraging it as a potent competitive advantage. At Human Capital, we take pride in our proactive role in driving cultural transformation, firmly believing that a strong culture is the cornerstone of our success in the market. Central to our approach is leadership's active involvement in championing the people agenda and exemplifying the desired behaviours. We are committed to reinforcing behaviours that align with our business strategy, thereby fostering a culture conducive to growth and innovation. Embracing the 'Positive Aspirational Unwritten Ground Rules' (UGRs) model, we have defined the behaviours and values that underpin our Corporation's ethos.

These UGRs serve as guiding principles, ingrained in our onboarding process to ensure that every employee understands and embodies the behaviours shaping our collective identity. We firmly believe that a robust Corporate culture thrives on diversity and inclusivity. Therefore, we are dedicated to nurturing an environment where every individual feels valued and empowered to contribute.

Through inclusive leadership, we aim to foster an inclusive culture where diverse perspectives are celebrated, and everyone has an equal opportunity to thrive. Human Capital is committed to designing and implementing targeted initiatives to actively promote diversity and inclusion across the Corporation, recognizing that our differences are our greatest strength.

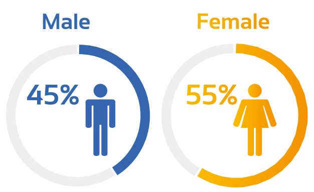
Human Capital through a lens

The future of work requires Human Capital to evolve, shifting from a siloed function to a boundaryless discipline integrated with the people and businesses.

This is essential for staying relevant and competitive in a rapidly evolving landscape. Human Capital needs to embrace a more strategic and holistic approach that transcends traditional boundaries. This therefore forges opportunities for Human Capital to align closely with business objectives, understanding industry trends, and anticipating future workforce needs.

This also excites Human Capital professionals to foster collaboration across different departments and functions to leverage diverse perspectives and drive innovation. Furthermore, it is vital to embrace technology and data-driven insights to inform decision-making and optimize processes for success to position BDC as an employer of choice and as a leader in the industry.

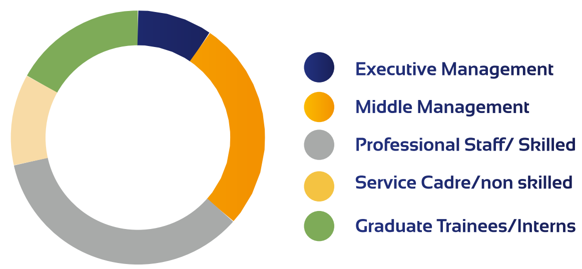
BDC Gender Diversity



Management Diversity

Trainees make up 32% of staff compliment.

Headcount by Occupational Levels and Types



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

Organisational status

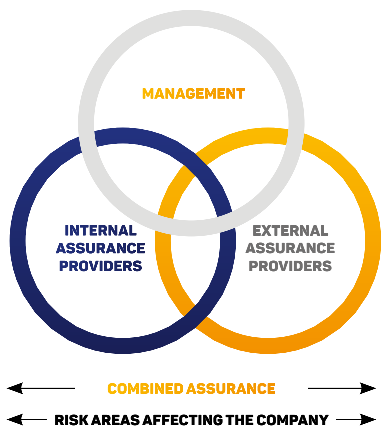
To enhance independence and objectivity and ensure accomplishment of audit objectives, the Chief Audit Executive reports functionally to the Board of Directors through the Finance and Audit Committee "the Committee" and administratively to the Managing Director. To establish, maintain, and assure that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

- Approves the internal audit department's charter;
- Approves the risk-based internal audit plan;
- Approves the internal audit budget and resource plan;
- Receives 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 and external assurance providers on the risk areas affecting the Corporation. Within BDC there are several assurance providers that either directly or indirectly provide the Board and management with certain assurances over the effectiveness of those controls that mitigate the risks, as identified during the risk assessment process described in the operating environment. Collectively the activities of these assurance providers are referred to as the combined assurance model.

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



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.

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 continuous 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	Appropriately 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 victimization. It is recognized that wherever practical, and subject to any legal constraints, matters reported will proceed on a confidential basis.

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

Commitment to whistleblower protection

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

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

RISK AND COMPLIANCE MANAGEMENT REPORT

Botswana Development Corporation aims in its endeavours to align with international best practice with regards to Risk and Compliance management. This is focused to be achieved by adopting key matrices relevant to a healthy state financial institution.

The Corporation subscribes to the notion of Enterprise Risk Management which are anchored on the provisions of ISO3100 and COSO allowing for the Organisation to approach risk management in a coordinated and structured manner.

The Corporation is exposed to a spectrum of risks, those being the effects of uncertainty and risk opportunity on corporate objectives. Therefore, risk management lies at the core of the Corporation and is embedded in its policies, processes, and procedures.

The Corporation has committed its Risk & Compliance function to be a value-adding management function that ensure the execution of our mandates according to the strategic objectives and that the Corporation only accept risk for which we are adequately compensated. BDC risk management processes are guided by the Risk Management Framework which also supports the Risk Appetite Framework.

Risk Appetite Framework

The Board of Directors sets the risk appetite statement of BDC. Compliance with the same is assessed at various committees within the Corporation.

The Framework sets out the common language, policies, processes, systems, and tools used to establish, communicate, and monitor risk appetite and its intention is to ensure there is a unified risk management strategy.

It articulates BDC's overall desired level of exposure to the risks specified in the framework both quantitatively and qualitatively.

Risk Management Framework

The BDC Risk Management framework aims to ensure that risks are managed in a cordinated, comprehensive, and systematic manner that is in line with BDC's corporate mandate, national legislation and is consistent with internationally accepted standards and guidelines.

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

In the pursuit of business goals and objectives, BDC identifies all the risks associated with each business process it enters. It is therefore a key business imperative to understand and manage current and prospective risks that the Corporation faces. The following diagram summarises the BDC risk universe which is made up of key risks which the Corporation faces.

1. Credit Risk

The health of the Corporation's portfolio is probably the most singular way through which reflects the company's Credit Risk management approach. The company credit risks are borne from its investment activities as guided by the investment process. All the way from pre-investment activities, assessment, and underwriting activities and how the portfolio is then managed.

BDC has a defined policy framework that is specific to how it goes to market which speaks to its Credit risk strategy, which includes defining the company's appetite and exclusion when it comes to partnerships it wishes to create, therefore quality of counterparties as well as how such relations and associated investments are managed to maintain a quality portfolio as positively rated by Moody's.

The Corporation periodically reflects on its policy framework that informs its evaluation procedures, risk mitigation strategies on its portfolio, monitoring, and review processes. Including adherence to risk appetite metrices, analysis of the investment portfolio, and performance of specific investments. Key aspects include credit risk metrics tracking, portfolio diversification efforts, performance of equity and loan portfolios, and the impact of economic conditions on investment outcomes to ensure the portfolio is well diversified as per the defined appetite to maintain a resilient book.

2. Market Risk

The Corporation's balance sheet is inherently exposed to various market risks which continue to provide both challenges and opportunities to our operations. These risks include but not limited to interest rates, foreign exchange, equity prices, liquidity, and capital. In today's dynamic global economy, market risk demands delicate management and strategic planning. BDC is therefore committed to managing these exposures through continuous monitoring of liquidity, capital adequacy and solvency tests through a dedicated Asset and Liability Committee which is a sub committee of the Executive Committee. This Committee is devoted to ensuring the Corporation's financial stability, preserving the Corporation's value and seizing opportunities in the market.

3. Compliance risk

BDC operates in a legislative and regulatory environment which is continuously evolving, during the year under review the Corporation intensified its effort to remain abreast with these changes through ensuring participation and attendance at various stakeholder engagement fora.

The key regulators and supervisory bodies for BDC are the Botswana Stock Exchange, Botswana Accountancy Oversight Authority, Botswana Unified Revenue Services, Financial Intelligence Agency.

To tighten controls relating to compliance with the laws, regulations and directives issued by these entities BDC has created a Regulatory Universe.

Anti Money Laundering, Counter terrorist financing and sanctions remain key aspects of BDC's fight against financial crime, the Corporation continues to strengthen its controls on the same to reduce possible exposure especially given that we serve several stakeholders who have stringent requirements on the same.

Annual Know-Your-Client (KYC) reviews were undertaken during the period under review as well as roadshows to various clients to explain the KYC requirements and the importance of the same.

4. Operational Risk

Operational risk management is concerned with uncertainties and threats faced by the Corporation in its daily operations. The risks stem from people, systems, policies, and external events.

Risk registers are maintained, and the identified risks are monitored with quarterly reporting of the risk environment made to Management and the BDC Board of Directors.

The table below depicts the Corporation's top twelve (12) Strategic Risks being the key risk exposures which could hinder BDC from achieving its strategic objectives as per the Beyond-2019 strategy.

The risk levels are inherent risks showing potential impacts of the identified risks within the business.

RISK ID	RISK	RISK LEVEL
1	Political and country risk	High
2	Loss of economic capital risk	High
3	Investment monitoring risk	High
4	Inadequate capital risk	Medium
5	Low risk aware culture	High
6	Investment risk	High
7	Business Continuity and Operational risk	Medium
8	Compliance risk	Medium
9	Information technology security risk	Medium
10	Staff health and welfare risk	High
11	Employee turnover risk	Medium
12	Reputational risk	High

4.1. Business Continuity Management

BDC has a Business Continuity Management program in place which aims to ensure continuation of its operations during and following a disaster, allow for it to meet its strategic intent and to protect BDC reputation.

During the year under review, certain identified business operations were subjected to an annual test to assess the level of effectiveness of existing Business Continuity Management Systems.

5. ESG

BDC continues to be the leader in this space locally, as guided by an ESMS (Environment and Social Management Service) Framework adopted in 2018.

This framework continues to evolve not just to make such a commitment, but also ensuring that in its investment, it associates with partners who share similar principle of responsible investing.

In the latest review, the Corporation has moved towards not merely a monitoring approach which comes across as being reactive to the issues of sustainability but, continues to be clear about where it will invest as well as where it ought not, through its exclusion list.

BDC has sought likeminded relationship with an active player in green activities by supporting its Climate Finance agenda.

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ICT REPORT

This section provides an insight into Information and Communications Technology (ICT) related key activities within Botswana Development Corporation.

In financial year 2023, BDC formulated an ICT Strategy aimed at creating a strategic roadmap that aligns with BDC's Corporate Strategy. This strategy outlines key focus areas for leveraging cutting-edge technologies and trends to fully support the business objectives. Through this ICT Strategy, BDC aims to enhance customer experience via digital channels and establish itself as a centre of technology and innovation excellence with a view to maximize long-term stakeholder value by year 2026.

Outlined below are the key strategic initiatives derived from the strategy:

- Automation of Core Business Processes: BDC is embarking on a thorough automation endeavour embracing critical business processes. This initiative includes the commencement of a project aimed at deploying an integrated information management system, currently in its preliminary phases and scheduled for completion by financial year ending 30 June 2026. The objective of this endeavour is to enhance operational efficiency, minimise errors, standardise processes, establish a unified source of clear-cut information, and prioritize strategic value-added activities. Through this project, BDC will harness cutting-edge technology to expedite business transactions, ensuring improved timeliness and efficacy.
- Establishment of an IT Governance Framework: BDC has embraced COBIT 2019 as its IT governance framework, recognizing its pivotal role in enabling organisations to effectively manage IT risks and ensure alignment between information technology activities and overarching business objectives. Developed by ISACA, COBIT (Control Objectives for Information and Related Technologies) serves as a comprehensive framework for IT management and governance.

  COBIT 2019 encompasses governance and management of enterprise information and technology (I&T), catering to the entire organizational spectrum. It addresses contemporary enterprise needs by accommodating emerging trends, technologies, and security requirements. By affording businesses greater flexibility in tailoring their ICT governance approach, this framework enhances adaptability.

  Currently, the implementation progress of COBIT 2019 stands at 65%, with expectations of achieving full integration by mid 2025 financial year.
- Implementation of a Cybersecurity Framework: BDC has adopted the ISO27001 standard to establish its Information Security Management System (ISMS), reflecting its commitment to cybersecurity. ISO/IEC 27001 serves as the global benchmark for information security, providing a detailed specification for an effective ISMS.

  This standard adopts a best-practice approach, addressing people, processes, and technology to help organizations effectively manage their information security. By leveraging ISO 27001, BDC gains access to a framework of best practices, in turn facilitating strategic decision-making regarding cybersecurity protection priorities.

  Currently, the implementation progress of ISO27001 at BDC stands at 73%, progressing steadily towards full completion by the conclusion of 2024 financial year.

CORPORATE SOCIAL RESPONSIBILITY REPORT

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 (CSI) and Corporate Social Responsibility (CSR) initiatives that are aligned to our CSR mandate. BDC's CSR program is focused on initiatives that promote and support entrepreneurship, inclusion of people living with disabilities and promote and expose local talent through music and arts. The BDC Corporate Social Responsibility programme was established for the purpose of setting up a Grants and Donations Fund through which the Corporation will deliver on its CSR objective of extending financial and non-financial assistance to deserving organisations. 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**

CRITERIA FOR DONATIONS, SPONSORSHIPS AND CSI

The Corporation may make donations 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 that 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 promotion and development of business and entrepreneurial skills for self-employment opportunities.
   vi. support sustainable community based small developmental projects giving priority to youth and women.
   vii. 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, BDC has actively contributed to various community initiatives, exemplifying our dedication to Corporate Social Responsibility. In support of education and community empowerment, BDC provided financial support to the Okavango Jakotsha Community Trust.

These funds went towards procurement of furniture to support the comprehensive community day-care facility that provides care and education for children of 2 to 4 years of age on a full-time basis located in Etsha 1 village in the Okavango Sub District.

Furthermore, emphasising our commitment to citizen inclusion and empowerment through education, BDC participated in and provided financial support towards prize-giving ceremonies at Moselewapula Junior Secondary School, Mabolwe Primary School, and Ngwana Khumo School.

In line with our ethos of nurturing talent and promoting the creative sector, BDC sponsored the venue for the prestigious 2022 Miss Botswana finale, symbolising our dedication to fostering creativity within our nation. Additionally, BDC actively supported and participated in the heritage and culture day organised by Thamaga Pottery, further strengthening our ties with the community and promoting local arts.

BDC Business Den

Through its Corporate Social Investment (CSI) programme, the Corporation launched its inaugural entrepreneurship development programme called The Business Den in 2020. This programme aims to reach out to budding, ambitious, and self-driven youth entrepreneurs, to allow them to secure grant funding with mentorship and networking opportunities.

The competition was opened to young citizen entrepreneurs between the ages of 18-35, with ideas for either a new or existing business seeking expansion opportunities. In 2022, Alosa Group was declared winners of the first-ever Botswana Development Corporation (BDC) Business Den and was awarded P500 000.00 funding on a grant basis accompanied by mentorship opportunities.

In 2023, Botswana Development Corporation (BDC) unveiled the winner of Business Den 2.0 Competition, UniPay – a tech company that seeks to introduce cashless payments in public transport, promoted by Onalethata Tautona. UniPay will be housed under the Business Den for eighteen months, nurtured through continuous monitoring, evaluation, and mentorship. This period of growth and maturation will pave the way for its ultimate graduation from the program.

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 one 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 2023

Botswana Development Corporation Limited
(Registration number UIN BW00000608814)

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 Director) B G Mphetlhe M A Ralebala S Moncho M Ramaeba O Otlaadisa-Diloro J S Ntshole N M Setaelo
Registered office	Fairscape Precinct Plot 70667 Fairgrounds Office Park
Postal address	Private Bag 160 Gaborone
Bankers	Absa Bank Botswana Limited Bank Botswana Limited First National Bank of Botswana Limited Standard Chartered Bank Botswana Limited Stanbic Bank Botswana Limited
Auditor	KPMG
Group Company Secretary	Gilbert 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 2023 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, 2008) 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 2023 and the results of their operations and cash flows for the year then ended, in conformity with IFRS Standards. The external auditors are engaged to express an independent opinion on the group and company financial statements and their report is presented on page 42 - 49.

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 Standards 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 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 50 to 153 which have been prepared on the going concern basis, were approved by the Board on 31 January 2024 by:

M Mothibatsela
Chairman

C Kgosidiile
Managing Director

Directors' Report

The directors have pleasure in submitting their report on the consolidated and separate financial statements of Botswana Development Corporation Limited for the year ended 30 June 2023.

1. Review of financial results and activities

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Standards) and the requirements of the Companies Act of Botswana (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 (2022: 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 G Mphetlhe	Other	Non-executive	Motswana
M A Ralebala	Other	Non-executive	Motswana
S Moncho	Other	Non-executive	Motswana
M Ramaeba	Other	Non-executive	Motswana
O Otlaadisa Diloro	Other	Non-executive	Motswana
J S Ntshole	Other	Non-executive	Motswana
N M Setaelo	Other	Non-executive	Motswana

4. Events after the reporting period

Material events after the reporting date up to the date of this report are included in note 43. Other than these, the directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

5. Going concern

The group earned a total comprehensive income for the year ended 30 June 2023 of P142 million (2022: (P 46) million) and as of that date its total assets exceeded its total liabilities by P2.79 billion (2022: P 2.59 billion). The company earned a total comprehensive income for the year ended 30 June 2023 of P81 million (2022: P 77 million) and as of that date its total assets exceeded its total liabilities by P2.25 billion (2022: P 2.09 billion). Current assets exceed current liabilities for both group and company by P1,162 million (2022: P 877 million) and P 999 million (2022: P 841 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 P79 million (2022: P 182 million) 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 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 2023.

The Directors' have reviewed the budgets and cash flow forecasts for the next 12 months, as well as the current liquidity and solvency position for the year and do believe that the Group has adequate financial resources to continue in operation for the foreseeable future. The group's financial statements have accordingly been prepared on the going concern basis.

6. Directors fees and expenses

It is recommended that the directors fees of P416,000 and executive directors emoluments of P1,765,000 (2022: Fees P305,595, Emoluments P2,071,936) for the year to 30 June 2023 be ratified.

