ENGEN BOTSWANA LIMITED

Annual Consolidated Financial Statements

For the Year Ended

31 December 2021

Engen Botswana Limited
Consolidated Financial Statements

GENERAL INFORMATION

Directors:	S Ndzinge	Motswana	(Chairman)
	C C Monga	Zambian	(Managing Director)
	A M Siwawa	Motswana	
	F J Kotze	South African	
	L Makwinja	Motswana	
	S Williams	South African	
	H Morrison	South African	
	B F Sameke	Zimbabwean	(Appointed 1 November 2021)

Principal Activities:	Petrochemical investments and property operations
Parent Company:	Petroleum Investment Holding Limited (Incorporated in Mauritius)
Ultimate Parent Company:	Petroliam Nasional Berhad (PETRONAS) (Incorporated in Malaysia)
Company Secretary:	Grant Thornton Business Services (Pty) Ltd Plot 50370, Acumen Park Fairgrounds P O Box 1157, Gaborone
Company Number:	BW00000748780
Registered Office:	Plot 54026 Western Bypass P O Box 867 Gaborone
Auditor:	Ernst & Young, Botswana
Bankers:	First National Bank of Botswana Limited Absa Bank Botswana Limited Standard Chartered Bank Botswana Limited Stanbic Bank Botswana Limited
Country of Incorporation and Domicile:	Botswana (Listed on Botswana Stock Exchange - Share Code ENG-EQO)
Currency:	Botswana Pula

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APPROVAL OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The annual consolidated financial statements for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the directors and are signed on their behalf by:

....
DIRECTOR DIRECTOR
15 March 2022

DIRECTORS' REPORT

Nature of business

The core business of the group is petrochemical investments and property operations.

There have been no material changes to the nature of the group's business from the prior year.

Review of activities

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Botswana. 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 company are set out in these annual financial statements.

Financial Results

Revenue increased by 16% mainly due to increased volumes sold mainly due to the removal of several Covid-19 regulations on 1 October 2021. There were four price adjustments and an industry margin adjustment was effected in October 2021 for price controlled products. Non price controlled products had market related price adjustments.

Foreign exchange gains decreased from P7.7 million at the end of 2020 to P2.5 million at the end of 2021.

The group exercised good margin management and cost control throughout the year.

Overall, the group's performance reflects a 166% increase in net profit after tax.

Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern.

This 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.

Stated capital

There were no changes to the stated capital during the year under review.

Directors

Mr B F Sameke was appointed to the Board on 1 November 2021. There were no other changes to directors during the year.

Company Secretary

PricewaterhouseCoopers (Pty) Ltd resigned as the company secretary on 30 November 2021. Grant Thornton Business Services (Pty) Ltd were appointed as the company secretary on 1 December 2021.

Dividends

Dividends amounting to P163 276 039 (2020: P165 472 220) were paid during the year.

Events after the reporting period

A final dividend of 63.7 thebe per share was declared on 15 March 2022.The directors are not aware of any other material event which occurred after the reporting date and up to the date of the approval of the annual financial statements.

Conclusion

The Directors would like to thank our valued customers, suppliers, shareholders, management and staff and all other stakeholders for their ongoing support towards the performance of Engen Botswana Limited.

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

		Group		Company	
	Notes	2021 P'000	2020 P'000	2021 P'000	2020 P'000
Revenue	2	2 723 001	2 344 081	179 146	178 997
Cost of goods sold		(2 265 405)	(2 110 949)	-	-
Gross profit		457 596	233 132	179 146	178 997
Other operating income	3.1	185	3 505	2 000	6 045
Foreign currency gains/(losses)	3.5	2 518	7 736	(1)	-
Administrative expenses		(20 580)	(21 905)	-	-
Distribution and marketing expenses		(80 614)	(75 835)	-	-
Other operating expenses		(2 969)	(3 533)	(2 969)	(3 533)
Share of profit of joint ventures	8	1 044	4 097	-	-
Finance income	3.3	7 463	10 190	454	733
Finance costs	3.4	(9 798)	(10 175)	-	-
Profit before tax	3	354 845	147 212	178 630	182 242
Taxation	4	(93 945)	(49 203)	(16 596)	(14 261)
Profit for the year		260 900	98 009	162 034	167 981
Profit for the year attributable to equity holders of the parent		260 900	98 009	162 034	167 981
Other comprehensive income for the current year		-	-	-	-
Total comprehensive income for the year		260 900	98 009	162 034	167 981
Total comprehensive income for the year attributable to equity holders of the parent		260 900	98 009	162 034	167 981
Earnings per share (thebe)					
Basic earnings, profit for the year attributable to ordinary equity holders of the parent	5	163.3	61.4		
Diluted earnings, profit for the year attributable to ordinary equity holders of the parent	5	163.3	61.4		

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STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