7. Dividends declaration

No dividends (2022: P Nil 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, Chartered Accountants
Audit
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Fairgrounds Office Park
PO Box 1519, Gaborone, Botswana
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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 **50 to 153**, which comprise the statements of financial position as at 30 June 2023, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statement 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 2023, 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.

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 7 to the financial statements.

Key audit matter	How the matter was addressed in our audit
The Group owns a portfolio of investment properties comprising office buildings, residential property, industrial property and mixed use properties. The carrying values of the investment properties amounted to P 1.214 million as at 30 June 2023. This accounts for 25.1% 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 primary 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. Other models used by the group are the cost method and the market approach method. 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*. • 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 assessed the reasonableness of cash flows related to rental costs by comparing them to historical financial information. ○ We compared expected market rental

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 7 to the financial statements.

Key audit matter	How the matter was addressed in our audit
	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 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 notes 1.5, 14 and 15 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	Our audit procedures performed included the following:

BOTSWANA DEVELOPMENT CORPORATION
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for the year ended 30 June 2023

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 notes 1.5, 14 and 15 relating to subsidiaries and equity accounted investees respectively.

Key audit matter	How the matter was addressed in our audit
amounted to P 1.53 billion at the reporting date. This constitutes 34.3% of the Company's total non-current assets. The accumulated impairment balance on investments in subsidiaries and equity accounted investees amounted to P 181.30 million and P 101.64 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 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).	• 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. • 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*.

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 notes 1.5, 14 and 15 relating to subsidiaries and equity accounted investees respectively.

Key audit matter	How the matter was addressed in our audit
Given the significance of the carrying values of the investment in subsidiaries and equity accounted investees and the significant judgements made by management, we considered the impairment of these assets to be complex with estimation uncertainty and thus a key audit matter in our audit of the separate financial statements.	

3) Impairment of financial assets measured at amortised cost

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

Refer to the 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 16 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 P2.67 billion and P3.08 billion at the reporting date for the Group and Company respectively. This constitutes 46.9% and 52.4% of the Group and Company's total assets respectively. The accumulated expected credit loss on these financial assets amounted to P181.82 million and P224.32 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	Our audit procedures performed included the following: • We evaluated the design and 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 reassessed the credit ratings of the borrowers using approaches deemed appropriate to derive reasonable credit risk ratings for each borrower.

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 16 relating to financial assets measured at amortised cost.

Key audit matter	How the matter was addressed in our audit
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 statements.	• We assessed the appropriateness of the staging of the loans. • 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; ○ Comparing the unsecured Loss Given Default to global market practice. ○ Assessing the appropriateness of 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.

KPMG

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 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.

KPMG

- 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.

KPMG

KPMG
Certified Auditors
Date 13 February 2024
Practicing member: A. Gumede (CAP 0045 2024)
Gaborone

Statements of Profit or Loss and Other Comprehensive Income

Figures in Pula thousand	Note(s)	Group 2023	Group 2022	Company 2023	Company 2022
Income from trade	2	300,528	146,123	68,686	56,807
Cost of sales	6	(168,675)	(75,573)	-	-
Gross profit		**131,853**	**70,550**	**68,686**	**56,807**
Interest on loans	3	201,504	183,562	227,125	200,011
Rental income		61,149	66,997	-	-
Contractual Rental		60,464	60,785	-	-
- Straight line lease rental adjustment		685	6,212	-	-
		394,506	321,109	295,811	256,818
Finance Income	4	52,726	65,988	73,763	85,095
Other income	5	21,832	56,027	13,549	29,584
Fair value gains on investment properties	7	865	46,886	-	-
- As per valuation		1,550	53,098	-	-
- Straight line lease rental adjustment	7	(685)	(6,212)	-	-
Share of profit/(loss) of equity accounted investees, net of tax	15	37,181	(104,680)	-	-
Unrealised impairment of equity investments	8	-	5,025	(21,629)	(97,318)
Marketing expenses		(4,481)	(4,435)	(3,824)	(3,989)
Settlement loss on lease		-	(15,700)	-	-
Occupancy expenses		(30,308)	(28,872)	-	-
Expected credit losses	8	664	(8,768)	(12,506)	(26,439)
Unrealised foreign exchange losses		(35,495)	(33,260)	(35,408)	(33,260)
Other operating expenses		(161,650)	(144,653)	(98,244)	(87,792)
Finance costs	4	(199,093)	(142,685)	(206,549)	(151,786)
Operating profit (loss)		**76,747**	**11,982**	**4,963**	**(29,087)**
Change in fair value of debt instruments		(5,555)	26,117	(5,555)	26,117
Profit /(Loss) before taxation	6	**71,192**	**38,099**	**(592)**	**(2,970)**
Income tax expense	9	(6,774)	(21,249)	2,773	(10,121)
Profit/(loss) for the year		**64,418**	**16,850**	**2,181**	**(13,091)**
Other comprehensive income:					
Items that will not be subsequently reclassified to profit or loss					
Gains/(losses) on fair value of equity securities		55,543	(63,976)	55,543	(63,976)
Deferred taxation on revaluation loss		-	3,580	-	-
Foreign exchange gains		6,850	-	8,294	-
Fair value gain on disposal of shares		14,936	-	14,936	-
Share of other comprehensive income of equity accounted investees	15	-	(2,674)	-	-
Total items that will not be reclassified to profit or loss		**77,329**	**(63,070)**	**78,773**	**(63,976)**
Other comprehensive income/(loss) for the year, net of taxation		**77,329**	**(63,070)**	**78,773**	**(63,976)**
Total comprehensive income/(loss) for the year		**141,747**	**(46,220)**	**80,954**	**(77,067)**
Profit/(Loss) for the year attributable to:					
Owners of the Company		65,029	22,196	2,181	(13,091)
Non-controlling interest		(611)	(5,346)	-	-
		64,418	**16,850**	**2,181**	**(13,091)**
Other comprehensive income/ (loss) attributable to:					
Owners of the company		77,329	(65,813)	78,773	(63,976)
Non-controlling interest		-	2,743	-	-
		77,329	**(63,070)**	**78,773**	**(63,976)**

Statements of Financial Position as at 30 June 2023

Figures in Pula thousand	Note(s)	Group 2023	Group 2022	Company 2023	Company 2022
Assets					
Non-Current Assets					
Investment property	7	1,214,455	1,181,203	-	-
Property, plant and equipment	10	589,344	516,373	2,282	870
Intangible assets	11	108,589	120,658	2,975	2,037
Right-of-use assets	12	203	354	89,822	103,744
Goodwill	13	13,909	13,909	-	-
Investments in subsidiaries	14	-	-	1,091,353	1,057,407
Equity accounted investees	15	492,690	482,954	426,823	405,202
Other investments	16	1,590,348	1,994,734	1,969,832	2,254,878
Due from group companies	17	-	-	69,911	63,574
Deferred lease asset	18	294	172	-	-
Rental straight-lining adjustment	7	48,896	48,211	-	-
Deferred tax	19	11,297	21,416	-	-
		4,070,025	**4,379,984**	**3,652,998**	**3,887,712**
Current Assets					
Inventories	20	69,770	71,400	-	-
Trade and other receivables	21	188,028	119,973	94,299	98,048
Other investments	16	1,078,576	480,396	1,106,686	584,038
Other assets	22	2,758	9,550	-	-
Cash and cash equivalents	23	311,831	764,289	221,380	675,321
Current tax receivable		22,073	21,372	8,610	7,478
		1,673,036	1,466,980	1,430,975	1,364,885
Non-current assets classified as held for sale	24	-	21,563	-	10,865
Total Assets		**5,743,061**	**5,868,527**	**5,083,973**	**5,263,462**
Equity and Liabilities					
Equity					
Stated capital	25	888,269	888,269	888,269	888,269
ISF equity reserves	26	96,505	25,762	96,505	25,762
Fair value reserve	27	168,861	113,318	168,861	113,318
Other reserves	28	414,949	522,099	78,624	182,246
Claims equalisation reserve	26	1,207	1,207	-	-
Retained income		1,103,683	909,719	1,013,873	884,840
Equity attributable to owners of the Company		**2,673,474**	**2,460,374**	**2,246,132**	**2,094,435**
Non-controlling interests	29	120,657	121,268	-	-
Total equity		**2,794,131**	**2,581,642**	**2,246,132**	**2,094,435**
Liabilities					
Non-Current Liabilities					
Borrowings	30	1,936,366	2,156,783	1,884,409	2,100,837
Government grants	31	9,275	9,631	-	-
Bonds Outstanding	33	378,615	377,518	378,615	377,518
Lease liabilities	12	-	174	142,342	155,863
Provisions for restoration costs	34	9,904	9,904	-	-
Deferred tax	19	104,054	120,946	-	-
		2,438,214	**2,674,956**	**2,405,366**	**2,634,218**
Current Liabilities					
Borrowings	30	264,574	225,429	264,574	212,494
Government grants	31	356	356	-	-
Current tax payable		1,609	8,718	717	717
Trade and other payables	32	182,891	145,542	98,852	84,313
Bonds Outstanding	33	-	131,500	-	131,500
Lease liabilities	12	174	161	13,782	11,023
Bank overdraft	23&35	61,112	100,223	54,550	94,762
		510,716	611,929	432,475	534,809
Total Liabilities		**2,948,930**	**3,286,885**	**2,837,841**	**3,169,027**
Total Equity and Liabilities		**5,743,061**	**5,868,527**	**5,083,973**	**5,263,462**

BOTSWANA DEVELOPMENT CORPORATION
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for the year ended 30 June 2023

Statements of Changes in Equity

Figures in Pula thousand	Stated capital	Fair value reserve	ISF Equity reserve	Claims equalisation reserve	Other reserves	Retained income	Total attributable to members	Non-controlling interest	Total equity
Group									
Balance at 01 July 2021	**888,269**	**177,294**	**-**	**1,207**	**500,853**	**908,769**	**2,476,392**	**104,518**	**2,580,910**
Profit/(loss) for the year	-	-	-	-	-	22,196	22,196	(5,346)	16,850
Other comprehensive (loss)/income	-	(63,976)	-	-	906	-	(63,070)	2,743	(60,327)
Total comprehensive income for the year	**-**	**(63,976)**	**-**	**-**	**906**	**22,196**	**(40,874)**	**(2,603)**	**(43,477)**
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
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**-**	**25,762**	**-**	**20,340**	**(21,246)**	**24,856**	**19,353**	**44,209**
Balance at 01 July 2022	**888,269**	**113,318**	**25,762**	**1,207**	**522,099**	**909,718**	**2,460,373**	**121,268**	**2,581,641**
Profit/(loss) for the year	-	-	-	-	-	65,029	65,029	(611)	64,418
Other comprehensive income	-	55,543	-	-	6,850	14,936	77,329	-	77,329
Total comprehensive income for the year	**-**	**55,543**	**-**	**-**	**6,850**	**79,965**	**142,358**	**(611)**	**141,747**
Transfer between reserves	-	-	-	-	(114,000)	114,000	-	-	-
Equity contribution from parent	-	-	70,743	-	-	-	70,743	-	70,743
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**-**	**70,743**	**-**	**(114,000)**	**114,000**	**70,743**	**-**	**70,743**
Balance at 30 June 2023	**888,269**	**168,861**	**96,505**	**1,207**	**414,949**	**1,103,683**	**2,673,474**	**120,657**	**2,794,131**
Note(s)	25	27	26	26	28				
Company									
Balance 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 income	-	(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 contributions by and distributions to owners of company recognised directly in equity	**-**	**-**	**-**	**-**	**13,457**	**(13,457)**	**25,762**	**-**	**25,762**
Balance at 01 July 2022	**888,269**	**113,318**	**25,762**	**-**	**182,246**	**884,840**	**2,094,435**	**-**	**2,094,435**
Profit for the year	-	-	-	-	-	2,181	2,181	-	2,181
Other comprehensive income	-	55,543	-	-	8,294	14,936	78,773	-	78,773
Total comprehensive income for the year	**-**	**55,543**	**-**	**-**	**8,294**	**17,117**	**80,954**	**-**	**80,954**
Transfer between reserves	-	-	-	-	(111,916)	111,916	-	-	-
Equity contribution from parent	-	-	70,743	-	-	-	70,743	-	70,743
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**-**	**70,743**	**-**	**(111,916)**	**111,916**	**70,743**	**-**	**70,743**
Balance at 30 June 2023	**888,269**	**168,861**	**96,505**	**-**	**78,624**	**1,013,873**	**2,246,132**	**-**	**2,246,132**
Note(s)	25	27	26	26	28				

Statement of Cash Flows

Figures in Pula thousand	Note(s)	Group 2023	Group 2022	Company 2023	Company 2022
Cash flows from operating activities					
Cash (used in)/generated from operations	40	(24,880)	(64,760)	(77,117)	43,104
Tax paid		(21,357)	(14,198)	(4,696)	(13,328)
Net cash (used in)/generated from operating activities		**(46,237)**	**(78,958)**	**(81,813)**	**29,776**
Cash flows from investing activities					
Purchase of property, plant and equipment	10	(96,958)	(4,851)	(1,998)	(147)
Proceeds from sale of property, plant and equipment		(302)	3,395	66	19
Purchase of financial assets		-	(1,088)	-	-
Purchase of investment property	7	(32,387)	(7,337)	-	-
Proceeds on disposal of investment property	10	-	1,145	-	-
Purchase of shares in subsidiary		-	-	-	(44,146)
Purchase of intangible assets	11	(938)	-	(938)	-
Share of cash from business combination	49	-	11,358	-	-
Loans repaid		327,167	66,617	349,356	75,543
Loans disbursed to ISF projects		-	(122,000)	-	(122,000)
Loans disbursed to non-affiliates		(177,570)	(126,627)	(177,570)	(126,627)
Proceeds from redemption of investments		16,775	115,099	16,775	117,545
Loans disbursed to subsidiaries		-	-	(44,637)	(98,579)
Proceeds from disposal of non-current assets held for sale		17,784	-	17,784	-
Dividends from associates		27,445	20,546	-	-
Interest received		99,675	80,487	117,179	109,642
Dividends received		45,673	31,394	68,686	56,807
Cash flow generated from/(used in) investing activities		**226,364**	**68,138**	**344,703**	**(31,943)**
Cash flows from financing activities					
Long term borrowings raised	47	-	1,173,396	-	1,173,396
Long term borrowings repaid		(304,653)	(528,925)	(288,471)	(536,726)
Repayment of bonds outstanding	47	(131,500)	-	(131,500)	-
Industry Support Funds raised	46	-	100,000	-	100,339
Acquisition of additional shares in subsidiaries		-	-	(83,219)	-
Finance costs paid		(167,567)	(142,654)	(174,582)	(151,786)
Payment on lease liabilities	12	(867)	(209)	(10,762)	(21,383)
Net cash (used in) /generated from financing activities		**(604,587)**	**601,608**	**(688,534)**	**563,840**
Total cash movement for the year		**(424,460)**	**590,788**	**(425,644)**	**561,673**
Cash at the beginning of the year		664,066	73,279	580,559	18,886
Effect of exchange rate movement on cash balances		11,113	-	11,915	-
Total cash at end of the year	23	**250,719**	**664,067**	**166,830**	**580,559**

Significant Accounting Policies

Corporate information

Botswana Development Corporation Limited is a public limited company incorporated and domiciled in Botswana. Its registered office is in Fairscape Precinct, Plot No 70667, Fairgrounds Office Park. The Company is an investment arm of the Botswana government that promotes and facilitates economic development of Botswana.

The group and company financial statements for the year ended 30 June 2023 were signed and authorised for issue on 31 January 2024.

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 44.

1.3 Consolidation

Basis of consolidation

The group's 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.

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

Significant Accounting Policies continued

1.3 Consolidation (continued)

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

Investments in subsidiaries in the separate financial statements

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

Business combinations

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

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

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

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

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

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

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

Under IFRS 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.

Significant Accounting Policies continued

1.3 Consolidation (continued)

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

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

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

1.4 Equity accounted investees

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

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

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

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

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

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

1.5 Significant judgements and sources of estimation uncertainty

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

Significant Accounting Policies continued

1.5 Significant judgements and sources of estimation uncertainty (continued)

Critical judgements in applying accounting policies

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

Valuation of investment properties

The Group owns a portfolio of investment properties comprising office buildings, residential property, industrial and mixed use properties located primarily in Gaborone, Selibe-Phikwe and Lobatse. The carrying values of the investment properties amounted to P1.214 billion as at 30 June 2023 (2022: P 1.181 billion). This accounts for 30% (2022: 27%) of the group's total non-current assets. (note 7).

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.

Impairment of investments in subsidiaries and equity accounted investees

The carrying value of the group's investments in subsidiaries and equity accounted investees amounted to P 493 million (2022: P 483 million) at the reporting date. This constitutes 12% (2022: 11%) 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 14 and 15).

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

Significant Accounting Policies continued

1.5 Significant judgements and sources of estimation uncertainty (continued)

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- affliates is computed on a loan by loan basis using a formula **ECL = PD*LGD*EAD**. Significant judgement is applied in determining the Probability of Default (PD) and Loss Given Default (LGD).

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

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

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

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

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

Lifetime ECLs (stages 2 and 3), which apply when a significant increase in credit risk has occurred on an individual or collective basis 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 were then discounted using asset specific rates.

Significant Accounting Policies continued

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 profit or loss for the period in which it arises.

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

Reclassification to investment property

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

Derecognition of investment property

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

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

1.7 Property, plant and equipment

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

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

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

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

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

Significant Accounting Policies continued

1.7 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Buildings and other developments	Straight line	25-50 years
Plant and machinery, fixed equipment and other assets	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
Land	No depreciation	

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

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

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

Significant Accounting Policies continued

1.7 Property, plant and equipment (continued)

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

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

1.8 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

If the related asset is measured using the revaluation model:

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

   - a decrease in the liability (subject to (b)) is credited in other comprehensive income and accumulated in the revaluation reserve in equity, except that it is recognised in profit or loss to the extent that it reverses a revaluation deficit on the asset that was previously recognised in profit or loss
   - an increase in the liability is recognised in profit or loss, except that it is debited to other comprehensive income as a decrease to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

1.9 Intangible assets

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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Significant Accounting Policies continued

1.9 Intangible assets (continued)

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred. An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

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

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

Intangible assets acquired in a business combination

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

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
Customer contracts	Straight line	9.6 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 continued

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

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

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

Loans receivables have been classified at amortised cost 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 a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

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

Application of the effective interest method

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

Significant Accounting Policies continued

1.10 Financial instruments (continued)

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 or losses..

Details of foreign currency risk exposure and the management thereof are provided in the financial instruments and risk management (note 51).

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.

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.

Significant Accounting Policies continued

1.10 Financial instruments (continued)

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 51).

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 21).

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

Recognition and measurement

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

They are subsequently measured at amortised cost.

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

Significant Accounting Policies continued

1.10 Financial instruments (continued)

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

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

Recognition and measurement

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

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

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.

Significant Accounting Policies continued

1.10 Financial instruments (continued)

Borrowings and loans from related parties

Classification

Loans from group companies (note 17) and borrowings (note 30) are classified as financial liabilities and subsequently measured at amortised cost.

Trade and other payables

Classification

Trade and other payables (note 32), 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 51 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 51).

Derecognition

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

Financial liabilities at fair value through profit or loss

Classification

Financial liabilities which are held for trading are classified as financial liabilities mandatorily at fair value through profit or loss. Refer to note 33.

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 33.

Significant Accounting Policies continued

1.10 Financial instruments (continued)

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 33 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 (note 22) comprise short term fixed income securities placed in the capital markets with various fund managers. Due to the short term nature of these placements, the carrying value of the assets equals their fair value.

Derecognition

Financial assets

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

Financial liabilities

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

Reclassification

Financial assets

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

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

Financial liabilities

Financial liabilities are not reclassified.

Significant Accounting Policies continued

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.

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 12 Right of Use Assets/Leases.

Significant Accounting Policies continued

1.12 Leases (continued)

Lease liability

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

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

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

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

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs (note 4).

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

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

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

Significant Accounting Policies continued

1.12 Leases (continued)

Right-of-use assets

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

The right-of-use asset is initial measured at cost, which comprises the initial amount of the lease liability adjusted for;

- Any lease payments made at or before the commencement date, less any lease incentives received.
- 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 34 Provisions for restoration costs.

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

As an exception, when the underlying assets are land and buildings, the group adopts the revaluation model consistent with the accounting policy for land and buildings which are owned by the group. The accounting policy for the revaluation model is explained in the property, plant and equipment accounting policy. Right of use assets that are investment property are fair valued in line with IAS 40 Investment property.

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

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

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

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

Significant Accounting Policies continued

1.12 Leases (continued)

Group as lessor

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

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

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

1.13 Inventories

Inventories (note 20) are measured at the lower of cost and net realisable value on the first-in-first-out basis.

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

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

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

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

1.14 Other investments

Short term investments (note 16) 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.

Significant Accounting Policies continued

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

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

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

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

1.16 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.

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.

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Significant Accounting Policies continued

1.18 Compound instruments (continued)

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.

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.

Significant Accounting Policies continued

1.20 Provisions and contingencies (continued)

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 37.

1.21 Government grants

Government grants are recognised when there is reasonable assurance that:

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

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

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

Government grants related to assets, including non-monetary grants at fair value, are presented in the 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).

Significant Accounting Policies continued

1.22 Revenue (continued)

Sale of goods

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

Rendering of services

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

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

1.23 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 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 Pula, 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.

Significant Accounting Policies continued

1.25 Translation of foreign currencies (continued)

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.

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	Note(s)	2023	2022	2023	2022
2. Income from trade					
Income from trade:					
Sale of goods		191,866	76,773	-	-
Revenue from rendering of services		62,989	37,956	-	-
Dividends received:					
Subsidiaries		-	-	18,000	25,300
Associated companies		-	-	5,013	113
Quoted investments		45,673	31,394	45,673	31,394
		300,528	**146,123**	**68,686**	**56,807**
3. Interest on loans					
Subsidiaries		-	-	24,059	16,449
Associated companies		3,958	17,486	3,958	17,486
Quoted investments		197,546	166,076	199,108	166,076
		201,504	**183,562**	**227,125**	**200,011**

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

		Group		Company	
Figures in Pula thousand	Note(s)	2023	2022	2023	2022
4. Finance income and finance cost					
Finance income:					
- Cash and cash equivalents		20,087	24,039	15,399	21,857
- Debenture interest		-	-	22,192	20,690
- Preference shares interest		32,639	41,949	36,172	42,548
		52,726	**65,988**	**73,763**	**85,095**
Finance costs:					
- Bank borrowings		(92,206)	(71,426)	(89,557)	(67,982)
- Long-term borrowings		(65,619)	(28,216)	(65,613)	(28,212)
- Bank overdraft		(4,532)	(4,754)	(4,532)	(4,754)
- Bank charges		(1,905)	(223)	(941)	(50)
- Bonds		(34,125)	(38,035)	(33,896)	(38,035)
- Lease interest		(706)	(31)	(12,010)	(12,753)
		(199,093)	**(142,685)**	**(206,549)**	**(151,786)**
5. Other income					
Management fees		4,110	7,556	4,024	7,450
Arrangement and monitoring fees		1,072	3,049	717	2,948
African Development Bank training grant		-	6,380	-	380
Levies, recoveries and other sundry income		21,016	25,601	1,839	5,365
(Loss)/profit on disposal of property, plant and equipment		(587)	-	50	-
Claim on security of investments		-	13,441	-	13,441
(Loss)/profit on sale of non-current assets held for sale		(3,779)	-	6,919	-
		21,832	**56,027**	**13,549**	**29,584**

Notes to the Consolidated and Separate Financial Statements continued

Figures in Pula thousand	Note(s)	Group 2023	Group 2022	Company 2023	Company 2022
5. Other income (continued)					

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

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

Figures in Pula thousand	Note(s)	Group 2023	Group 2022	Company 2023	Company 2022
Included in other operating expenses are the following items;					
Amortisation of government grant	31	(356)	(356)	-	-
Auditors remuneration - external auditors		(2,302)	(1,770)	(936)	(937)
Consulting and professional fees - other		(25,029)	(12,806)	(13,188)	(8,069)
Consulting and professional fees - legal fees		(2,138)	(3,157)	(1,103)	(2,316)
Amortisation of Intangible assets	11	(13,007)	(6,508)	-	-
Depreciation		(20,457)	(14,569)	(570)	(623)
Directors' fees		(1,153)	(1,482)	(416)	(306)
Staff costs (as below)		(78,546)	(56,812)	(44,795)	(31,522)
Directors' emoluments		(1,765)	(2,072)	(1,765)	(2,072)
Settlement loss on lease		-	(15,700)	-	-
Repairs and maintenance		(2,730)	(1,796)	(335)	(191)
Subscriptions		(4,428)	(3,687)	(3,691)	(3,075)
Training		(1,149)	(1,767)	(607)	(1,108)
Staff costs					
Salaries and wages		(73,039)	(51,309)	(41,685)	(28,181)
Termination benefits		(1,432)	(1,290)	-	-
Medical aid - company contributions		(1,244)	(1,182)	(1,244)	(1,182)
Staff pension		(2,831)	(3,031)	(1,866)	(2,159)
Included in cost of sales are the following items;					
Sale of goods		(131,290)	(55,905)	-	-
Rendering of services		(9,105)	(4,612)	-	-
Employee costs		(4,962)	(5,546)	-	-
Depreciation and impairment		(1,545)	(2,177)	-	-
Manufacturing expenses		(21,773)	(7,333)	-	-
		(168,675)	**(75,573)**	-	-

Notes to the Consolidated and Separate Financial Statements continued

7. Investment property

Figures in Pula thousand	Note(s)	Group 2023	Group 2022	Company 2023	Company 2022
Reconciliation of investment property - Group					
Land and buildings at fair value		1,263,351	1,229,414	-	-
Rental straight-lining adjustment		(48,896)	(48,211)	-	-
Balance at the end of the year		**1,214,455**	**1,181,203**	-	-
Reconciliation of fair value					
Balance at beginning of the year		1,181,203	1,188,626	-	-
- At valuation		1,229,414	1,186,872	-	-
- Straight line lease rental adjustment		(48,211)	1,754	-	-
Additions during the year - acquisitions		32,387	7,270	-	-
Disposals during the year		-	(1,145)	-	-
Rental deferral account		-	66	-	-
Transfer to property plant and equipment		-	(60,500)	-	-
Fair value gain of investment properties		865	46,886	-	-
- Increase in fair value during the year		1,550	53,098	-	-
- Straight line lease rental adjustment		(685)	(6,212)	-	-
Balance at end of the year		**1,214,455**	**1,181,203**	-	-

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 2023: 5-8%, weighted average 6.5%: (2022: 5-8%, weighted average 6.5%). Void periods 2023: 1-3 months on the basis of marketing of vacant space (2022: average 3-6 months after the end of each lease). Occupancy rate 2023: 80-90, weighted average 85.0%; (2022: 60-75%, weighted average 68.0%). Rent-free periods 2023 and 2022: 1-6 months period on new leases. Risk-adjusted discount rates 2023: 7-8%, weighted average 7.5%; (2022: 8-15%, weighted average 12.0%).

Valuation technique

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% (2022: 20-53%) of the reference location which is Gaborone. Relevant adjustments were made to arrive at the fair value of certain investment properties.

Notes to the Consolidated and Separate Financial Statements continued

7. Investment property (continued)

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 P3800 (2022:P8.50 to P3800) for land and buildings. Professional fees, demolition and clearing costs and contingencies averaged 22% (2022:22%).

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 2023 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 2023. All of the Group's investment property is held under freehold interests.

Investment properties held for sale

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

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		Company	
Figures in Pula thousand	**2023**	**2022**	**2023**	**2022**
Rental income	61,149	66,997	-	-
Repairs and maintenance expenses	(2,707)	(3,544)	-	-

Notes to the Consolidated and Separate Financial Statements continued

8. Movement in impairment allowances - Figures in Pula thousand

Group	2023				2022			
	Equity accounted investments	Other Investments	Trade & other receivables	Charge to profit or loss	Equity accounted investments	Other investments	Trade & other receivables	Charge to profit or loss
Note(s)	**15**	**16**	**21**		**15**	**16**	**21**	
Opening balance	16,401	177,478	31,129	-	21,426	156,338	29,560	-
ECLs/Bad debts w/off	-	4,339	(5,003)	(664)	-	7,200	1,572	8,772
Unrealised impairment loss on equity valuation	-	-	-	-	(5,025)	-	-	(5,025)
Income adjustment (IFRS 9)	-	-	-	-	-	13,940	-	13,940
Closing balance	**16,401**	**181,817**	**26,126**	**-**	**16,401**	**177,478**	**31,132**	

Company	2023					2022				
	Investment in subsidiaries	Equity accounted investments	Other Investments	Trade & other receivables	Charge to profit or loss	Investment in subsidiaries	Equity accounted investments	Other investments	Trade & other receivables	Charge to profit or loss
Note(s)	**14**	**15**	**16**	**21**		**14**	**15**	**16**	**21**	
Opening balance	195,125	123,262	218,030	6,678	-	208,494	32,534	179,235	1,176	-
ECLs/Bad debts w/off	6,023	-	6,286	197	12,506	-	-	20,937	5,502	26,439
Unrealised impairment	43,250	(21,621)	-	-	21,629	6,589	90,729	-	-	97,318
loss on equity valuation Write offs*	-	-	-	-	-	(19,958)	(1)	-	-	(19,959)
Income adjustment (IFRS 9) **	-	-	-	-	-	-	-	17,858	-	17,858
Closing Balance	**244,398**	**101,641**	**224,316**	**6,875**	**-**	**195,125**	**123,262**	**218,030**	**6,678**	

*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 continued

Figures in Pula thousand	Note(s)	Group 2023	Group 2022	Company 2023	Company 2022
9. Income tax expense/(credit)					
Major components of the tax expense (credit)					
Current					
Normal taxation at 22% / 15%		-	7,109	-	-
Local income tax - prior period (over) under provision		(513)	(308)	-	-
Withholding tax on debenture interest		1,128	2,945	1,128	2,945
Group tax relief		-	-	(6,336)	(384)
Withholding tax on dividends		2,435	7,560	2,435	7,560
Total normal taxation		**3,050**	**17,306**	**(2,773)**	**10,121**
Deferred tax - current year		3,724	4,265	-	-
Deferred tax recognised in OCI		-	(322)	-	-
		6,774	**21,249**	**(2,773)**	**10,121**
Reconciliation of the tax expense/(credit)					
The tax on the profit before tax differs from the theoretical amount as follows:					
Accounting profit/(loss)		71,192	38,099	(592)	(2,970)
Tax calculated at 22% / 15%		18,041	9,630	(130)	(653)
Income not subject to tax		(27,391)	(21,070)	(23,069)	(19,390)
Normal taxation - prior year		513	951	-	-
Capital gains tax		(7,511)	(13,127)	-	-
Expense not deductible for tax purposes		14,167	39,815	10,267	23,432
Utilisation of previously unrecognised tax losses		-	(4,931)	-	-
Withholding tax on debenture interest		1,128	2,945	1,128	2,945
Withholding tax paid on dividends received		2,435	7,560	2,435	7,560
Unrecognised deferred tax balances		5,392	(524)	12,932	(3,388)
Group tax relief		-	-	(6,336)	(384)
		6,774	**21,249**	**(2,773)**	**10,122**

Income not subject to tax

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

Expenses not deductible for tax purposes

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

Group

The amount of income tax relating to revaluation of land and buildings recognised in other comprehensive income amounted to PNil million (2022: P 3.58 million). Other movements in other comprehensive income did not have a tax impact on the group.

Notes to the Consolidated and Separate Financial Statements continued

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

Unrecognised deferred tax balances

At 30 June 2023, there was a deferred tax liability of P92.8 million (2022: P 99.5 million) for temporary differences of P436 million (2022: P 452 million) related to investments in subsidiaries. However, this liability was not recognised because the Group controls the dividend policy of its subsidiaries – i.e. the Group controls the timing of reversal of the related taxable temporary differences and management is satisfied that they will not reverse in the foreseeable future.

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

Tax losses:

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

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

Figures in Pula thousand	Group 2023	Group 2022	Company 2023	Company 2022
Tax year:				
2017/2018	-	71,068	-	19,083
2018/2019	34,402	33,038	-	-
2019/2020	1,876	1,876	1,582	1,582
2020/2021	3,027	3,027	-	-
2022/2023	34,652	-	29,980	-
	73,957	**109,009**	**31,562**	**20,665**

10. Property, plant and equipment

Figures in Pula thousand	2023 Cost or revaluation	2023 Accumulated depreciation	2023 Carrying value	2022 Cost or revaluation	2022 Accumulated depreciation	2022 Carrying value
Group						
Land and buildings	427,040	(12,911)	414,129	423,242	(4,004)	419,238
Plant and machinery	224,859	(146,071)	78,788	218,108	(136,603)	81,505
Furniture and fixtures	21,242	(17,098)	4,144	21,179	(17,709)	3,470
Motor vehicles	6,843	(4,507)	2,336	5,396	(3,871)	1,525
IT equipment	12,320	(10,615)	1,705	11,154	(10,244)	910
Capital - Work in progress	88,242	-	88,242	9,725	-	9,725
Total	**780,546**	**(191,202)**	**589,344**	**688,804**	**(172,431)**	**516,373**
Company						
Furniture and fixtures	10,049	(9,992)	57	10,049	(9,950)	99
Motor vehicles	1,620	(619)	1,001	714	(454)	260
IT equipment	6,375	(5,151)	1,224	5,390	(4,879)	511
Total	**18,044**	**(15,762)**	**2,282**	**16,153**	**(15,283)**	**870**

Notes to the Consolidated and Separate Financial Statements continued

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 2023

	Land & buildings	Plant & machinery	Furniture & fixtures	Motor vehicles	IT equipment	Capital work in progress	Total
	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Opening balance							
Cost	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 01 July 2022	**419,238**	**81,505**	**3,470**	**1,525**	**910**	**9,725**	**516,373**
Additions	5,500	8,012	632	1,900	2,265	78,649	96,958
Disposals and scrappings - cost	-	(1,393)	(571)	(454)	(234)	-	(2,652)
Disposals and scrappings - accumulated depreciation and impairment	-	1,348	571	241	207	-	2,367
Transfers	-	131	-	-	1	(132)	-
Revaluations	(1,700)	-	-	-	-	-	(1,700)
Depreciation	(8,909)	(10,815)	42	(876)	(1,444)	-	(22,002)
Net book value at 30 June 2023	**414,129**	**78,788**	**4,144**	**2,336**	**1,705**	**88,242**	**589,344**

Notes to the Consolidated and Separate Financial Statements continued

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 2022

	Land & buildings	Plant & machinery	Furniture & fixtures	Motor vehicles	IT equipment	Capital work in progress	Total
	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Opening balance							
Cost	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 01 July 2022	**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 combinations - accumulated depreciation	-	(23,568)	(1,296)	(984)	(669)	-	(26,517)
Disposals and scrappings - cost	-	(5,667)	(14)	-	(133)	-	(5,814)
Disposals and scrappings - 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)
Net book value at 30 June 2022	**419,238**	**81,505**	**3,470**	**1,525**	**910**	**9,725**	**516,373**

Capital Work in Progress

The Group commenced upgrade of one of its factories in the year ended 30 June 2020. Construction and plant upgrade costs for the year amounted to P73.1million (2022: P 4.5million). It is anticipated that the new factory will be in operation in the year ending 30 June 2025.