		Group		Company	
	Notes	Dec 2021 P'000	Dec 2020 P'000	Dec 2021 P'000	Dec 2020 P'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	7	351 468	310 129	976	1 016
Right of use of assets	21	78 232	81 984	-	-
Investments in joint ventures	8	40 992	41 948	4 524	4 524
Investments	9	37	37	10	10
Investments in subsidiaries	10	-	-	72 209	72 209
		470 729	434 098	77 719	77 759
Current Assets					
Inventories	11	38 075	10 682	-	-
Trade and other receivables	12	442 616	104 336	26	-
Tax receivable	4	3 528	-	683	416
Forward exchange contract asset	20	224	861	-	-
Cash and cash equivalents	13	294 163	390 886	29 998	32 432
		778 606	506 765	30 707	32 848
TOTAL ASSETS		1 249 335	940 863	108 426	110 607
EQUITY AND LIABILITIES					
Equity					
Stated capital	14	8 138	8 138	8 138	8 138
Non distributable reserves		2 200	2 200	344	344
Retained earnings		668 702	571 078	98 317	99 559
Total equity		679 040	581 416	106 799	108 041
Non-Current Liabilities					
Deferred tax liabilities	4	4 134	4 622	17	19
Lease liabilities	21	79 472	77 628	-	-
Provisions	15	87 482	57 187	-	-
		171 088	139 437	17	19
Current Liabilities					
Trade and other payables	16	393 878	210 737	1 610	2 547
Tax payable	4	-	2 548	-	-
Lease liabilities	21	4 245	6 618	-	-
Forward exchange contract liability	20	1 084	107	-	-
		399 207	220 010	1 610	2 547
Total Liabilities		570 295	359 447	1 627	2 566
TOTAL EQUITY AND LIABILITIES		1 249 335	940 863	108 426	110 607

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

		Group		Company	
	Notes	2021 P'000	2020 P'000	2021 P'000	2020 P'000
Cash flows from operating activities					
Profit before tax		354 845	147 212	178 630	182 242
Adjustments for:					
Interest received		(7 463)	(10 190)	(454)	(733)
Loss/(Profit) on disposal and scrapping of property, plant and equipment	3.1	377	(310)	-	-
Foreign exchange differences		2 663	-	-	-
Dividends income from subsidiary inclusive of withholding tax	2	-	-	(179 049)	(178 889)
Dividends received from joint venture	3.1	-	-	(2 000)	(6 000)
Finance costs	3.4	9 798	10 175	-	-
Fair value on forward exchange contracts		1 615	46	-	-
Share of profit of joint ventures	8	(1 044)	(4 097)	-	-
Depreciation on property, plant and equipment	7	15 640	22 856	40	40
Profit on derecognition of lease liability/asset	3.1	(52)	(2 615)	-	-
Depreciation on right of use of assets	21	6 643	5 499	-	-
Operating profit/(loss) before working capital changes		383 022	168 576	(2 833)	(3 340)
(Increase)/Decrease in trade and other receivables		(338 280)	34 649	(26)	-
(Increase)/Decrease in inventories		(27 393)	8 061	-	-
Increase/(Decrease) in trade and other payables		183 141	(56 678)	(938)	834
Cash generated from (used in) operations		200 490	154 608	(3 797)	(2 506)
Interest received	3.3	7 463	10 190	454	733
Finance costs	3.4	(6 657)	(4 886)	-	-
Income taxes paid	4	(100 509)	(49 452)	(1 091)	(855)
Net cash flows from/(used in) operating activities		100 787	110 460	(4 434)	(2 628)
Cash flows from investing activities					
Acquisition of property, plant and equipment to expand operations	7	(30 228)	(37 868)	-	-
Proceeds on the disposal of property, plant and equipment		-	322	-	-
Dividends received from subsidiary		-	-	163 276	165 472
Dividend received from joint venture	3.1	2 000	6 000	2 000	6 000
Net cash flows (used in)/from investing activities		(28 228)	(31 546)	165 276	171 472

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STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

		Group		Company	
	Notes	2021 P'000	2020 P'000	2021 P'000	2020 P'000
Cash flows from financing activities					
Dividends paid	6	(163 276)	(165 472)	(163 276)	(165 472)
Payment of principal portion of lease liabilities		(3 343)	(2 887)	-	-
Net cash flows used in financing activities		(166 619)	(168 359)	(163 276)	(165 472)
Net (decrease)/increase in cash and cash equivalents		(94 060)	(89 445)	(2 434)	3 372
Net foreign exchange differences		(2 663)	-	-	-
Cash and cash equivalents at the beginning of the year		390 886	480 331	32 432	29 060
Cash and cash equivalents at end of the year	13	294 163	390 886	29 998	32 432

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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

GROUP

		Attributable to equity holders of the parent			
	Notes	**Stated capital P'000**	**Non Distributable Reserves (2) P'000**	**Retained earnings P'000**	**Total equity P'000**
31 December 2021					
Balance, beginning of year		8 138	2 200	571 078	581 416
Profit for the year		-	-	260 900	260 900
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		-	-	260 900	260 900
Dividends (1)	6	-	-	(163 276)	(163 276)
At 31 December 2021		8 138	2 200	668 702	679 040
31 December 2020					
Balance, beginning of year		8 138	2 200	638 541	648 879
Profit for the year		-	-	98 009	98 009
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		-	-	98 009	98 009
Dividends (1)	6	-	-	(165 472)	(165 472)
At 31 December 2020		8 138	2 200	571 078	581 416

(1) The holders of ordinary shares are entitled to receive dividends as and when declared by the company. All ordinary shares carry one vote per share without restriction. All ordinary shares have similar rights.

(2) Non distributable reserves arose from the capitalisation of a shareholder loan account.

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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

COMPANY

	Notes	Stated capital P'000	Non Distributable Reserves (2) P'000	Retained earnings P'000	Total equity P'000
31 December 2021					
Balance, beginning of year		8 138	344	99 559	108 041
Profit for the year		-	-	162 034	162 034
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		-	-	162 034	162 034
Dividends (1)	6	-	-	(163 276)	(163 276)
At 31 December 2021		8 138	344	98 317	106 799
31 December 2020					
Balance, beginning of year		8 138	344	97 050	105 532
Profit for the year		-	-	167 981	167 981
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		-	-	167 981	167 981
Dividends (1)	6	-	-	(165 472)	(165 472)
At 31 December 2020		8 138	344	99 559	108 041

(1) The holders of ordinary shares are entitled to receive dividends as and when declared by the company. All ordinary shares carry one vote per share without restriction. All ordinary shares have similar rights.

(2) Non distributable reserves arose from the capitalisation of a shareholder loan account.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements are presented in Botswana Pula. The functional currency is also the Botswana Pula. The amounts in the financial statements have been rounded to the nearest thousand. The financial statements have been prepared on a historical cost basis except as modified by the revaluation of certain financial instruments to fair value as indicated in the notes below.

The consolidated and separate financial statements are prepared on the going concern basis.

The accounting policies adopted are consistent with those applied in the prior period.

Statement of compliance

The financial statements have been prepared in compliance with the International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB"), Interpretations issued by the International Financial Reporting Interpretations Committee of the IASB and the requirements of the Companies Act of Botswana (CAP 42:01).

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

☐Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)

☐Exposure, or rights, to variable returns from its involvement with the investee, and

☐The ability to use its power over the investee to affect its returns

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

☐ Derecognises the assets and liabilities of the subsidiary

☐ Derecognises the carrying amount of any non-controlling interests

☐ Derecognises the cumulative translation differences recorded in equity

☐ Recognises the fair value of the consideration received

☐ Recognises the fair value of any investment retained

☐ Recognises any surplus or deficit in profit or loss

☐ Reclassifies the parent' s share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2021

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Foreign currency translation

Functional currency

Transactions in foreign currency are initially recorded in the functional currency at a rate of exchange ruling on transaction date. Monetary assets and liabilities designated in foreign currencies are subsequently translated at rates of exchange ruling at the reporting date. Non monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated at the exchange rate at the date of the initial transaction.

Foreign exchange translation gains or losses arising on the settlement of monetary items or on translating monetary items at rates different from those used when translating at initial recognition during the period or in previous financial statements are taken to the statement of profit or loss and other comprehensive income in the year they arise.

Investments in subsidiaries

Investments in subsidiaries are measured at cost less impairments in the separate financial statements of the Company.

Investments in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

The Group’s investments in joint ventures are accounted for using the equity method.

Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group’s share of net assets of the joint venture since the acquisition date. The statement of profit or loss reflects the Group’s share of the results of operations of the joint venture. Any change in Other Comprehensive Income (OCI) of those investees is presented as part of the Group’s OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group’s share of profit or loss of a joint venture is shown on the face of the statement of profit or loss and other comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, then recognises the loss as ‘Share of loss of a joint venture’ in the statement of profit or loss and other comprehensive income.

Upon loss of the joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in the statement of profit or loss and other comprehensive income. Joint ventures are carried at cost in the separate financial statements of the company.

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2021

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation. It is stated at historical cost excluding the costs of day to day servicing that are expensed, less accumulated depreciation and any impairment in value. Cost includes the cost of replacing part of such plant and equipment when that cost is incurred if the recognition criteria are met.

Costs also include the estimated costs of dismantling and removing the assets where the obligation has been incurred when the asset was acquired or as a consequence of using the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a component, as appropriate, only 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. All other repairs and maintenance expenditures are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation commences when the assets are available for their intended use. Property, plant and equipment are depreciated on a straight-line basis over the expected useful lives of the various classes of assets, after taking into account residual values. 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.

Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or is included in a disposal group that is classified as held for sale or the date that the asset is derecognised.

The residual value of an asset may increase to an amount equal to or greater than the asset's carrying amount. If it does, the asset's depreciation charge is zero until its residual value subsequently decreases to an amount below the asset's carrying amount.

Useful lives of the property, plant and equipment, the depreciation method, depreciation rates, and residual values are reviewed on an annual basis. Estimated useful lives of the assets are as follows:

Leasehold buildings	shorter of period of lease or 50 years
Plant, equipment, and other	4 – 30 years

Land is not depreciated as it is deemed to have an indefinite life. No depreciation is provided on capital work-in-progress.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying of the asset) is included in the statement comprehensive income in the year the asset is derecognized.