Notes to the Consolidated and Separate Financial Statements continued

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Company - 2023

	Furniture and fixtures	Motor vehicles	IT equipment	Total
Opening balance	**P'000**	**P'000**	**P'000**	**P'000**
Cost	10,049	714	5,390	16,153
Accumulated depreciation and impairment	(9,950)	(454)	(4,879)	(15,283)
Net book value at 01 July 2022	**99**	**260**	**511**	**870**
Additions	-	905	1,093	1,998
Disposals and scrappings - cost	-	-	(108)	(108)
Disposals and scrappings - accumulated depreciation and impairment	-	-	92	92
Depreciation	(42)	(164)	(364)	(570)
Net book value at 30 June 2023	**57**	**1,001**	**1,224**	**2,282**

Reconciliation of property, plant and equipment - Company - 2022

Cost	10,046	714	5,306	16,066
Accumulated depreciation and impairment	(9,800)	(326)	(4,561)	(14,687)
Net book value at 01 July 2021	**246**	**388**	**745**	**1,379**
Additions	3	-	143	146
Disposals and scrappings - cost	-	1	(59)	(58)
Disposals and scrappings - accumulated depreciation and impairment	-	-	26	26
Depreciation	(150)	(129)	(344)	(623)
Net book value at 30 June 2022	**99**	**260**	**511**	**870**

Notes to the Consolidated and Separate Financial Statements continued

10. 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.

Refer to note 7 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:

Group - Cost

	2023 P'000	2022 P'000
Land	9,729	7,846
Buildings	93,999	51,217
	103,728	**59,063**
Group - Accumulated depreciation		
Buildings	(40,922)	(28,433)
Group - Net carrying amount		
Land	9,729	7,846
Buildings	53,077	22,784
	62,806	**30,630**

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 continued

11. Intangible assets

Group	2023			2022		
	Cost/ Valuation P'000	Accumulated amortisation P'000	Carrying value P'000	Cost/ Valuation P'000	Accumulated amortisation P'000	Carrying value P'000
Computer software, other	7,200	(4,225)	2,975	5,683	(3,646)	2,037
Customer contracts	125,125	(19,511)	105,614	125,125	(6,504)	118,621
	132,325	**(23,736)**	**108,589**	**130,808**	**(10,150)**	**120,658**
Company						
Computer software, other	2,975	-	2,975	2,037	-	2,037

Reconciliation of intangible assets - Group - 2023	Opening balance P'000	Additions P'000	Amortisation P'000	Total P'000
Computer software, other	2,037	938	-	2,975
Customer contracts	118,621	-	(13,007)	105,614
	120,658	**938**	**(13,007)**	**108,589**

Reconciliation of intangible assets - Group - 2022	Opening balance P'000	Additions through business combinations P'000	Other changes, movements P'000	Amortisation P'000	Total P'000
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 - Company - 2023	Opening balance P'000	Additions P'000	Total P'000
Computer software, other	2,037	938	2,975

Reconciliation of intangible assets - Company - 2022	Opening balance P'000	Other changes, movements P'000	Total P'000
Computer software, other	2,813	(776)	2,037

Computer software with a cost of P2,975,000 (2022: P 2,037,000) has not been amortised as it was under development at year-end. The intangible asset is internally generated.

Notes to the Consolidated and Separate Financial Statements continued

Figures in Pula thousand	Group 2023	Group 2022	Company 2023	Company 2022

11. Intangible assets (continued)

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. For significant estimates and judgments on these contracts refer to policy note 1.5.

12. Right of use assets/Leases

The group leases several assets, including buildings, plant and IT equipment. The average lease term is 5 years (2022: 5 years).

The group has the option to purchase the plant at a nominal amount on completion of the lease term. Details pertaining to leasing arrangements, where the group is lessee are presented below:

Net carrying amounts of right-of-use assets

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

	Group 2023	Group 2022	Company 2023	Company 2022
Building	-	-	89,619	103,390
Motor vehicles	203	354	203	354
	203	**354**	**89,822**	**103,744**

Depreciation recognised on right-of-use assets

Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss (note 6), as well as depreciation which has been capitalised to the cost of other assets.

	Group 2023	Group 2022	Company 2023	Company 2022
Buildings	-	-	13,771	13,785
Motor vehicles	151	162	151	162
	151	**162**	**13,922**	**13,947**

Other disclosures

	Group 2023	Group 2022	Company 2023	Company 2022
Capital portion of lease liability paid	161	186	10,762	8,630
Interest expense on lease liabilities	706	241	12,010	12,753
Total cash outflow from leases	**867**	**427**	**22,772**	**21,383**
Leases of low value assets included in operating expenses	39	37	39	37
Leases of low value assets included in cost of merchandise sold and inventories	12	-	-	-

At 30 June 2023, the group is committed to Pnil (2022: P nil) for short-term leases.

Notes to the Consolidated and Separate Financial Statements continued

Figures in Pula thousand	Group 2023	Group 2022	Company 2023	Company 2022

12. 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:

	Group 2023	Group 2022	Company 2023	Company 2022
Within one year	174	161	13,782	11,023
Two to five years	-	174	16,720	13,782
More than five years	-	-	125,108	142,081
	174	**335**	**155,610**	**166,886**

Leases (group as lessor)

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

	Group 2023	Group 2022	Company 2023	Company 2022
Less than one year	67,079	57,133	-	-
One to two years	62,282	53,593	-	-
Two to three years	56,996	49,548	-	-
Three to four years	45,350	42,512	-	-
Four to five years	40,704	33,122	-	-
More than 5 years	88,619	84,539	-	-

13. Goodwill

Group	2023 Cost	2023 Accumulated impairment	2023 Carrying value	2022 Cost	2022 Accumulated impairment	2022 Carrying value
Goodwill	13,909	-	13,909	13,909	-	13,909

Reconciliation of goodwill - Group - 2023

	Opening balance	Closing balance
Goodwill	13,909	13,909

Reconciliation of goodwill - Group - 2022

	Opening balance	Additions through business combinations	Closing balance
Goodwill	-	13,909	13,909

In reviewing the goodwill arising from the acquisition of Delta Automotive Technologies (Proprietary) Limited 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 since the valuation date.
- Growth rates will average between 8-10%.

Notes to the Consolidated and Separate Financial Statements continued

13. Goodwill (continued)

- The cost of equity for auto & parts is a good proxy of the expected returns on Delta Automotive Technologies (Proprietary) Limited assets.
- As at 30 June 2023, the carrying amount of the entity was compared to the recoverable amount of the cash generating unit and no impairement indicators noted. The valuation of the entity was based on a discounted cash flow methodology in which a terminal growth rate of 4% was applied and a weighted average cost of capital of 19% used.

14. 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 in Pula thousand.

2023	Ordinary shares at cost	Preference shares at cost	Total investment	% of share held
Agriculture	**126,945**		**126,945**	
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	41,086	-	41,086	100 %
Industry	**271,022**		**271,022**	
Lobatse Clay Works (Pty) Ltd	211,581	-	211,581	100 %
Delta Automotive Technologies	59,441	-	59,441	60 %
Services	**30,648**		**30,648**	
Export Credit Insurance & Guarantee (Pty) Ltd	30,648	-	30,648	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 %
	1,335,751		**1,335,751**	
Less: Accumulated impairment			(244,398)	
			1,091,353	

Notes to the Consolidated and Separate Financial Statements continued

14. 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 in Pula thousand.

2022	Ordinary shares at cost	Preference shares at cost	Total investment	% of share 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 %
MilkAfrica (Pty) Ltd	26,703	-	26,703	100 %
Industry	**218,250**		**218,250**	
Lobatse Clay Works (Pty) Ltd	158,809	-	158,809	100 %
Delta Automotive Technologies	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 %
	1,252,532		**1,252,532**	
Less: Accumulated impairment			(195,125)	
			1,057,407	

All the above subsidiaries are registered in Botswana.

Impairment

The accumulated impairment of P(244) million ((2022: P (195) million) relates to the write down of some subsidiaries on the basis of their recoverable amounts.

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

Key assumptions used in the determining future profitability of subsidiaries include revenue growth rates which were assessed as reasonable and are in line with relevant market growth rates. Such assumptions are based on historical results adjusted for anticipated future growth. These assumptions are a reflection of management's past experience in the market in which the investees operate. The current value of assets held by subsidiaries which is mostly property, plant and equipment and investment property was performed by independent property valuers. Refer to note 7 and 10 for additional details.

Impairment increased mainly due to the write down of holding of subsidiaries to their recoverable amount. Impairment loss of P43.0 million (2022: P 6.6 million) is included in the profit or loss(refer to note 8).

Notes to the Consolidated and Separate Financial Statements continued

15. Equity accounted investees

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

Group - 2023	Ordinary shares at cost	Preference shares at cost	Total investment	% of share held
Agriculture	**4,432**	**(4,432)**	**-**	
Marekisetso A Merogo (Pty) Ltd	4,432	(4,432)	-	23 %
Industry	**44,370**	**(13,259)**	**31,111**	
Nampak Div Food Botswana	23,077	(7,757)	15,320	26 %
Indus Healthcare (Pty) Ltd	21,293	(5,502)	15,791	26 %
Services	**217,511**	**(34,279)**	**183,232**	
Peermont Global (Botswana) Ltd	3,000	25,732	28,732	40 %
TransUnion (Pty) Ltd	147	5,790	5,937	49 %
Mashatu Nature Reserve (Pty) Ltd	10,287	104,945	115,232	30 %
Kamoso Africa (Pty) Ltd	204,077	(170,746)	33,331	24 %
Property management	**264,824**	**29,924**	**294,748**	
Letlole La Rona Limited	264,824	29,924	294,748	40 %
Total all sectors			**509,091**	
Less: Accumulated impairment			(16,401)	
			492,690	

Group - 2022	Ordinary shares at cost	Preference shares at cost	Total investment	% of share 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 Div Food 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	30 %
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	

All associated companies are registered in Botswana.

Notes to the Consolidated and Separate Financial Statements continued

Figures in Pula thousand	Group 2023	Group 2022	Company 2023	Company 2022
15. Equity accounted investees (continued)				
Group investments as disclosed above	-	-	492,690	482,954
Add/Less post acquisition reserves	-	-	35,774	56,208
	-	-	528,464	539,162
Less loss on disposal	-	-	-	(10,698)
Less: Accumulated impairment	-	-	(101,641)	(123,262)
	-	-	426,823	405,202

All associated companies are registered in Botswana.

	Group 2023	Group 2022	Company 2023	Company 2022
Movement in equity accounted investees:				
Opening balance	482,954	662,649	405,202	541,795
Share of profit/(loss) net of tax	37,181	(104,680)	-	-
Debenture interest and dividend received	(27,445)	(20,803)	-	-
Transfer to held for sale	-	(21,563)	-	(10,865)
Share of other comprehensive income net of tax	-	(2,674)	-	-
Total before impairment	492,690	512,929	405,202	530,930
Investment cost adjustment	-	(35,000)	-	(35,000)
Impairment reversal/(charged) for the year	-	5,025	21,621	(90,728)
	492,690	482,954	426,823	405,202

Impairments on equity accounted investments at group level amounted to P16,401,000 (2022: P 16,401,000), these were as a result of significant write down of goodwill of an associate company in prior year. There was no movement in the current year.

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

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 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 decreased mainly due to the reversals of impairments arising from increase in recoverable amounts of equity accounted investees. Impairment for equity accounted investees at company level was P102 million (2022: P123 million).

The current value of assets held by equity accounted investees which is mostly property, plant and equipment and investment property was performed by independent property valuers. Refer to note 7 and 10 for additional details.

Refer to note 42 for summarised financial information for material associate companies.

Investments in Letlotle La Rona Limited comprises of linked units, each comprising one ordinary share and one variable debenture which are indivisibly linked. Each linked unit comprises an ordinary share issued at P0.01 and one variable rate unsecured debenture issued at P1.49. The yield on the unit comprises a dividend on the share component and interest on the debenture component of the linked unit.

Notes to the Consolidated and Separate Financial Statements continued

16. Other investments

Group	Note(s)	2023 Current investments P'000	2023 Non-current investments P'000	2023 Total P'000	2023 % interest	2022 Current investments P'000	2022 Non-current investments P'000	2022 Total P'000	2022 % interest
Financial assets at amortised cost									
- To associate companies									
P Pather Capital II		13,052	-	13,052	0 %	6,600	5,050	11,650	0 %
Mashatu (Pty) Ltd		-	18,111	18,111	7.50 %	-	20,573	20,573	7.50 %
Transport Holdings (Pty) Ltd		11,779	23,197	34,976	11.00 %	29,900	23,591	53,491	11.00 %
- To non-affiliated entities									
Botswana based entities		317,572	457,771	775,343	14.00 %	427,951	306,390	734,341	14.00 %
Regional entities		791,579	-	791,579	15.00 %	4,213	633,267	637,480	15.00 %
Industry Support Fund	26	67,143	8,804	75,947	5.25 %	86,271	42,535	128,806	5.25 %
Total financial assets at amortised cost		1,201,125	507,883	1,709,008		554,935	1,031,406	1,586,341	
Equity securities at fair value through profit/loss Preference shares									
Crates and Pallets (Pty) Ltd		-	7,022	7,022	13.00 %	-	7,022	7,022	13.00 %
Thakadu and Kwena Hotels (Pty) Ltd		-	12,453	12,453	16.00 %	-	11,729	11,729	16.00 %
Indus Healthcare (Pty) Ltd		-	35,685	35,685	9.65 %	-	34,573	34,573	9.65 %
Minergy Coal (Pty) Ltd		-	154,230	154,230	18.00 %	-	127,308	127,308	18.00 %
Total equity securities at fair value through profit/loss		-	209,390	209,390		-	180,632	180,632	

Notes to the Consolidated and Separate Financial Statements continued

16. Other investments (continued)

Company	Note (s)	2023 Current Invest-ments P'000	2023 Non-current invest-ments P'000	2023 Total P'000	2023 % interest	2022 Current invest-ments P'000	2022 Non-current invest-ments P'000	2022 Total P'000	2022 % interest
Debt securities - designated at fair value through profit/loss									
RFG Botswana Limited	48	45,012	300,000	345,012	10.00 %	60,309	300,000	360,309	10.00 %
Equity securities- designated at Fair value through other comprehensive income									
Sechaba Brewery Holdings Limited shares		-	399,444	399,444	18.00 %	-	363,177	363,177	19.00 %
Cresta Marakanelo Limited shares		-	52,798	52,798	27.00 %	-	51,290	51,290	27.00 %
Grit Real Estate Limited shares		-	135,089	135,089	5.79 %	-	110,859	110,859	3.14 %
Total Debt and Equity securities - designated at fair value		45,012	887,331	932,343		60,309	825,326	885,635	
		1,246,137	**1,604,604**	**2,850,741**		**615,244**	**2,037,364**	**2,652,608**	
Less: Accumulated impairment		(167,561)	(14,256)	(181,817)	-	(134,848)	(42,630)	(177,478)	
		1,078,576	**1,590,348**	**2,668,924**		**480,396**	**1,994,734**	**2,475,130**	

Notes to the Consolidated and Separate Financial Statements continued

Figures in Pula thousand	Group 2023	Group 2022	Company 2023	Company 2022

16. Other investments (continued)

The Company holds 19,952,231 (2022: 20,812,462) and 50,283,975 (2022: 50,283,975) ordinary shares in Sechaba Brewery Holdings Ltd and Cresta Marakanelo Ltd, respectively. During the year the Group disposed 860,231 shares in Sechaba Brewery Holdings Ltd. The equity method of accounting is not followed by the Group as it only holds 18% of the shares of Sechaba Breweries Holdings Ltd as at 30 June 2023. For the year ended 30 June 2023, the Group did not exercise significant influence over Sechaba Breweries Holdings Ltd's financial and operating policies. The Group 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 Group owns 27% (2022: 27%) of Cresta Marakanelo Ltd's issued capital, however the equity method of accounting is not followed as the Group 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 to Cresta Holdings (Pty) Ltd who manages hotels on behalf of the Cresta Group. The BDC Group 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 is quoted on Botswana Stock Exchange.

Figures in Pula thousand	Company 2023	Company 2022
Consolidated other investments as above (gross):	2,850,741	2,652,608
Add back loans and preference shares to subsidiaries:		
Lobatse Clay Works (Pty) Ltd	102,403	94,555
Botswana Hotel Development Corporation (Pty) Ltd	33,906	48,386
Delta Automotive Technologies (Pty) Ltd	195,448	180,470
Western Industrial Estate (Pty) Ltd	20,255	19,965
Milk Afric (Pty) Ltd	35,458	35,458
Fairground Holdings (Pty) Ltd	13,070	11,599
P Panther Capital II	(13,256)	(11,650)
Delta Automotive Technologies (Pty) Ltd ISF	16,110	25,555
Western Industrial Estate (Pty) Ltd - Pref shares	46,699	-
Subtotal	3,300,834	3,056,946
Accumulated impairment	(224,316)	(218,030)
	3,076,518	**2,838,916**
Classified as follows		
Current assets	1,106,686	584,038
Non-current assets	1,969,832	2,254,878
	3,076,518	**2,838,916**

Notes to the Consolidated and Separate Financial Statements continued

Figures in Pula thousand	Group 2023	2022	Company 2023	2022
16. 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	1,201,081	554,935	1,261,169	739,554
1-5 years	489,814	1,010,833	717,442	1,121,396
>5 years	18,113	20,573	120,721	129,780
Subtotal	1,709,008	1,586,341	2,099,332	1,990,730
Impairment loss allowance	(181,817)	(177,478)	(224,316)	(218,030)
	1,527,191	**1,408,863**	**1,875,016**	**1,772,700**

2023	Group		Company	
Figures in Pula thousand	**Fair value**	**Dividends**	**Fair value**	**Dividends**
Equity securities designated at FVOCI				
Sechaba Brewery Holdings Limited	399,444	31,784	399,444	31,748
Cresta Marakanelo Limited	52,798	-	52,798	-
GRIT Real Estate Limited	135,089	13,925	135,089	13,925
	587,331	**45,709**	**587,331**	**45,673**

2022	Group		Company	
Figures in Pula thousand	**Fair value**	**Dividends**	**Fair value**	**Dividends**
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**

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 P1.709 billion (2022: P 1.600 billion) and P2.099 billion (2022: P1.991 billion) respectively. Corresponding impairment allowances at year end for group and company amounted to P182 million (2022: P177 million) and P224 million (2022: P218 million) respectively.