Improvements to assets held under leases where the company is the lessee are capitalized and depreciated over the remaining lease term.

Capital work in progress is carried at cost less accumulated impairment. Cost comprises of amounts incurred in constructing property, plant and equipment that are directly attributable to the construction of the asset. Assets remain in capital work in progress until they are available for use. At that time they are transferred to the appropriate class of property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2021

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Property, plant and equipment continued

Impairment of non-financial assets
The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.
In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.
The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.
Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit or loss and other comprehensive income in expense categories consistent with the function of the impaired asset. An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss and other comprehensive income.

The carrying amounts of assets are reviewed at each reporting date to assess if there are any indications of impairment. If any such indication exists and where assets are recorded in excess of their recoverable amounts, assets or cash generating units are written down to their recoverable amounts. A cash generating unit is considered only when the recoverable amount for the individual asset cannot be determined.

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2021

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Decommissioning and rehabilitation of assets

The provision for dismantling and restoration costs is initially recognised at the expected cost of any committed decommissioning or restoration programme and is discounted to its net present value using a real pre tax discount rate provided at the beginning of each project.

Subsequent changes in the initial estimates of rehabilitation and decommissioning costs that results from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation or a change in the discount rate are added to or deducted from the cost of the related asset in the current period. The estimated timing of the outflow of resources is the earlier of the useful lives of the equipment that contain petroleum products and the lease term of leased properties. Where the change results in a reduction in the liability, the cost deducted from the asset shall not exceed the carrying amount of the related asset. If a decrease in the liability exceeds the carrying amount of the related asset, the excess is recognised immediately in the statement of profit or loss and other comprehensive income.
Where the change results in an increase in the cost of the asset, the amount is capitalised as part of the cost of the item and depreciated prospectively over the remaining life of the item to which they relate. If there is any indication that the carrying amount of the related asset is not fully recoverable, an impairment test is conducted in accordance with the impairment policy. These estimates are reviewed annually.
The cost of ongoing programmes to prevent and control pollution and to rehabilitate the environment is taken to profit or loss as incurred.
Where a retail site or a depot is disposed of, the unutilised portion of the Disaster, Remediation and Restoration (DRR) costs will be released to the statement of profit or loss and other comprehensive income.

Health, safety and environment costs

Costs associated with the remediation of the environment where the company operates retail and commercial sites and depots are recognized in the statement of profit or loss and other comprehensive income. The best estimate of the cost is made taking into account probabilities of the occurrence of spillages.

Inventories

Inventories consist of petroleum products and are initially recognised at cost and subsequently measured at the lower of cost and net realisable value. Cost is determined on the first-in-first-out (FIFO) method. The cost of inventories comprises of all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

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

The amount of any write-down of inventory to net realisable value and all losses of inventory are recognised as an expense in the period that the write-down or loss occurs and is included under distribution and marketing expenses.

The carrying value of inventories derecognised is included in the cost of sales in the statement of profit or loss and other comprehensive income.

Cost of goods sold

Cost of goods sold is normally the carrying value of inventories sold and any net realizable value adjustments.

Dividend distribution

Dividend distributions to the Group’s shareholders are recognized as a liability in the period in which the dividends are declared by the Group’s shareholders. Dividends distributed are recognized in equity. Tax is withheld on dividends distributed at the statutory rate of 7.5%. The rate was increased to 10% with effect from 1 July 2021.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Employee benefits

During the year, employees contributed to the Engen Botswana Retirement Fund. The fund is a defined contribution fund. The fund is governed by the Retirement Funds Act of 2014. Membership of this fund is compulsory for all employees.

In terms of the rules of the Fund, the company is committed to contribute 9.5% of the employees' pensionable emoluments. The defined contribution funds are not required to be actuarially valued. The Group's contributions to the defined contribution plan are charged to the statement of profit or loss and other comprehensive income in the year to which they relate.

Employee entitlements to annual leave, bonuses, and pension and severance benefits are recognised as incurred. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date. Provision for bonuses is recognised when a present obligation exists to make such payments and a reliable estimate of the amount can be made.

Long term benefits

Long-term employee benefits are those benefits that are expected to be settled more than 12 months after the end of the reporting period, in which the services have been rendered and are discounted to their present value. An accrual is recognised for accumulated leave and other employee benefits when the Group has a present legal or constructive obligation as a result of past service provided by the employee, and a reliable estimate of the amount can be made.

Revenue from contracts with customers

Performance obligations and timing of revenue recognition

The majority of the Group's revenue is derived from the marketing and distribution of petroleum products, as well as convenience store income. Convenience stores retail a limited range of grocery items. Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration which the Group expects to be entitled in exchange for those goods. Revenue is recognised at a point in time when control of the goods has transferred to the customer. The point at which control passes depends on the terms and conditions of the contract and related transport terms and is effective either once physical delivery or receipt of the products at the agreed location has occurred, or when products are loaded onto the specific mode of transport. Transfer of control usually coincides with title passing to the customer. The normal credit term is 30 days upon delivery.

The Group acts as principal in its revenue arrangements as it typically controls the goods and services before transferring to the customer.