17. 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.

Notes to the Consolidated and Separate Financial Statements continued

Figures in Pula thousand	Group 2023	2022	Company 2023	2022
17. Due from group companies (continued)				
Group Company Name				
Export Credit Insurance and Guarantee (Pty) Ltd	-	-	1,565	1,565
Lobatse Clay Works (Pty) Ltd	-	-	(9,409)	(9,409)
Commercial Holdings (Pty) Ltd	-	-	11,805	7,977
Botswana Hotel Development Company (Pty) Ltd	-	-	46,344	44,329
Milk Afric (Pty) Ltd	-	-	(513)	(514)
Residential Holdings (Pty) Ltd	-	-	14,487	14,487
Talana Farms (Pty) Ltd	-	-	654	555
Western Industrial Estates (Pty) Ltd	-	-	5,900	5,821
LP Amusement Centre (Pty) Ltd	-	-	(2,550)	(2,865)
Malutu Enterprises (Pty) Ltd	-	-	1,628	1,628
	-	-	**69,911**	**63,574**

18. 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 2023	2022	Company 2023	2022
Opening Balance	172	91	-	-
Movement included in profit or loss	122	81	-	-
The deferred lease asset as at 30 June	**294**	**172**	**-**	**-**
Within one year	995	766	-	-
After one year, before five years	616	336	-	-
	1,611	**1,102**	**-**	**-**

Notes to the Consolidated and Separate Financial Statements continued

Figures in Pula thousand	Group 2023	Group 2022	Company 2023	Company 2022
19. Deferred tax				
Deferred tax liability				
Capital gains tax	(104,054)	(120,946)	-	-
The capital gains and losses are on investment properties and property, plant and equipment.				
Deferred tax asset				
Investment properties, property, plant and equipment	531	154	-	-
Provisions	7,333	1,486	-	-
Deferred tax balance from temporary differences other than unused tax losses	7,864	1,640	-	-
Tax losses available for set off against future tax income	3,433	19,776	-	-
	11,297	21,416	-	-
Total deferred tax asset	**11,297**	**21,416**	-	-
Deferred tax liability	(104,054)	(120,946)	-	-
Deferred tax asset	11,297	21,416	-	-
Total net deferred tax liability	**(92,757)**	**(99,530)**	-	-
Reconciliation of net deferred tax liability				
At beginning of year	99,530	96,312	-	-
Charged to profit/(loss)-current year capital allowances	976	5,557	-	-
Deferred tax adjustment - prior year	(10,496)	(1,048)	-	-
Charged to profit/(loss) -tax losses in current year	1,156	5,024	-	-
Charged to profit/(loss) -capital gains tax	1,591	(6,315)	-	-
At end of year	**92,757**	**99,530**	-	-
20. Inventories				
Raw materials, components	17,626	19,879	-	-
Work in progress	45,960	43,953	-	-
Finished goods and consumables	7,670	10,683	-	-
Amortisation of fair value gain	-	(1,629)	-	-
	71,256	72,886	-	-
Inventories (write-downs)	(1,486)	(1,486)	-	-
	69,770	**71,400**	-	-

Amounts of inventory recognised as an expense in cost of sales amounts to P131.3 million (2022: P 55.0 million)

Notes to the Consolidated and Separate Financial Statements continued

Figures in Pula thousand	Group 2023	Group 2022	Company 2023	Company 2022
21. Trade and other receivables				
Gross trade receivables	62,419	56,825	22,201	23,404
Allowance for doubtful debts	(26,126)	(31,129)	(6,875)	(6,678)
Net trade receivables	36,293	25,696	15,326	16,726
Prepayments	29,058	32,086	25,167	29,062
Advances to officers	1,863	396	1,787	305
Value Added Tax (VAT)	39,274	21,108	2,886	2,886
Due from related parties	313	313	-	-
Other receivables	27,754	26,529	14,133	49,069
Investment refunds (Clawback)	35,000	-	35,000	-
Refundable taxes	18,473	13,845	-	-
Total trade and other receivables	**188,028**	**119,973**	**94,299**	**98,048**

The average credit period is 30 days (2022: 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 million (2022: P Nil 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 2023	Group 2022	Company 2023	Company 2022
1 - 30 days	3,914	-	-	1,242
31 - 60 days	903	3,501	515	-
61 - 90 days	1,828	1,840	28	593
91 and above	22,535	30,738	4,673	6,013
Total	**29,180**	**36,079**	**5,216**	**7,848**
Movement in the allowance for doubtful debts				
Balance at beginning of the year	31,129	29,560	6,678	1,176
Allowance (reversed)/charged during the year	(5,003)	1,572	197	5,502
Balance at end of the year	**26,126**	**31,132**	**6,875**	**6,678**

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.

	2023 Trade receivable	2023 Expected credit loss	2023 Not impaired	2022 Trade receivable	2022 Expected credit loss	2022 Not impaired
Current	7,241	(125)	7,116	9,333	(1,014)	8,319
1-30 days	3,934	(20)	3,914	5,797	(387)	5,410
31-60 days	958	(55)	903	1,398	(360)	1,038
61-90 days	6,180	(4,352)	1,828	1,737	(801)	936
more than 90 days	44,106	(21,571)	22,535	38,560	(28,567)	9,993
	62,419	**(26,123)**	**36,296**	**56,825**	**(31,129)**	**25,696**

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.

Notes to the Consolidated and Separate Financial Statements continued

Figures in Pula thousand	Group 2023	2022	Company 2023	2022
22. Other assets				
Balance at beginning of the year	9,550	8,462	-	-
Interest income - reinvested	182	-	-	-
Net (withdrawals)/deposits	(6,974)	1,088	-	-
Balance at end of the year	**2,758**	**9,550**	-	-

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.

23. Cash and cash equivalents

Cash and cash equivalents consist of:

Figures in Pula thousand	Group 2023	2022	Company 2023	2022
Cash on hand	5	5	-	-
Bank balances	108,838	200,964	45,289	119,799
Money market funds	134,561	537,456	91,892	495,063
Industry Support Funds (refer to note 46)	30,308	24,423	30,308	24,423
Other cash and cash equivalents	12,108	1,441	-	-
Cash held on behalf of subsidiaries	26,011	-	53,891	36,036
Bank overdraft	(61,112)	(100,223)	(54,550)	(94,762)
	250,719	**664,066**	**166,830**	**580,559**
Current assets	311,831	764,289	221,380	675,321
Current liabilities	(61,112)	(100,223)	(54,550)	(94,762)
	250,719	**664,066**	**166,830**	**580,559**

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 2023, P54 million (2022: P 36 million) 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 7.2% (2022: 5.8%). The proportionate amount of interest up to 30 June is added to the cost of investment to approximate fair value.

24. Non-current assets classified as held for sale

In June 2022 the Group reclassified one of it's equity accounted investee company, Transport Holdings (Pty) Ltd, as held for sale. The carrying amount of the asset in the Group was P21.5 million and in the Company the asset was measured at cost of P10.8 million. The sale of the asset was concluded in July 2022 at a cash consideration of P17.9 million. The sale resulted in a loss on disposal in the Group and a profit on disposal of P7 million at the Company.

Assets and liabilities

Figures in Pula thousand	Group 2023	2022	Company 2023	2022
Non-current assets held for sale				
Investment property	-	21,563	-	10,865

Notes to the Consolidated and Separate Financial Statements continued

Figures in Pula thousand	Group 2023	2022	Company 2023	2022
25. Stated capital				
Issued				
541,769,462 (2022: 541,769,462) Ordinary shares of no par value	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.

26. Claims Equalisation Reserve and ISF Equity Reserve

Figures in Pula thousand	Group 2023	2022	Company 2023	2022
Claims Equilisation 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 (2022: P Nil) was made to retained earnings to reduce the impact of abnormal claims.

Figures in Pula thousand	Group 2023	2022	Company 2023	2022
ISF Equity Reserve				
Balance as at 30 June 2022	25,762	-	25,762	-
Transfers during the year	70,743	25,762	70,743	25,762
Balance as at 30 June 2023	**96,505**	**25,762**	**96,505**	**25,762**

The company was mandated to administer a P300 million facility on behalf of the Botswana Government for large business (refer to note 46). 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 2023, the total transferred to the reserve amounted to P96,505,000.

27. Fair value reserve

Figures in Pula thousand	Group 2023	2022	Company 2023	2022
Balance at beginning of the year	113,318	177,294	113,318	177,294
Movement during the year	55,543	(63,976)	55,543	(63,976)
Balance at end of the year	**168,861**	**113,318**	**168,861**	**113,318**
Comprising:				
Sechaba Breweries Holdings Limited	398,664	360,566	398,664	360,566
Cresta Marakanelo Limited	(25,140)	(26,650)	(25,140)	(26,650)
Grit Real Estate Income Group Limited	(204,663)	(220,598)	(204,663)	(220,598)
	168,861	**113,318**	**168,861**	**113,318**

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 16.

Notes to the Consolidated and Separate Financial Statements continued

28. Other Reserves

	Foreign exchange movements	Capital and Debt Reserve	Statutory capital & solvency reserve	Revaluation reserve	Total
	P'000	P'000	P'000	P'000	P'000
Company					
Balance as 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
Transfers during the year	-	(111,916)	-	-	(111,916)
Foreign exchange gains/(losses)	8,294	-	-	-	8,294
Balance at 30 June 2023	**8,294**	**70,330**	**-**	**-**	**78,624**
Group					
Subsidiaries					
Balance as at 30 June 2021	-	-	2,262	198,165	200,427
Transfers from/(to) retained earnings	-	-	-	21,246	21,246
Balance at 30 June 2022	**-**	**-**	**2,262**	**219,411**	**221,673**
Transfer to retained earnings	-	-	-	(2,084)	(2,084)
Foreign currency translation reserves	(1,444)	-	-	-	(1,444)
Balance at 30 June 2023	**(1,444)**	**-**	**2,262**	**217,327**	**218,145**
Associates					
Balance as at 30 June 2021	-	-	-	120,854	120,854
Share of other comprehensive loss of associates	-	-	-	(2,674)	(2,674)
Balance at 30 June 2022	**-**	**-**	**-**	**118,180**	**118,180**
Share of other comprehensive loss of associates	-	-	-	-	-
Balance at 30 June 2023	**-**	**-**	**-**	**118,180**	**118,180**
Total Other reserves at 2022	**-**	**182,246**	**2,262**	**337,591**	**522,099**
Total Other reserves at 2023	**6,850**	**70,330**	**2,262**	**335,507**	**414,949**

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 PNil million (2022: P 4.4 million) in accordance with policy and utilised P120.0 miilion (2022: P Nil). The funds were invested in an interest bearing account and earned P8.3 million (2022: P 9.1 million).

Notes to the Consolidated and Separate Financial Statements continued

Figures in Pula thousand	Group 2023	Group 2022	Company 2023	Company 2022

28. 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.

29. Non-controlling interest

Figures in Pula thousand	Group 2023	Group 2022	Company 2023	Company 2022
Balance at beginning of the year	121,268	104,518	-	-
Share of loss and OCI for the year from subsidiaries	(611)	(2,603)	-	-
Additions due to business combination	-	22,353	-	-
Dividends paid	-	(3,000)	-	-
Balance at end of the year	**120,657**	**121,268**	**-**	**-**

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 49).

Notes to the Consolidated and Separate Financial Statements continued

Figures in Pula thousand	Note(s)	Group 2023	Group 2022	Company 2023	Company 2022
30. Borrowings					
Held at amortised cost					
First National Bank of Botswana		1,142	-	-	-
G Keichler & Sons (Pty) Ltd		-	5,373	-	-
Term loan bearing interest rate at prime lending rate, currently 6.25% (2018:6.5%) per annum and repayable in equal instalments of P263 359 over 10 years. The loan is secured by First Covering Mortgage Bond of P20 million over Lot 4821 Lobatse.					
Absa Bank of Botswana Limited		48,371	58,952	-	-
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					
National Development Bank		553	2,377	-	-
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.					
Botswana Government		33,906	48,385	33,906	48,385
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.					
Standard Chartered Bank Botswana		25,064	45,074	25,064	45,074
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 .					
First National Bank , Absa Bank Botswana Limited and Stanbic		727,768	776,131	727,768	776,131
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-annualy in arrears with 16 equal amortizing repayments starting 6 months at the end of the capital grace period.					
Industry Support Funds (ISF)		116,922	179,228	116,922	179,228
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 46)					
African Development Bank		1,105,006	1,003,438	1,105,006	1,003,438
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.					

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Notes to the Consolidated and Separate Financial Statements continued

Figures in Pula thousand	Note(s)	Group 2023	Group 2022	Company 2023	Company 2022
30. Borrowings (continued)					
SCB Commercial Facility		121,514	200,507	121,514	200,507
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 .					
First Capital Bank		18,803	60,568	18,803	60,568
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.					
Bank Gaborone		1,891	2,179	-	-
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.					
Total Loans		2,200,940	2,382,212	2,148,983	2,313,331
Split between non-current and current portions					
Non-current liabilities		1,936,366	2,156,783	1,884,409	2,100,837
Current liabilities		264,574	225,429	264,574	212,494
		2,200,940	2,382,212	2,148,983	2,313,331
Maturity analysis of gross borrowings					
Not later than 1 year		264,574	225,429	264,574	212,494
Later than 1 year, but not later than 5 years		790,329	1,122,169	738,372	1,065,244
Later than 5 years		1,146,037	1,034,614	1,146,037	1,035,593
Gross borrowings		2,200,940	2,382,212	2,148,983	2,313,331
31. Government grants					
Non-current liabilities		9,275	9,631	-	-
Current liabilities		356	356	-	-
		9,631	9,987	-	-
Balance at beginning of the year		9,987	10,343	-	-
Amortisation during the year		(356)	(356)	-	-
		9,631	9,987	-	-
Gross Government grants		32,456	32,456	-	-
Amortisation		(12,825)	(12,469)	-	-
Utilised as provision for impairment loss		(10,000)	(10,000)	-	-
		9,631	9,987	-	-

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 continued

Figures in Pula thousand	Note(s)	Group 2023	Group 2022	Company 2023	Company 2022
32. Trade and other payables					
Financial instruments:					
Trade payables		51,869	46,040	74,291	60,578
Trade payables - related parties		344	36	20	20
Interest accruals		9,364	3,830	5,169	12
Accrued expense		22,171	10,313	7,152	6,876
Deposits		75,682	62,283	1,073	9,172
Non-financial instruments:					
Amounts received in advance		1,336	752	-	-
Payroll accruals		14,634	11,564	9,721	7,539
Vat payable		7,491	10,724	1,426	116
		182,891	**145,542**	**98,852**	**84,313**
33. 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 installments of principal - 2027, 2028 and 2029					
Collateral: None BDC 002		-	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 installments 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 installments of principal - 2029, 2030 and 2031					
Collateral: None					
Issuance Costs on BDC 001		(2,813)	(3,090)	(2,813)	(3,090)
Issuance Costs on BDC 002		-	(53)	-	(53)
Issuance Costs on BDC 003		(53)	(62)	(53)	(62)
Issuance Costs on BDC 004		(2,579)	(2,891)	(2,579)	(2,891)
Bond discount		(2,640)	(3,086)	(2,640)	(3,086)
		378,615	**509,018**	**378,615**	**509,018**

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.

Notes to the Consolidated and Separate Financial Statements continued

Figures in Pula thousand	Note(s)	Group 2023	Group 2022	Company 2023	Company 2022
33. Bonds outstanding (continued)					
Split between non-current and current portions					
Non-current liabilities		378,615	377,518	378,615	377,518
Current liabilities		-	131,500	-	131,500
		378,615	**509,018**	**378,615**	**509,018**
34. Provisions for restoration costs					
Non-current liabilities		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 June 2023 ,there was no incremental mine restoration assessment performed because there was insignificant mining activity during the year at Lobatse and none at Mmamabula sites, as the company has stockpiles accumulated from previous years. The last estimate provision for site rehabilitation was performed at the end of 2022, by an external expert, Champs Botswana. The costs estimated by the expert included estimated 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% (2022:5.22%) 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% (2022:5.22%) 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 turn around strategy to commence operations .

Figures in Pula thousand	Note(s)	Group 2023	Group 2022	Company 2023	Company 2022
35. Bank overdrafts					
Bank overdraft		61,112	100,223	54,550	94,762
The Group's bank overdraft limits are as follows:					
- Standard Chartered Bank Botswana Limited		70,000	70,000	70,000	70,000
- Bank Gaborone		6,500	6,500	-	-
- Absa Bank Botswanma Limited		-	45,000	-	-
- Stanbic Bank Botswana Limited		55,000	55,000	55,000	55,000
		131,500	**176,500**	**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 was secured over deed of hypothetication over all movable assets in the amount of P80million.

The Company's facilities are unsecured.

Notes to the Consolidated and Separate Financial Statements continued

Figures in Pula thousand	Note(s)	Group 2023	Group 2022	Company 2023	Company 2022
36. Commitments					
Commitments relating to subsidiaries					
The company has the following commitments relating to subsidiary companies:					
Commitments to provide funding to subsidiaries.				42,628	95,400
37. Contingent liabilities					
Legal matters against certain subsidiaries		-	(1,750)	-	-
Guarantees and Bonds outstanding		(604,761)	(309,832)	-	-
		(604,761)	**(311,582)**		

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 legal matter noted in the year 2022 was settled.

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.

38. 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 P2.3 million (2022: P 2.8 million).

Notes to the Consolidated and Separate Financial Statements continued

39. 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 14
Associates	Refer to note 15
	Executive Director
Members of key management	Executive management

Notes to the Consolidated and Separate Financial Statements continued

39. Related parties (continued)

Related party balances

Figures in Pula thousand	**Group and Company 2023**	**2022**
Phakalane Property Development (Pty) Ltd		
Due to Phakalane Estates	-	915
Western Industrial Estates (Pty) Ltd		
Cash invested on behalf of subsidiaries	33,407	12,784
Group tax relief with BDC	5,821	6,661
Loan from BDC	20,256	19,892
Payables to BDC	376	1
Dividend due to BDC	-	11,000
Cashpooling fund	2,993	12,783
Cashpooling Interest	151	501
Preference shares	46,493	-
Interest on Preference shares	2,062	-
Commercial Holdings (Pty) Ltd		
Cash invested on behalf of subsidiary by BDC	14,931	3,832
Group tax relief with BDC	7,977	9,716
Dividend due to BDC	5,000	5,000
Cashpooling fund	3,913	3,832
Cashpooling Interest	134	199
Payables to BDC	8	-
Letlole la Rona Limited		
Debenture interest and dividend due to BDC from investment in associate (note 15)	12,012	11,335
Botswana Hotel Development Company (Pty) Ltd		
Group tax relief with BDC	45,294	44,329
Loan from BDC	33,906	48,386
Cash invested on behalf of subsidiary	2,397	2,237
Dividend due to BDC	5,000	-
Cashpooling Fund	2,269	2,237
Cashpooling Interest	65	66
Payables to BDC	5	-
Talana Farms (Pty) Ltd		
Group tax relief	570	555
Dividend due to BDC	-	300
Cash invested on behalf of subsidiary	2,180	-
Payables to BDC	1	-

Notes to the Consolidated and Separate Financial Statements continued

39. Related parties (continued)

Figures in Pula thousand	**Group 2023**	**Company 2022**
Malutu Enterprises (Pty) Ltd		
Group tax relief with BDC	1,628	1,628
Payables to BDC	2	-
Residential Holdings (Pty) Ltd		
Group tax relief with BDC	14,487	14,487
Cash invested on behalf of subsidiary by BDC	22	43
Cashpooling Fund	10,580	82
Cashpooling Interest	384	10
Payables to BDC	5	-
LP Amusement Centre (Pty) Ltd		
Group tax relief with BDC	(2,866)	(2,779)
Cash invested on behalf of subsidiary by BDC	1,732	-
Export Credit Insurance & Guarantee (Pty) Ltd		
Group tax relief with BDC	1,565	1,565
Lobatse Clay Works (Pty) Ltd		
Loan from BDC	102,403	94,555
Group tax relief	(9,409)	(9,409)
Milk Afric (Pty) Ltd		
Loan from BDC	35,458	35,440
Group tax relief with BDC	(513)	-
Payables to BDC	115	-
Delta Automotive Technologies (Pty) Ltd		
Loan from BDC	195,449	180,470
ISF Loan	16,110	25,556
Payables to BDC	10	-
Mashatu Nature Reserve (Pty) Ltd		
Loan from BDC	18,111	20,573
Kamoso Africa (Pty) Ltd	-	-
Loan from BDC	11,735	9,943
ISF loan	27,519	25,744
Fairground Holdings (Pty) Ltd		
Payables to BDC	10	-
Preference shares	13,070	-
Interest on preference shares	1,471	-
Payables to Fairground Holdings (Pty) Ltd	50	-

Notes to the Consolidated and Separate Financial Statements continued

39. Related parties (continued)

Figures in Pula thousand	Group and Company 2023	Group and Company 2022
Related party transactions		
Directors' fees paid		
Botswana Development Corporation	416	306
Botswana Hotel Development Company (Pty) Ltd	32	26
Commercial Holdings (Pty) Ltd	36	56
Export Credit Insurance & Guarantee (Pty) Ltd	414	319
Western Industrial Estates (Pty) Ltd	5	53
Letlole La Rona Limited	2,923	2,928
Residential Holdings (Pty) Ltd	27	26
Directors' remuneration for executive services		
Botswana Development Corporation - short term benefits	1,765	2,072
Botswana Development Corporation - long term benefits	1,890	1,800
Management fees paid to BDC		
Botswana Hotel Development Company (Pty) Ltd	-	217
Western Industrial Estates (Pty) Ltd	60	-
Key management remuneration		
Botswana Development Corporation	11,171	12,524
Delta Automotive Technologies (Pty) Ltd	3,382	648
Fairgrounds Holdings (Pty) Ltd	3,238	3,357
Letlole La Rona Limited	6,235	3,004
LP Amusement Centre (Pty) Ltd	1,123	998
Export Credit Insurance & Guarantee (Pty) Ltd	4,580	3,999
Dividends Received		
Botswana Hotel Development Company	8,000	1,000
Talana Farms (Pty) Ltd	-	300
Western Industrial Estates (Pty) Ltd	-	11,000
Transunion (Pty) Ltd	4,900	-
Letlole La Rona Limited	113	113
Commercial Holdings (Pty) Ltd	10,000	10,000
Finance costs paid to BDC		
Milk Afric (Pty) Ltd	-	626
Western Industrial Estates (Pty) Ltd	1,499	1,486
Lobatse Clay Works (Pty) Ltd	7,581	7,572
Mashatu (Pty) Ltd	1,350	1,350
Delta Automotive technologies(Pty) Ltd	16,532	7,392
Transport Holdings (Pty) Ltd	1,343	9,518
Kamoso Africa (Pty) Ltd	3,566	-
Rental income from BDC		
Commercial Holdings (Pty) Ltd	20,432	18,919
Interest income on debentures		
Letlole La Rona Limited	22,192	20,689
Other expenses		
Electricity - Commercial Holdings (Pty) Ltd	159	-
Levy - Commercial Holdings (Pty) Ltd	1,635	-
Purchases - Fairground Holdings (Pty) Ltd	318	-

Notes to the Consolidated and Separate Financial Statements continued

	Figures in Pula thousand	Note(s)	Group 2023	Group 2022	Company 2023	Company 2022
39.	**Related parties (continued)**					
	Compensation to directors and other key management					
	Salaries,allowances and other short term benefits		29,729	17,694	11,171	10,724
	Post employment benefits		2,826	3,832	1,890	1,800
	Remuneration for executive directors		1,765	2,072	1,765	2,072
			34,320	**23,598**	**14,826**	**14,596**
	The finance costs on related party facilities bear interest at rates of 8-12% and payable within a period of 5-15 years .					
	Trading accounts are interest free and repayable on demand.					
40.	**Cash (used in)/generated from operations**					
	Profit /(loss) before tax - continued and discontinued operations		71,192	38,099	(592)	(2,970
	Adjustments for:					
	Depreciation - PPE		22,002	14,732	570	14,570
	Depreciation - ROUA		151	-	13,922	-
	Amortisation of intangible assets		13,007	7,284	-	776
	Expected credit losses		(664)	4,023	12,506	38,796
	Amortisation of Government grants		(356)	(356)	-	-
	Loss on disposal of property, plant and equipment		4,366	14	(6,969)	14
	Non-cash acquisition of shares		-	(13,441)	-	(13,441)
	Fair value debt instrument		5,555	(26,117)	5,555	(26,117)
	Fair value other investments		(5,900)	-	(8,300)	-
	Losses on foreign exchange		27,916	55,979	35,408	55,979
	Share of profits of equity accounted investees		(37,181)	104,680	-	-
	Dividends received		(45,673)	(31,394)	(68,686)	(56,807)
	Interest income		(221,591)	(231,846)	(264,716)	(210,302)
	Finance costs		199,120	142,654	194,536	151,786
	Fair value adjustment of investment properties		(865)	(53,098)	-	-
	Rental straightlining adjustment		(685)	(31,833)	-	-
	Interest on lease liabilities		706	31	12,010	12,753
	Fair value changes on Borrowings		(1,501)	-	(1,501)	-
	Interest on preference shares		(32,639)	-	(36,521)	(42,548)
	Fair value adjustment on PPE		-	(5,599)	-	-
	Unrealised impairment of equity investments		-	-	21,629	97,319
	Discount on bonds		1,097	1,703	1,097	1,703
	Movement in provisions for losses on investments ISF		-	(4,007)	-	(4,007)
	Movement in deferred lease asset		(122)	-	-	-
	Changes in working capital:					
	Inventories		1,630	(919)	-	-
	Trade and other receivables		(63,052)	(22,135)	3,552	(4,825)
	Movement in other assets		6,792	-	-	-
	Trade and other payables		31,815	(13,214)	9,383	30,425
			(24,880)	**(64,760)**	**(77,117)**	**43,104**

Notes to the Consolidated and Separate Financial Statements continued

41. Fair value information

Fair value hierarchy

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

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

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

Level 3: Unobservable inputs for the asset or liability.

Levels of fair value measurements

Level 1

Recurring fair value measurements

		Group		Company	
Figures in Pula thousand	**Note(s)**	**2023**	**2022**	**2023**	**2022**
Assets					
Equity investments at fair value through other comprehensive income	16				
Listed shares		587,331	525,325	587,331	525,325
Financial assets mandatorily at fair value through profit or loss	22				
Other equity instrument		2,758	9,550	-	-
Total		**590,089**	**534,876**	**587,331**	**525,326**

Level 3

Recurring fair value measurements

		Group 2023	Group 2022	Company 2023	Company 2022
Assets	Note(s)				
Debt instruments at fair value through profit or loss*	16				
RFG Botswana Limited		345,012	360,309	345,012	360,309
Financial assets mandatorily at fair value through profit or loss	16				
Preference shares		209,390	180,632	209,390	180,632
Total		**554,402**	**540,941**	**554,402**	**540,941**
Non recurring fair value measurements					
Assets held for sale and disposal groups in accordance with IFRS 5					
Equity instruments		-	21,563	-	10,865
Total		-	**21,563**	-	**10,865**

**Description updated to align to classification*

Notes to the Consolidated and Separate Financial Statements continued

41. 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, considering 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 utilizes relative valuation whereby the value of a business is derived from the pricing of comparable assets, standardized using a common variable such as earnings, cash flows, book value, or revenues. Therefore, the value of cumulative preference shares in Thakadu and Kwena hotels is BWP12,452,746 (2022: P14,381,132).

Significant unobservable inputs utilized herein include nominal GDP growth of 3,8% and expected ramp-up following the effects of COVID19, coupon rate of 6% and strike price of P1.59.

Significant unobservable inputs utilized herein include nominal growth factor of 3.8% (2022: 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 30 June 2023 was P13.1m (2022: BWP11.6 million).

The preference shares in Minergy Coal (Pty) Ltd have been fair valued at BWP 127.3million (2022: BWP 127.3 million), based on the provisions of the Preference Share Subscription Agreement entered into between the Company and BDC. The downside protection on same is provided for by a floating deed of hypothecation on the company's assets including all licenses and unencumbered plant & machinery, cession of all debts to the Company excluding trade receivables and a corporate guarantee from Minergy Limited, a Botswana Stock Exchange listed company with a market capitalization of BWP 188 million (2022: BWP 375.9 million)

The listed entity is currently trading at a discount to an indicative resource-based valuation of the Company's estimated total Coal Resource. The Coal Resource estimate was conducted in accordance with the South African Code for Reporting of Mineral Resources and Mineral Reserves Code ("SAMREC 2016") as well as considering the South African guide to the systematic evaluation of coal resources and coal reserves (SANS 10320:2020). As at 30 June 2023, the total Coal Resource in the A and E Coal Seams at Masama was estimated 376 Mt, implying an indicative resource based valuation of between BWP 757.9 million (2022: BWP778.1 million) on the low end and BWP 1,36 billion (2022: BWP 1.4 billion) on the high end.

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 it's carrying amount.

Notes to the Consolidated and Separate Financial Statements continued

Figures in Pula thousand	Note(s)	Group 2023	Group 2022	Company 2023	Company 2022
41. Fair value information (continued)					
Level 3					
Recurring fair value measurements - Figures in Pula Thousands					
Assets					
Investment property	7	1,214,455	1,181,203	-	-
Investment property Land and buildings	10	414,129	419,238	-	-
Total		**1,628,584**	**1,600,441**	**-**	**-**

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Notes to the Consolidated and Separate Financial Statements continued

41. Fair value information (continued)

Reconciliation of assets and liabilities measured at level 3 - Figures in Pula Thousands

	Note	Opening balance P'000	Gains (losses) recognised in profit (loss) comprehensive income P'000	Gains (losses) recognised in other comprehensive income P'000	Purchases/ additions P'000	Transfers out of level 3 P'000	Closing balance P'000
Group - 2023							
Assets							
Investment property		1,181,203	865	-	32,387	-	1,214,455
Property, plant and equipment	10						
Land and Buildings		419,238	(8,909)	(1,700)	5,500	-	414,129
Debt instruments at fair value through profit or loss							
RFG Botswana Limited		360,309	(15,297)	-	-	-	345,012
Financial assets mandatorily at fair value through profit or loss							
Preference shares		180,632	28,758	-	-	-	209,390
Total		**2,141,382**	**5,417**	**(1,700)**	**37,887**	**-**	**2,182,986**
Group - 2022							
Assets							
Investment property	7	1,188,626	46,886	(1,079)	7,270	(60,500)	1,181,203
Property, plant and equipment	10						
Land and buildings		351,888	(3,706)	5,599	65,510	(53)	419,238
Debt instruments at fair value through profit or loss							
RFG Botswana Limited		304,192	56,117	-	-	-	360,309
Financial assets mandatorily at fair value through profit or loss							
Preference shares		172,097	8,535	-	-	-	180,632
Total		2,016,803	107,832	4,520	72,780	(60,553)	2,141,382

Notes to the Consolidated and Separate Financial Statements continued

41. Fair value information (continued)

Reconciliation of assets and liabilities measured at level 3

Figures in Pula Thousands	Opening balance P'000	Gains (losses) recognised in profit (loss) comprehensive income P'000	Gains (losses) recognised in other comprehensive income P'000	Purchases P'000	Transfers out of level 3 P'000	Closing balance P'000
Company - 2023						
Assets						
Debt instruments at fair value through profit and loss						
RFG Botswana Limited	360,309	(15,297)	-	-	-	345,012
Financial assets mandatorily at fair value through profit or loss						
Preference shares	180,632	75,457	-	-	-	256,089
Total	**540,941**	**60,160**	-	-	-	**601,101**
Company - 2022						
Assets						
Debt instruments at fair value through other comprehensive income						
RFG Botswana Limited	304,192	56,117	-	-	-	360,309
Financial assets mandatorily at fair value through profit or loss						
Preference shares	172,097	8,535	-	-	-	180,632
Total	**476,289**	**64,652**	-	-	-	**540,941**

*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 continued

42. Interests in other entities

42.1 Entities with non-controlling interests and material associate companies

Name of subsidiary	**Phakalane Property Development**	**Fairgroungds 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 take away	Manufacture & distribution of high quality electrical wiring harnessess for the automotive industry in all its aspects.
Proportion of ownership held by NCI	49% (2022:49%)	49% (2022:49%)	40% (2022:40%)
Proportion of voting rights held by NCI	49% (2022:49%)	49% (2022:49%)	40% (2022:40%)
Total comprehensive income allocated to NCI of subsidiary in P'000s	PNil (2022: P3 029)	(P3 170) (2022: P4 448)	P2,559 (2022: P1 820)
Accummulated NCI of subsidiary in P'000s	P12,833 (2022: P12 833)	P83 730 (2022: P86 890)	P24 094 (2022: P21 535)
Dividend paid to NCI in P'000s	PNil (2022: P2 940)	PNil (2022 :PNil)	PNil (2022 :PNil)

Notes to the Consolidated and Separate Financial Statements continued

42. Interests in other entities (continued)

Name of associate	Peermont Global Resort	Kamoso Africa (Pty) Ltd	Letlole la Rona Limited	Mashatu Nature Reserve	Indus Healthcare Pty Ltd
Nature of Business	Operation of Casinos, Hotels, conference centres in Botswana	Manufacturing, supply and distribution of fast moving consumer goods in Southern Africa	Variable loan stock company engaged in property investment and deriving revenue in property rentals and trade in property.	Game safaris and accomodation in northern Botswana	Academic hospital
Principal Place of Business	Gaborone	Gaborone	Gaborone	Tuli Enclave	Francistown
Proportion of ownership interest held by entity	40% (2022: 40%)	24% (2022: 24%)	40.36% (2022: 40.36%)	30% (2022: 30%)	26% (2022: 26%)
Investment measure	Equity method	Equity method	Equity method	Equity method	Equity method
Dividends received from associate in P'000	PNil (2022: PNil)	PNil (2022: PNil)	P20 803 (2022: P20 803)	PNil (2022: PNil)	PNil (2022: PNil)

Notes to the Consolidated and Separate Financial Statements continued

42. Interests in other entities (continued)

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

Subsidiary companies

Statements of Profit or Loss and Other Comprehensive Income	Fairground Holdings P'000	Phakalane Property Development P'000	Delta Automotive Technologies P'000
Revenue			
Cost of sales	29,463	-	191,866
Gross profit	(15,674)	-	(141,336)
	13,789	-	50,530
Operating income	94	-	8,539
Finance income	149	-	1,602
Operating expenses	(18,138)	-	(34,166)
Finance costs	(2,274)	-	(17,456)
Profit before tax	(6,380)	-	9,049
Income tax credit/(expense)	-	-	6,474
Profit for the year from continuing operations	(6,380)	-	15,523
Foreign exchange loss	-	-	(1,444)
Total comprehensive income for the year	**(6,380)**	**-**	**14,079**
Statements of Financial Position			
Non-current assets	210,218	27,178	69,784
Current assets	4,632	-	118,935
Total assets	**214,850**	**27,178**	**188,719**
Capital and reserves	177,347	-	(61,668)
Non-current liabilities	21,645	26,157	211,058
Current liabilities	15,858	1,021	39,329
Total equity and liabilities	**214,850**	**27,178**	**188,719**

Equity accounted investee's companies

Statements of Profit and Loss & Comprehensive Income	Letlole La Rona	Peermont Global Resorts	Mashatu Nature Reserve	Kamoso Africa (Pty) Ltd
Year end	June P'000	December P'000	June P'000	June P'000
Revenue	114,284	85,194	88,753	1,052,458
Profit/(loss) for the year from continuing operations	85,994	(200)	3,287	(78,531)
Total comprehensive income for the year	85,994	(200)	3,287	(78,531)
Statements of Financial Position				
Non-current assets	1,312,954	168,421	407,792	747,447
Current assets	180,738	34,620	27,524	4,672
Total assets	**1,493,692**	**203,041**	**435,316**	**752,119**

Notes to the Consolidated and Separate Financial Statements continued

42. Interests in other entities (continued)

	Letlole La Rona P'000	Peermont Global Resorts P'000	Mashatu Nature Reserve P'000	Kamoso Africa (Pty) Ltd P'000
Capital and reserves	889,412	82,331	350,248	377,787
Non-current liabilities	543,812	65,925	-	190,417
Current liabilities	60,468	54,785	85,068	183,915
Total equity and liabilities	**1,493,692**	**203,041**	**435,316**	**752,119**

Equity accounted investee's company results are disclosed for the year ended 30 June 2023. Total comprehensive income has been derived from the latest available results.