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2021

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Revenue from contracts with customers continued

Determining the transaction price

The majority of the Group's revenue is derived from contracts which define a fixed price per unit sold.

In certain contracts the consideration includes a variable element in the form of retrospective volume rebates and discounts. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Certain contracts for the sale of petroleum and related products provide customer elements of variable consideration in the form of volume rebates and discounts.

Customers are entitled to volume rebates and discounts, provided that they meet specific criteria. Historical experience based on sales volume data enables the Group to estimate reliably the value of discount to be granted or rebates to be paid and restrict the amount of revenue that is recognised such that it is highly probable that there will not be a reversal of previously recognised revenue when goods are returned. In its estimation, the Group considers the expected value of discounts or rebates that would be applicable to the transaction.
Rebates are not offset against the customer but recognised as a separate refund liability.

Allocating amounts to performance obligations

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated.

For most contracts, there is a quoted per unit price for each product sold, with reductions given for bulk orders placed at a specific time. Therefore, there is no judgement involved in allocating the contract price to each unit ordered in such contracts.

Where a customer orders more than one product line, the Group is able to determine the split of the total contract price between each product line by reference to each product's standalone selling prices, as all product lines are capable of being, and are, sold separately.

Practical expedients applied

The Group's contracts with customers are short term in nature (less than 12 months). Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of the consideration for the effects of a significant financing component if it expects at contract inception that the period between the transfer of the promised goods to the customer and when the customer pays for the goods will be one year or less.

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2021

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Revenue from contracts with customers continued

Contract balances (other than contract assets)

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customers. If a customer pays consideration before the Group transfers the goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Refund liabilities
A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities at the end of each reporting period. Refer to the accounting policy on variable consideration on Page 14.

Other revenue streams of the Group include the following:
- Rental income;
- Interest income; and
- Dividend income;

Recognition and measurement of rental income, interest income and dividend income are scoped and described in other accounting policies (leases and financial instruments, respectively).

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2021

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Taxes

Current income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.
Current income tax relating to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or equity and not in profit or loss. Withholding taxes are paid to the government and they are a portion of the total dividend that is declared. Where the Group receives a dividend on which withholding tax is levied, that withholding tax is recognised as a current tax expense.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.
Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Also taking into account the manner of recovery of the underlying asset or liability.
Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.
Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2021

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) 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 amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement. The Group has recognised provisions for dismantling and restoration costs and health, safety and environment costs.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Finance income and finance costs
Interest income on bank deposits and staff loans is included in finance income.

Finance costs consist of interest expense on term loans and bank overdraft and the unwinding of the discount of the dismantling and removal provision.

Financial instruments

Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost and fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in two categories:
- Financial assets at amortised cost (debt instruments); and
- Financial assets at FVTPL

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2021

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial assets at amortised cost (debt instruments)
This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.
The Group's financial assets at amortised cost includes trade receivables and debt instruments.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:
- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without a material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.
Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets
The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original (Effective Interest Rate) EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.
ECLs are recognised for those credit exposures for which there has been a significant increase in credit risk since initial recognition, over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.
For trade receivables, the Group applies a simplified approach in calculating ECLs. The entity is not required to keep track of significant changes to credit risk given that only lifetime ECLs are measured.
The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Based on research conducted by Moody's Analytics they recommend the use of their Baseline, Stronger Near-Term Rebound (S1) ("Bullish"), and Moderate Recession (S3)("Bearish") forecast sets weighted 40%, 30%, 30% respectively for a forward looking adjustment for the purposes of IFRS 9.
The Group considers a financial asset in default when contractual payments are past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.
All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.
The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.
Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.
When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability.
The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Leases
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:
• Land and buildings 3 to 20 years
If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2021

Leases (continued)

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

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

Contingent rents are recognised as revenue in the period in which they are earned.

NEW STANDARDS, NEW INTERPRETATIONS AND AMENDMENTS TO STANDARDS ADOPTED IN THE CURRENT PERIOD

The following new standards and amendments became effective as at 1 January 2021:

Amendment to IFRS 16 - Covid-19 Related Rent Concessions (Effective 1 June 2020) - On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.
The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.The amendment applies to annual reporting periods beginning on or after 1 April 2021.
However, the Group has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform (Effective 1 January 2021) - The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:
• A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
• Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
• Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component
These amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

The following new standards, new interpretations and amendments to standards have been issued but are not yet effective:

Amendments to IFRS 3 – Reference to the Conceptual Framework (Effective 1 January 2022) - In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.
The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.
At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.
The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Amendments to IAS 16 – Property, Plant & Equipment : Proceeds before Intended Use (Effective 1 January 2022) - In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2021

Amendments to IAS 37 – Onerous Contracts : Costs of Fulfilling a Contract (Effective 1 January 2022) **-** In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.
The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

AIP IFRS 9 Financial Instruments – Fees in the "10 per cent" test for derecognition of financial liabilities (Effective 1 January 2022) **-** As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.
The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

I*FRS 17 Insurance Contracts (Effective 1 January 2023)* **-** In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.
A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:
• A specific adaptation for contracts with direct participation features (the variable fee approach)
• A simplified approach (the premium allocation approach) mainly for short-duration contracts
IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

Classification of Liabilities as Current or Non-Current – Amendments to IAS 1 (Effective 1 January 2023) **-** In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
• What is meant by a right to defer settlement
• That a right to defer must exist at the end of the reporting period
• That classification is unaffected by the likelihood that an entity will exercise its deferral right
• That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification
The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Significant accounting judgments and estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates and judgments concerning the future. Estimates and judgments are continually evaluated and are based on historical factors coupled with expectations about future events that are considered reasonable. In the process of applying the groups accounting policies, management has made the following estimates that have a significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next year.