43. Events after the reporting period and going concern

The Capital reserve fund for the Company stood at P70 million (2022: P 182 million) as at 30 June 2023.

In October 2023, the Company disposed 4,127,069 shares in Sechaba Breweries Holdings Limited after which shareholding reduced to 14.31% from 18.04% previously held.

Subsequent to year end, the company issued a P 75 million debenture to Botswana Insurance Fund Management (BIFM) at fixed coupon rate of 9.7%. The debenture is unsecured, unsubordinated and payable after 7 years. The facility was fully drawn by 05 October 2023.

As at 07 August 2023, a total of EUR 7.6 million was drawn down for the existing EUR 50 million loan facility with Multilateral Investment Guarantee Agency (MIGA).

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 2023.

Going Concern

The group earned a total comprehensive profit for the year ended 30 June 2023 of P142 million (2022: P (46) million) and as of that date its total assets exceeded its total liabilities by P2.79 billion (2022: P 2.59 billion). The company earned a total comprehensive profit for the year ended 30 June 2023 of P81 million (2022: P (77) million) and as of that date its total assets exceeded its total liabilities by P2.25 billion (2022: P 2.09 billion). Current assets exceed current liabilities for both group and company by P1,162 million (2022: P 877 million) and P999 million (2022: P 841 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 P79 million (2022: P 182 million) 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.

Notes to the Consolidated and Separate Financial Statements continued

44. 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).

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

30 June 2023	Rental P'000	Trade P'000	Services P'000	Total P'000
Revenue	-	234,164	66,364	300,528
Interest on loans	-	-	201,504	201,504
Rental income	61,149	-	-	61,149
EBITDA	83,380	37,033	(3,946)	116,467
Profit/(loss) for the year	31,706	41,839	(2,353)	71,192
Included in operating profit				
Finance cost	(8,687)	(25,687)	(164,719)	(199,093)
Finance income	3,238	429	49,059	52,726
Fair value gain on investment properties	865	-	-	865
Intangible assets	-	105,614	2,975	108,589
Cash and cash equivalents	65,856	23,059	222,916	311,831
Total liabilities				
Overdraft	11	9,357	51,744	61,112
Government grant	-	-	9,631	9,631
Borrowings	48,371	3,585	2,148,984	2,200,940

Notes to the Consolidated and Separate Financial Statements continued

44. 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	66,997	-	-	66,997
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	62,182	666,040	764,289
Total liabilities				
Overdraft	-	5,461	94,762	100,223
Government grant	-	-	9,987	9,987
Borrowings	58,952	9,929	2,313,331	2,382,212

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 arms length basis.

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

45. New Standards and Interpretations

45.1 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:

Annual Improvement to IFRS Standards 2018-2020

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.

The group has adopted the amendment for the first time in the 2023 consolidated and separate financial statements.

The impact of the amendment is not material.

Notes to the Consolidated and Separate Financial Statements continued

45. New Standards and Interpretations (continued)

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.

The group has adopted the amendment for the first time in the 2023 consolidated and separate financial statements. The impact of the amendment is not material.

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.

The group has adopted the amendment for the first time in the 2023 consolidated and separate financial statements.

The impact of the amendment is not material.

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.

The group has adopted the amendment for the first time in the 2023 consolidated and separate financial statements.

The impact of the amendment is not material.

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.

The group has adopted the amendment for the first time in the 2023 consolidated and separate financial statements.

The impact of the amendment is not material.

Notes to the Consolidated and Separate Financial Statements continued

45. New Standards and Interpretations (continued)

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.

The group has adopted the amendment for the first time in the 2023 consolidated and separate financial statements. The impact of the amendment is not material.

45.2 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 2023 or later periods:

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 or 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 continued

45. 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.

The main requirements of IFRS 17 in respect of the recognition and measurement of insurance contracts will be based on the general model (or "building block approach") that includes:

i) the fulfilment cash flows (FCF), which comprise the best estimates of future cash flows, an adjustment to reflect the time value of money (i.e., discounting) and the financial risks associated with those future cash flows, and a risk adjustment for non- financial risk

ii) the Contractual Service Margin (CSM) which represents the unearned profit for a group of insurance contracts and will be recognized as the entity provides services in the future.

Notes to the Consolidated and Separate Financial Statements continued

45. New Standards and Interpretations (continued)

At the end of each subsequent reporting period, the carrying amount of a group of insurance contracts is remeasured to be the sum of the liability for remaining coverage (LRC), which comprises the FCF related to future services and the CSM of the group at that date; and the liability for incurred claims (LIC), which is measured as the FCF related to past services allocated to the group at that date.

The standard permits the use of a simplified approach, the Premium Allocation Approach (PAA), for the measurement of the liability for remaining coverage if:

i) it provides a measurement that is not materially different from the general model;

ii) if the coverage period is one year or less.

Under the PAA, the LRC corresponds to premiums received at initial recognition less acquisition costs and amounts already recognized as insurance revenue at the closing date.

The acquisition costs are integrated to the insurance liabilities, only if the option to recognise it as an expense has not been chosen. The general model remains applicable for the measurement of incurred claims.

In terms of presentation, the amounts recognized in the statements of financial performance have to be disclosed separately into:

i) an insurance service result, comprising insurance revenue (corresponding to the insurance service provided over the period) and insurance service expenses (i.e., incurred claims and other incurred insurance service expense); and

ii) insurance finance income or expenses.

Implementation of the standard

The Group has not yet applied IFRS 17 and has commenced the implementation process of IFRS 17 with analysis, preparation and implementation related to the establishment of the transition statement of financial position on 1 July 2023 as well as for reporting as at 30 June 2023.

The Group is assessing the impact of the application of IFRS 17 on the financial statements through regular qualitative and quantitative impact exercises whereby the following methodology orientations are being considered:

i) Scoping: The Group does not provide any products with discretionary participation features, and all other products fall under the definition of insurance contracts and, therefore, under the scope of IFRS 17.

ii) Separating components: A promise to provide goods or services other than insurance contract services is distinct, and is separated from the insurance contract, if the policyholder can benefit from the goods or services either: on their own; or with other resources that are readily available to the policyholder: i.e. resources that were already obtained or are sold separately by the entity or any other entity. Management is in the process of reviewing the Export Trade Credit products for possible separation of political risk cover from commercial risk cover.

iii) Level of aggregation: A portfolio of contracts constitutes a group of contracts or products that have similar risks and are managed together. The preliminary conclusion on the portfolio grouping of the company's different products has been split into 9 different portfolios.

iv) Premium Allocation Approach ('PAA') eligibility: The criteria in paragraph 53 of IFRS 17 is being assessed to determine if the Group would be able to use the PAA. Further assessment is required to determine whether the Group will opt for the PAA simplification for eligible groups once certain other key decisions have been made (such as the contract boundary).

Notes to the Consolidated and Separate Financial Statements continued

45. New Standards and Interpretations (continued)

v) Discounting: Paragraph 59(b) of IFRS 17 allows a policy choice whether to adjust the measurement for the impact of the time value of money and financial risk if the settlement of the claims is expected within 12 months. The Group is planning to adopt this choice to not discount for qualifying group of insurance contracts.

vi) Acquisition cash flows: Paragraph 59(a) of IFRS 17 allows a choice of either expensing the insurance acquisition cash flows when incurred or amortizing them over the contract's coverage period. The Group is assessing its choice as under GMM, these costs will need to be capitalized to the insurance contract and amortized over the contract boundary. Under PAA, the Group will have a choice to capitalize the costs or expense them when incurred.

vii) Contract boundary: The Group is assessing all its contracts and has concluded that the Group's insurance and reinsurance contracts do not have the same contract boundaries. Contract boundaries are being determined for each of the portfolios.

vii) Coverage period: Appendix A of IFRS 17 defines the coverage period as: The period during which the entity provides insurance contract services. This period includes the insurance contract services that relate to all premiums within the boundary of the insurance contract. The coverage period of each of the portfolios have been established.

ix) Onerous contracts: The Group will assess profitability of a group of contracts by applying paragraph 25 of IFRS 17.The Group is in the process of performing an experience analysis to determine the profitability levels and further identifying if there are facts and circumstances to indicate that the group was onerous at inception date for the cohort groups.

Transition

The Group is still assessing if reasonable and supportable information is available for all contracts in force at the transition date.

Accordingly, the Group is considering recognizing and measuring the group of insurance contracts as if IFRS 17 had always applied; derecognize any existing balances that would not exist had IFRS 17 always been applied; and recognize any resulting net difference in equity.

The Group has not yet quantified the impact on the equity as at 1 July 2023 from the adoption of the IFRS 17 due to the extensive implementation project.

46. 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. The account is only used for the operation of the Fund. 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.

Per agreement with the Government, all collections from loans issued are to be treated as equity for the company.

As at 30 June 2023, the Company had P200 million (2022: P 200 million) of the funds allocated by Government of which PNil million (2022: P 122 million) had been disbursed to eligible entities during the year.

Notes to the Consolidated and Separate Financial Statements continued

Figures in Pula thousand	Note(s)	Group 2023	Group 2022	Company 2023	Company 2022
46. Funds under management (continued)					
ISF Balance due to Government					
ISF funds allocated		200,000	200,000	200,000	200,000
Interest earned on fixed deposits		2,308	843	2,308	843
Loan repayment transferred to equity	26	(96,505)	(25,762)	(96,505)	(25,762)
Interest payable from loans disbursed		11,119	4,147	11,119	4,147
		116,922	**179,228**	**116,922**	**179,228**
Balances as at 30 June					
Loans disbursed		172,000	172,000	172,000	172,000
Interest receivable on loans		11,119	8,567	11,119	8,567
Equity reclassification	26	(96,505)	(25,762)	(96,505)	(25,762)
Amounts held as cash	23	30,308	24,423	30,308	24,423
		116,922	**179,228**	**116,922**	**179,228**
Movement in ISF funds under management					
Opening Balance		200,843	100,504	200,843	100,504
Allocations from Government		-	100,000	-	100,000
Interest earned on fixed deposits		1,465	339	1,465	339
Subtotal		202,308	200,843	202,308	200,843
Loan repayment transferred to equity	26	(96,505)	(25,762)	(96,505)	(25,762)
Interest payable from loans disbursed		11,119	4,147	11,119	4,147
		116,922	**179,228**	**116,922**	**179,228**

Notes to the Consolidated and Separate Financial Statements continued

47. Changes in liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities - Group - 2023

	Opening balance	Interest accrued	Foreign exchange movements	fair value changes	Total non-cash movements	Cash flows	Closing balance
	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Borrowings	2,382,212	158,558	98,815	(1,501)	255,872	(437,144)	2,200,940
Bonds outstanding	509,018	34,125	-	1,097	35,222	(165,625)	378,615
Lease liabilities	335	706	-	-	706	(867)	174
	2,891,565	**193,389**	**98,815**	**(404)**	**291,800**	**(603,636)**	**2,579,729**
Total liabilities from financing activities	**2,891,565**	**193,389**	**98,815**	**(404)**	**291,800**	**(603,636)**	**2,579,729**

Reconciliation of liabilities arising from financing activities - Group - 2022

	Opening balance	Interest accrued	Foreign exchange movements	fair value changes	New facilities/ draw-downs	Total non-cash movements	Cash flows	Closing balance
	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
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**

Notes to the Consolidated and Separate Financial Statements continued

47. Changes in liabilities arising from financing activities (continued)

Reconciliation of liabilities arising from financing activities - Company - 2023

	Opening balance	Interest accrued	Foreign exchange movements	fair value changes	Total non-cash movements	Cash flows	Closing balance
	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Borrowings	2,313,331	155,167	98,815	(1,501)	252,481	(416,829)	2,148,983
Bonds outstanding	509,018	34,125	-	1,097	35,222	(165,625)	378,615
Lease liabilities	166,886	12,010	-	-	12,010	(22,772)	156,124
	2,989,235	**201,302**	**98,815**	**(404)**	**299,713**	**(605,226)**	**2,683,722**
Total liabilities from financing activities	**2,989,235**	**201,302**	**98,815**	**(404)**	**299,713**	**(605,226)**	**2,683,722**

Reconciliation of liabilities arising from financing activities - Company - 2022

	Opening balance	Interest accrued	Foreign exchange movements	fair value changes	New facilities/ draw-downs	Total non-cash movements	Cash flows	Closing balance
	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Borrowings	1,441,970	24,591	139,532	(3,670	1,273,396	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**	**(3,670)**	**1,273,396**	**1,448,304**	**(583,867)**	**2,989,235**
Total liabilities from financing activities	**2,124,798**	**39,046**	**139,532**	**(3,670)**	**1,273,396**	**1,448,304**	**(583,867)**	**2,989,235**

Notes to the Consolidated and Separate Financial Statements continued

	Group		Company	
Figures in Pula thousand	**2023**	**2022**	**2023**	**2022**
48. Debt instrument at fair value through profit and loss				
Capital invested	300,000	300,000	300,000	300,000
Fair value movements - prior year	26,117	-	26,117	-
Fair value movements - current year	(5,555)	26,117	(5,555)	26,117
Interest income	62,834	38,384	62,834	38,384
Cumulative distributions	(38,384)	(4,192)	(38,384)	(4,192)
Carrying value as at 30 June 2023	**345,012**	**360,309**	**345,012**	**360,309**

Fair value gains have been determined based on the 30 June 2023 closing spot price for Rhodes Food Group Holdings Limited of ZAR10.55 (2022: 11.05)per share. The loan agreement caters for the use of the 30-day VWAP which was ZAR9.84 at June 2023 (2022: 10.54)

49. Business combinations

Delta Automotive Technologies (Pty) Ltd

On 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 ansd distribution of high-quality electrical wiring harnesses for the automotive industry and other engineering activities in the automotive industry.

Goodwill of P13.9 million 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

	Group 2023	Group 2022	Company 2023	Company 2022
Property, plant and equipment	-	54,832	-	-
Intangible assets	-	125,125	-	-
Deferred tax	-	7,734	-	-
Inventories	-	63,901	-	-
Loans to directors, managers and employees	-	10,947	-	-
Trade and other receivables	-	10,087	-	-
Cash and cash equivalents	-	11,359	-	-
Deferred tax	-	(6,685)	-	-
Financial liabilities	-	(202,831)	-	-
Other liabilities	-	(6,789)	-	-
Trade and other payables	-	(11,795)	-	-
Total identifiable net assets	-	55,885	-	-
Non-controlling interest	-	(16,934)	-	-
Goodwill	-	13,909	-	-
Consideration paid by BDC	**-**	**52,860**	**-**	**-**

Acquisition related costs

The acquisition related costs amounted to P Nil.

50. Directors' emoluments

P416,000 (2022: P 305,595) directors fees were paid to the non-executive directors or any individuals holding a prescribed office during the year

Notes to the Consolidated and Separate Financial Statements continued

50. Directors' emoluments (continued)

Executive

2023

	Emoluments	Directors fees	Total
Directors emoluments	1,765	-	1,765
M Mothibatsela	-	94	94
B Mphetlhe	-	45	45
A Ralebala	-	68	68
J S Ntshole	-	43	43
O Otlaadisa	-	40	40
N M Setaelo	-	38	38
M Lesolle	-	9	9
M Ramaeba	-	79	79
	1,765	**416**	**2,181**

2022

Directors' emoluments	**Directors 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**

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Notes to the Consolidated and Separate Financial Statements continued

51. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

Group - 2023

	Note(s)	Fair value through other comprehen -sive income - debt instruments	Fair value through other comprehen -sive income - equity instruments	Fair value through profit or loss - Mandatory	Amortised cost	Total	Fair value
		P'000	P'000	P'000	P'000	P'000	P'000
Trade and other receivables	21	-	-	-	101,223	101,223	101,223
Other investments - short term portion	16	-	-	-	1,078,576	1,078,576	1,078,576
Cash and cash equivalents	23	-	-	-	311,831	311,831	311,831
Other investments - long term portion	16	345,012	587,331	209,390	448,615	1,590,348	1,590,348
Other assets	22	-	-	-	2,758	2,758	2,758
		345,012	**587,331**	**209,390**	**1,943,003**	**3,084,736**	**3,084,736**

Group - 2022

	Note(s)	Fair value through other comprehen -sive income - debt instruments	Fair value through other comprehen -sive income - equity instruments	Fair value through profit or loss - Mandatory	Amortised cost	Total	Fair value
Trade and other receivables	21	-	-	-	119,973	119,973	119,973
Other investments - short term portions	16	-	-	-	480,396	480,396	480,396
Cash and cash equivalents	23	-	-	-	764,289	764,289	764,289
Other investments	16	360,309	525,325	180,632	928,468	1,994,734	1,994,734
Other assets	22	-	-	-	9,550	9,550	9,550
		360,309	**525,325**	**180,632**	**2,302,676**	**3,368,942**	**3,368,942**

Notes to the Consolidated and Separate Financial Statements continued

51. Financial instruments and risk management (continued)

Company - 2023

	Note(s)	Fair value through other comprehen -sive income - debt instruments	Fair value through other comprehen -sive income - equity instruments	Fair value through profit or loss - Mandatory	Amortised cost	Total	Fair value
		P'000	P'000	P'000	P'000	P'000	P'000
Trade and other receivables	21	-	-	-	66,246	66,246	66,246
Other investments - long term portion	16	345,012	587,331	209,390	828,099	1,969,832	1,969,832
Cash and cash equivalents	23	-	-	-	221,380	221,380	221,380
Other investments-short term portion	16	-	-	-	1,106,686	1,106,686	1,106,686
		345,012	**587,331**	**209,390**	**2,222,411**	**3,364,144**	**3,364,144**

Company - 2022

	Note(s)	Fair value through other comprehen -sive income - debt instruments	Fair value through other comprehen -sive income - equity instruments	Fair value through profit or loss - Mandatory	Amortised cost	Total	Fair value
Trade and other receivables	21	-	-	-	98,048	98,048	98,048
Other investments - short term portion	16	-	-	-	584,038	584,038	584,038
Cash and cash equivalents	23	-	-	-	675,321	675,321	675,321
Other investments	16	360,309	525,325	180,632	1,188,612	2,254,878	2,254,878
		360,309	**525,325**	**180,632**	**2,546,019**	**3,612,285**	**3,612,285**

Notes to the Consolidated and Separate Financial Statements continued

51. Financial instruments and risk management (continued)

Categories of financial liabilities - Figures in Pula thousand

Group - 2023

	Note(s)	Amortised cost	Leases	Total	Fair value
Trade and other payables	32	159,430	-	159,430	159,430
Borrowings	30	2,200,940	-	2,200,940	2,200,940
Lease liabilities	12	-	174	174	174
Bonds outstanding	33	378,615	-	378,615	378,615
Bank overdraft	23	61,112	-	61,112	61,112
		2,800,097	**174**	**2,800,271**	**2,800,271**

Group - 2022

	Note(s)	Amortised cost	Leases	Total	Fair value
Trade and other payables	32	145,542	-	145,542	145,542
Borrowings	30	2,382,212	-	2,382,212	2,382,212
Lease liabilities	12	-	335	335	335
Bonds outstanding	33	509,018	-	509,018	509,018
Bank overdraft	23	100,223	-	100,223	100,223
		3,136,995	**335**	**3,137,330**	**3,137,330**

Company - 2023

	Note(s)	Amortised cost	Leases	Total	Fair value
Trade and other payables	32	87,705	-	87,705	87,705
Borrowings	30	2,148,983	-	2,148,983	2,148,983
Lease liabilities	12	-	156,124	156,124	156,124
Bonds outstanding	33	378,615	-	378,615	378,615
Bank overdraft	23	54,550	-	54,550	54,550
		2,669,853	**156,124**	**2,825,977**	**2,825,977**

Company - 2022

	Note(s)	Amortised cost	Leases	Total	Fair value
Trade and other payables	32	84,313	-	84,313	84,313
Borrowings	30	2,313,331	-	2,313,331	2,313,331
Lease liabilities	12	-	166,886	166,886	166,886
Bonds outstanding	33	509,018	-	509,018	509,018
Bank overdraft	23	94,762	-	94,762	94,762
		3,001,424	**166,886**	**3,168,310**	**3,168,310**

Notes to the Consolidated and Separate Financial Statements continued

51. 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:

		Group		Company	
Figures in Pula thousand	**Note(s)**	**2023**	**2022**	**2023**	**2022**
Bonds Outstanding	33	378,615	509,018	378,615	509,018
Borrowings	30	2,200,940	2,382,212	2,148,983	2,313,331
Lease liabilities		174	5,635	156,124	166,886
Trade and other payables	32	182,888	145,544	98,849	84,314
Total borrowings		**2,762,617**	**3,042,409**	**2,782,571**	**3,073,549**
Cash and cash equivalents	23	(250,719)	(664,067)	(166,830)	(580,559)
Net borrowings		**2,511,898**	**2,378,342**	**2,615,741**	**2,492,990**
Equity		2,794,131	2,581,642	2,246,132	2,094,435
Gearing ratio		90 %	92 %	116 %	119 %

Notes to the Consolidated and Separate Financial Statements continued

51. 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 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 other comprehensive income, trade and other receivables, cash and cash equivalents and loan commitments.

Credit risk for exposures other than those arising on cash and cash equivalents, are managed by making use of credit approvals, limits and monitoring. The group only deals with reputable counterparties with consistent payment histories. Sufficient collateral or guarantees are also obtained when necessary. Each counterparty is analysed individually for creditworthiness before terms and conditions are offered. The analysis involves making use of information submitted by the counterparties as well as external bureau data (where available). Counterparty credit limits are in place and are reviewed and approved by credit management committees. 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 financial guarantee contracts.

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

Notes to the Consolidated and Separate Financial Statements continued

51. Financial instruments and risk management (continued)

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

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

At year-end, the company and group have significant exposure of P791.6 million to a single counterparty. The recognised expected credit loss on the loan at year-end assumes that full settlement will be made on the loan's due date, 30 June 2024. The counterparty has not defaulted, and the loan has been classified as stage 2. The directors and management have satisfied themselves that the loan will be settled on its due date which was a key assumption in the determination of the expected credit loss at year-end. If it was probable that the loan would be restructured at its due date, this would amount to a default event that increases the expected credit loss to at least P123.6 million.

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 continued

51. Financial instruments and risk management (continued)

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

		2023 Gross carrying amount	2023 Credit loss allowance	2023 Amortised cost/fair value	2022 Gross carrying amount	2022 Credit loss allowance	2022 Amortised cost/fair allowance
Group							
Other investments - non-current portion	16	507,883	(14,256)	493,627	1,586,339	(166,934)	1,419,405
Equity securities at fair value through profit or loss	16	209,390	-	209,390	180,632	-	180,632
Debt instruments at fair value through profit or loss	16	345,012	-	345,012	360,309	-	360,309
Trade and other receivables	21	127,349	(26,126)	101,223	151,103	(31,129)	119,974
Other investments - current portion	16	1,201,125	(167,561)	1,033,564	705,958	(10,542)	695,416
Cash and cash equivalents	23	250,719	-	250,719	674,061	-	674,061
		2,641,478	**(207,943)**	**2,433,535**	**3,658,402**	**(208,605)**	**3,449,797**
Company							
Other investments - non-current portion	16	1,849,136	(217,313)	1,631,823	1,990,728	(210,450)	1,780,278
Debt instruments at fair value through profit and loss	16	345,012	-	345,012	360,309	-	360,309
Trade and other receivables	21	73,121	(6,875)	66,246	104,727	(6,678)	98,049
Other investments - current portion	16	1,106,686	(7,003)	1,099,683	717,557	(10,542)	707,015
Cash and cash equivalents	23	166,830	-	166,830	675,321	-	675,321
		3,540,785	**(231,191)**	**3,309,594**	**3,848,642**	**(227,670)**	**3,620,972**

Notes to the Consolidated and Separate Financial Statements continued

51. 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 were 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 17 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 21 for trade and other receivables impacts. Refer to note 8 on the analysis of the charge recognised in profit or loss.

Refer to the notes specific to the exposures in the table above, for additional information concerning credit risk.

Figures in Pula thousand	Weighted average loss rate %	Gross carrying amount	Impairment loss allowance	Credit impaired
Group				
2023				
Credit rating B to AAA (Stage 1)	35.00 %	530,344	(30,036)	No
Credit rating B- to CCC- (Stage 2)	45.00 %	904,703	(3,189)	No
Credit grade C or lower (Stage 3)	56.00 %	273,961	(148,592)	Yes
		1,709,008	**(181,817)**	
Company				
2023				
Credit rating B to AAA (Stage 1)	36.00 %	749,107	(32,830)	No
Credit rating B- to CCC- (Stage 2)	45.00 %	938,609	(27,122)	No
Credit grade C or lower (Stage 3)	46.00 %	411,616	(164,364)	Yes
		2,099,332	**(224,316)**	
Group				
2022				
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)**	

Notes to the Consolidated and Separate Financial Statements continued

51. 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 central 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.

		Less than 1 year	1 to 5 years	Over 5 years	Total	Carrying amount
		P'000	P'000	P'000	P'000	P'000
Group - 2023						
Non-current liabilities						
Borrowings	30	-	1,067,184	1,190,391	2,257,575	1,936,366
Bonds outstanding	33	-	415,873	117,760	533,633	378,615
Current liabilities						
Trade and other payables	32	159,430	-	-	159,430	159,430
Borrowings	30	374,060	-	-	374,060	264,574
Bonds outstanding	33	32,491	-	-	32,491	-
Lease liabilities		174	-	-	174	174
Bank overdraft	23	61,112	-	-	61,112	61,112
		627,267	**1,483,057**	**1,308,151**	**3,418,475**	**2,800,271**
Group - 2022						
Non-current liabilities						
Borrowings	30	-	1,122,169	1,034,614	2,156,783	2,156,783
Bonds outstanding	33	-	377,518	-	377,518	377,518
Lease liabilities		-	174	-	174	174
Current liabilities						
Trade and other payables	32	145,542	-	-	145,542	145,542
Borrowings	30	226,217	-	-	226,217	225,429
Bonds outstanding	33	131,500	-	-	131,500	131,500
Lease liabilities		161	-	-	161	161
Bank overdraft	23	100,223	-	-	100,223	100,223
		603,643	**1,499,861**	**1,034,614**	**3,138,118**	**3,137,330**

Notes to the Consolidated and Separate Financial Statements continued

51. Financial instruments and risk management (continued)

		Less than 1 year	1 to 5 years	Over 5 years	Total	Carrying amount
		P'000	P'000	P'000	P'000	P'000
Company - 2023						
Non-current liabilities						
Borrowings	30	-	1,039,217	1,175,149	2,214,366	1,884,409
Bonds outstanding	33	-	417,873	117,760	535,633	378,615
Lease liabilities		-	142,342	-	142,342	142,342
Current liabilities						
Trade and other payables		87,705	-	-	87,705	87,705
Borrowings	30	371,848	-	-	371,848	264,574
Bonds outstanding	33	32,491	-	-	32,491	-
Lease liabilities		13,782	-	-	13,782	13,782
Bank overdraft	23	54,550	-	-	54,550	54,550
		560,376	**1,599,432**	**1,292,909**	**3,452,717**	**2,825,977**
Company - 2022						
Non-current liabilities						
Borrowings	30	-	1,065,244	1,035,593	2,100,837	2,100,837
Bonds outstanding	33	-	377,518	-	377,518	377,518
Lease liabilities		-	13,782	142,081	155,863	155,863
Current liabilities						
Trade and other payables	32	84,313	-	-	84,313	84,313
Borrowings	30	212,494	-	-	212,494	212,494
Bonds outstanding	33	131,500	-	-	131,500	131,500
Lease liabilities		11,023	-	-	11,023	11,023
Bank overdraft	23	94,762	-	-	94,762	94,762
		534,092	**1,456,544**	**1,177,674**	**3,168,310**	**3,168,310**

Notes to the Consolidated and Separate Financial Statements continued

		Group		Company	
Figures in Pula thousand	**Note(s)**	**2023**	**2022**	**2023**	**2022**
51. Financial instruments and risk management (continued)					
Financing facilities					
Unsecured bank overdraft facility, reviewed annually and payable on call:					
Used		61,112	100,223	54,550	94,762
Unused		63,888	24,777	70,450	30,238
		125,000	**125,000**	**125,000**	**125,000**
Secured bank loan facilities with various maturity dates:					
Used		-	5,461	-	-
Unused		6,500	46,039	-	-
		6,500	**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 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 the following currencies. The amounts have been presented in Pula by converting the foreign currency amounts at the closing rate at the reporting date:

		Group		Company	
US Dollar exposure:					
Non-current assets:					
Loans receivable	16	791,579	637,480	791,579	637,480
Equity instrument at fair value through other comprehensive income		135,089	110,859	135,089	110,859
Current assets:					
Cash and cash equivalents	23	668	54,474	668	54,474
Non-current liabilities:					
Borrowings	30	(1,226,520)	(1,203,945)	(1,226,520)	(1,203,945)
Net US Dollar exposure		**(299,184)**	**(401,132)**	**(299,184)**	**(401,132)**

Notes to the Consolidated and Separate Financial Statements continued

Figures in Pula thousand	Note(s)	Group 2023	Group 2022	Company 2023	Company 2022
51. 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		58,736	53,573	58,736	53,573
Equity instrument at fair value through other comprehensive income		10,024	8,900	10,024	8,900
Current assets:					
Cash and cash equivalents	23	50	990	50	990
Non-current liabilities:					
Borrowings	30	(91,008)	(96,200)	(91,008)	(96,200)
Net US Dollar exposure		**(22,198)**	**(32,737)**	**(22,198)**	**(32,737)**
Exchange rates					
Pula per unit of foreign currency:					
US Dollar		13.477	12.361	13.477	12.361

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 •	2023 Increase	2023 Decrease	2022 Increase	2022 Decrease
Impact on profit or loss:				
US Dollar 7% (2022: 1%)	(30,399)	30,399	(5,120)	5,120
Impact on equity: •				
US Dollar 7% (2022: 1%)	(20,943)	20,943	(4,047)	4,047

**Presentation updated to align to classification.*

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.

Notes to the Consolidated and Separate Financial Statements continued

51. Financial instruments and risk management (continued)

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

Interest rate profile

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

Figures in Pula thousand	Note	Average effective interest rate 2023	Average effective interest rate 2022	Carrying amount 2023	Carrying amount 2022
Group					
Variable rate instruments:					
Assets					
Other investments		8.94 %	8.31 %	411,340	479,020
Cash and cash equivalents	23	7.89 %	4.80 %	311,831	764,289
Short term investments		7.24 %	6.70 %	2,758	9,550
				725,929	**1,252,859**
Liabilities					
Borrowings	30	7.00 %	7.57 %	2,029,767	2,181,705
Bonds outstanding	33	9.00 %	5.75 %	219,054	346,878
Bank overdraft	23	6.00 %	4.75 %	61,112	100,223
				2,309,933	**2,628,806**
Fixed rate instruments:					
Assets					
Other investments		11.69 %	12.54 %	1,369,293	1,638,711
Liabilities					
Borrowings	30	5.19 %	5.20 %	170,032	200,507
Bonds outstanding	33	8.00 %	8.00 %	159,561	162,140
				329,593	**362,647**
Company					
Variable rate instruments:					
Assets					
Other investments	16	8.76 %	8.58 %	529,852	464,321
Cash and cash equivalents	23	7.89 %	5.80 %	221,380	675,321
				751,232	**1,139,642**
Liabilities					
Borrowings	30	7.00 %	7.57 %	1,762,896	2,112,824
Bonds outstanding	33	9.00 %	5.75 %	219,054	346,878
Bank overdraft	23	6.00 %	5.75 %	54,550	94,762
				2,036,500	**2,554,464**
Fixed rate instruments:					
Assets					
Other investments		10.81 %	12.05 %	1,584,998	1,934,589
Liabilities					
Borrowings	30	5.00 %	5.20 %	121,514	200,507
Bonds outstanding	33	8.00 %	8.00 %	159,561	162,140
				281,075	**362,647**

Notes to the Consolidated and Separate Financial Statements continued

51. 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	2023 Increase	2023 Decrease	2022 Increase	2022 Decrease
Impact on profit or loss and equity:				
Bonds and other borrowings 2% (2022: 2%)	(51,568)	51,568	(50,572)	50,572
Bank overdraft 2% (2022: 2%)	(1,222)	1,222	(2,004)	2,004
Other cash and cash equivalents 2% (2022: 2%)	6,237	(6,237)	15,286	(15,286)
Short term investments 2% (2022: 2%)	55	(55)	2,515	(2,515)
Other investments 2% (2022: 2%)	27,386	(27,386)	3,628	(3,628)
	(19,112)	**19,112**	**(31,147)**	**31,147**

Notes to the Consolidated and Separate Financial Statements continued

51. Financial instruments and risk management (continued)

Company Increase or decrease in rate	2023 Increase	2023 Decrease	2022 Increase	2022 Decrease
Impact on profit or loss:				
Bonds and other borrowings 2% (2022: 2%)	(45,261)	45,261	(49,194)	49,194
Bank overdrafts 2% (2022: 2%)	(1,091)	1,091	(1,895)	1,895
Cash and cash equivalents 2% (2022: 2%)	4,428	(4,428)	13,506	(13,506)
Other investments 2% (2022: 2%)	31,700	(31,700)	7,530	(7,530)
	(10,224)	**10,224**	**(30,053)**	**30,053**

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 16 for details on exposure to price risk.

Price risk sensitivity analysis

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

Group and Company Increase or decrease in rate	2023 Increase P'000	2023 Decrease P'000	2022 Increase P'000	2022 Decrease P'000
Impact on equity:				
Sechaba Brewery Holdings Limited shares 5% (2022: 5%)	59,917	(59,917)	54,476	(54,476)
Cresta Marakanelo Limited shares 15% (2022: 15%)	7,920	(7,920)	9,428	(9,428)
Grit Real Estate Income Group 15% (2022: 15%)	20,263	(20,263)	14,580	(14,580)
	88,100	**(88,100)**	**78,484**	**(78,484)**
Impact on profit or loss:				
RFG Botswana 15% (2022: 15%)	51,752	(51,752)	54,046	(54,046)
	51,752	**(51,752)**	**54,046**	**(54,046)**
Total impact on profit or loss and equity	**139,852**	**(139,852)**	**132,530**	**(132,530)**

Notes