Significant accounting judgments and estimates

Estimates and assumptions

Allowances for slow moving inventory
Based on prior management practice, inventory that has not moved for a 12-month period is considered to be obsolete. Obsolete and discontinued products are considered to have no value. The provision is raised based on the full cost or net realisable values of the product. Refer to note 11.

Allowances for credit losses
The expected loss rates derived are based on the payment profiles of sales over a 36-month period before 31 December 2021 (being 1 January 2019 to 31 December 2021) and the corresponding historical credit losses that occurred over the same period. The historical loss rates are adjusted to reflect current and forward-looking information affecting the ability of the customers to settle the receivables. The group has identified the gross domestic product, consumer price index and the unemployment rate of Botswana to be the most relevant indicators affecting a customers' ability to pay, and accordingly adjusts the historical loss rates based on expected changes in these factors. A specific provision is made for credit losses where customer accounts are handed over to lawyers for recovery and where it is probable that the receivable may not be recovered. Refer to Note 20.

Asset retirement and removal obligations
Estimating the future costs of these obligations is complex and requires management to make estimates and judgments regarding future cash flows and discount rates because most of the obligations will only be fulfilled in the future. Changing technologies, political, environmental, safety, business and statutory considerations, could also influence the resulting provisions.

Management judgement is exercised when determining the present value of expected future cash flows when the obligation to dismantle or restore the sites arises as well as the estimated useful life of the related asset. The useful lives of the assets are considered to be equal to the remaining lease term under the assumption that the lease will not be renewed, and this impacts on the obligation. The provision for the costs of decommissioning these sites at the end of their economic lives has been estimated using existing technology, at current prices and discounted using a real discount rate of 8.40% (December 2020 – 5.10%). The increase in the discount rate was due to a change in the bond rate that was used in the calculations.

The Group's asset retirement obligations are coupled with the estimated remaining useful lives of the asset to which they relate. The carrying value of the dismantling and removal costs provision as at 31 December 2021 is P87 455 164 (December 2020: P57 187 403) (Note 15). There is uncertainty regarding both the amount and timing of incurring these costs.

Allowance for health safety and environment

This allowance is based on probabilities of spillages of petroleum products occurring at each retail, commercial or fuel depot. The costs are based on the point in time costs.

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2021

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Significant accounting judgments and estimates continued

Judgements

Slate receivable
Management makes a significant degree of judgment in assessing the recoverability of the slate receivable balance by assessing available evidence based on negotiations with the Government. The slate receivable arises when the cost of importation of bulk petroleum products is in excess of the slate rates that are provided by the Government. The slate calculations are performed monthly using the monthly slate rates. If indications exist that the balance will not be recoverable, an impairment allowance is raised to reflect the balance which will be recovered from Government.

Estimating the incremental borrowing rate used in lease liabilities
The Group applied judgement in determining the interest rate implicit in its lease liabilities. The Group uses its incremental borrowing rate, which reflects what the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. This requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs, such as comparable market interest rates for similar financed transactions (where and when available), and is required to make certain entity specific estimates, such as the adjustments to the rates for the subsidiaries' stand-alone credit rating and country specific risks.

CHANGE IN ACCOUNTING ESTIMATE

During the year, management reassessed the provision for dismantling and removal costs and the impact of the change is shown below:

2021
Change in discount rate 5.10% to 8.40%
Increase in the current year to the dismantling and removal costs P23 057 723
Impact on profit and loss of P3 140 631. Future periods impact is an increase of P3 256 326

2020
Change in discount rate 7.14% to 5.10%
Decrease in the current year to the dismantling and removal costs P24 534 089
Impact on profit and loss of P5 289 050. Future periods impact is an increase of P3 140 631

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2021

		Group		Company	
	Notes	Dec 2021 P'000	Dec 2020 P'000	Dec 2021 P'000	Dec 2020 P'000
2 REVENUE					
Revenue from contracts with customers					
Petroleum turnover		2 696 083	2 317 028	-	-
Convenience income		13 541	14 340	-	-
Revenue from contracts with customers		2 709 624	2 331 368	-	-
Rental income		13 377	12 713	97	108
Dividend income from subsidiary		-	-	179 049	178 889
		2 723 001	2 344 081	179 146	178 997

Disaggregation of revenue

The company has disaggregated revenue into various categories in the following table which is intended to depict how the nature, amount and uncertainty of revenue and cash flows are affected by economic date.

	Petroleum and related products P'000	**Convenience income** P'000	**Total** P'000
2021			
Primary geographic markets			
Botswana	2 696 083	13 541	2 709 624
Product type			
Petroleum products	2 637 676	-	2 637 676
Lubricants	58 407	-	58 407
Convenience	-	13 541	13 541
	2 696 083	13 541	2 709 624
Timing of transfer of goods			
Point in time	2 696 083	13 541	2 709 624

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2021

REVENUE continued

	Petroleum and related products P'000	**Convenience income** P'000	**Total** P'000
2020			
Primary geographic markets			
Botswana	2 317 028	14 340	2 331 368
Product type			
Petroleum products	2 177 895	-	2 177 895
Petrochemical products	30 548	-	30 548
Lubricants	108 585	-	108 585
Convenience	-	14 340	14 340
	2 317 028	14 340	2 331 368
Timing of transfer of goods			
Point in time	2 317 028	14 340	2 331 368

		Group		**Company**	
		Dec 2021 P'000	Dec 2020 P'000	Dec 2021 P'000	Dec 2020 P'000
3	**PROFIT BEFORE TAX**				
3.1	**Other operating income**				
	Application fees for service station dealership	-	63	-	-
	(Loss)/Profit on disposal and scrapping of property, plant and equipment	(377)	310	-	-
	Claim for loss of profits	-	472	-	-
	Dividends received from joint venture	-	-	2 000	6 000
	Profit on derecognition of lease liability/asset	52	2 615	-	-
	Profit from the sale of scrapped motor vehicle	-	45	-	45
	Write back of old credit balances	510	-	-	-
		185	3 505	2 000	6 045
3.2	**Expenses**				
	Auditors Remuneration				
	- current year	1 035	950	345	317
	Depreciation of Property, Plant & Equipment (Note 7)	15 640	22 856	40	40
	Depreciation of Right of Use Asset (Note 21)	6 643	5 499	-	-
	Management and computer fees (Note 17)	13 232	11 756	-	-
	Expected credit losses of trade receivables (Note 12)	(2 232)	(1 558)	-	-
	Salaries and employment benefits	17 260	16 164	-	-
	Contributions to defined contribution funds	1 254	1 137	-	-

		Group		Company	
		Dec 2021 P'000	Dec 2020 P'000	Dec 2021 P'000	Dec 2020 P'000

3 PROFIT BEFORE TAX continued

3.2 Expenses -continued

Other operating expenses which are shown on the Statement of Profit or Loss and Other Comprehensive Income relate to expenses incurred by the Company which is not a trading entity. The expenses mainly include listing fees for the Botswana Stock Exchange, directors' fees, company secretarial fees and annual report costs.

		Group Dec 2021 P'000	Group Dec 2020 P'000	Company Dec 2021 P'000	Company Dec 2020 P'000
3.3	**Finance income**				
	Financial instruments measured at amortised cost:				
	Bank deposits	7 452	10 177	454	733
	Other financial instruments measured at amortised cost	11	13	-	-
		7 463	10 190	454	733
3.4	**Finance costs**				
	Unwinding of dismantling, removal and restoration provision (Note 15)	3 141	5 289	-	-
	Interest expense on lease liability (Note 21)	6 657	4 886	-	-
		9 798	10 175	-	-
3.5	**Foreign exchange gains/(losses)**				
	Gains/(losses) from financial assets measured at amortised cost	(3 448)	13 694	(1)	-
	Gains/(losses) from financial assets measured at fair value through profit and loss	5 966	(5 958)	-	-
		2 518	7 736	(1)	-

4 TAXATION

	Group Dec 2021 P'000	Group Dec 2020 P'000	Company Dec 2021 P'000	Company Dec 2020 P'000
Botswana normal taxation				
Current				
Company tax at statutory rate	78 660	35 295	824	845
Withholding tax on dividends from subsidiary	15 773	13 417	15 773	13 417
Deferred				
Attributable to temporary differences arising in the current year	(488)	491	(1)	(1)
	93 945	49 203	16 596	14 261
Reconciliation of tax rate	%	%	%	%
Standard tax rate	22.0	22.0	22.0	22.0
Adjusted for:				
Exempt income	(0.6)	(0.2)	(13.5)	(14.6)
Non-allowable expenses	0.7	2.5	0.8	0.4
Withholding tax on dividends from subsidiary	4.4	9.1	-	-
Effective tax rate	26.5	33.4	9.3	7.8

Non allowable expenses mainly consist of unwinding costs of the dismantling and restoration provision, apportionment of expenses related to local dividend and donations.

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2021

	Group		Company	
	Dec 2021 P'000	Dec 2020 P'000	Dec 2021 P'000	Dec 2020 P'000
4 TAXATION continued				
Deferred tax liability				
Origination of temporary differences from: Property, plant and equipment	(8 182)	(8 046)	(17)	(19)
Trade accounts receivable	-	596	-	-
Trade accounts payable	(85)	(598)	-	-
Right of use asset and liability	4 133	3 426	-	-
Deferred tax liability	(4 134)	(4 622)	(17)	(19)
Tax payable/(receivable)				
Opening balance	2 548	3 288	(416)	(406)
Tax paid	(100 509)	(49 452)	(1 091)	(855)
Charge for the year	94 433	48 712	824	845
Closing balance	(3 528)	2 548	(683)	(416)

5 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the group's total comprehensive income for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. The following reflects the income and share data used in the basic earnings per share computations for the years 31 December 2021 and 31 December 2020.

Profit for the year	260 900	98 009
Profit for the year attributable to ordinary shareholders	260 900	98 009
Weighted average number of ordinary shares in issue	159 722 220	159 722 220
Earnings Per Share (thebe)	163.3	61.4

There have been no transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements. There is no dilution effect.

6 DIVIDENDS PAID AND PROPOSED

	Group		Company	
	Dec 2021 P'000	Dec 2020 P'000	Dec 2021 P'000	Dec 2020 P'000
Dividends declared during the year	163 276	165 472	163 276	165 472
Amount paid	163 276	165 472	163 276	165 472

The total gross amounts of dividends paid in 2021 was P163 276 039 (2020: P165 472 220). Withholding taxes of 7.5% and 10% effective 1 July 2021 of gross dividends were deducted and paid to Botswana Unified Revenue Service and these amounted to P15 772 569. (2020: P13 416 666) in total. Withholding taxes are paid by Engen Marketing Botswana (Pty) Ltd, the subsidiary company.

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2021

DIVIDENDS PAID AND PROPOSED continued

	Group		**Company**	
	Dec 2021 Thebe Per share	Dec 2020 Thebe Per share	Dec 2021 Thebe Per Share	Dec 2020 Thebe Per Share
Declared and paid in the year				
- final dividend related to the prior year	12.7	25.4	12.7	25.4
- interim dividend for the current year	18.0	18.0	18.0	18.0
- first special dividend for the current year	40.7	37.2	40.7	37.2
- second special dividend for the current year	40.7	31.4	40.7	31.4
Proposed (not recognised as a liability)				
- final dividend for the current year	63.7	12.7	63.7	12.7

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2021

7 PROPERTY, PLANT & EQUIPMENT – GROUP

	Freehold Land	Leasehold Buildings	Plant, equipment and other (3)	Capital work in progress (1)	Total
	P'000	P'000	P'000	P'000	P'000
31 December 2021					
Balance at beginning of year					
At cost	6 078	221 524	250 690	53 848	532 140
Accumulated depreciation	-	(101 268)	(120 743)	-	(222 011)
Net carrying amount	6 078	120 256	129 947	53 848	310 129
Additions	-	-	-	30 228	30 228
Scrappings – At cost	-	(3 534)	(25 931)	-	(29 465)
- Accumulated depreciation	-	3 534	25 554	-	29 088
Dismantling and restoration costs (Note 15)	-	-	27 128	-	27 128
Transfers	-	38 451	469	(38 920)	-
Depreciation (Note 3.2)	-	(10 350)	(5 290)	-	(15 640)
Balance at end of year, net of accumulated depreciation	6 078	148 357	151 877	45 156	351 468
Balance at end of year					
At cost	6 078	256 441	252 356	45 156	560 031
Accumulated depreciation	-	(108 084)	(100 479)	-	(208 563)
Net carrying amount	6 078	148 357	151 877	45 156	351 468
31 December 2020					
Balance at beginning of year					
At cost	6 078	220 920	269 016	22 738	518 752
Accumulated depreciation	-	(92 918)	(107 349)	-	(200 267)
Net carrying amount	6 078	128 002	161 667	22 738	318 485
Additions	-	396	4 443	33 029	37 868
Disposals – At cost	-	-	(1 124)	-	(1 124)
- Accumulated depreciation	-	-	1 112	-	1 112
Dismantling and restoration costs (Note 15)	-	-	(23 356)	-	(23 356)
Transfers	-	208	1 711	(1 919)	-
Depreciation (Note 3.2)	-	(8 350)	(14 506)	-	(22 856)
Balance at end of year, net of accumulated depreciation	6 078	120 256	129 947	53 848	310 129
Balance at end of year					
At cost	6 078	221 524	250 690	53 848	532 140
Accumulated depreciation	-	(101 268)	(120 743)	-	(222 011)
Net carrying amount	6 078	120 256	129 947	53 848	310 129

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2021

7 PROPERTY, PLANT & EQUIPMENT – COMPANY

	Freehold Land	Leasehold Buildings	Plant, equipment and other	Total
	P'000	P'000	P'000	P'000
31 December 2021				
Balance at beginning of year				
At cost	568	731	352	1 651
Accumulated depreciation	-	(283)	(352)	(635)
Net carrying amount	568	448	-	1 016
Depreciation (Note 3.2)	-	(40)	-	(40)
Balance at end of year, net of accumulated depreciation	568	408	-	976
Balance at end of year				
At cost	568	731	352	1 651
Accumulated depreciation	-	(323)	(352)	(675)
Net carrying amount	568	408	-	976
31 December 2020				
Balance at beginning of year				
At cost	568	529	-	1 097
Accumulated depreciation	-	(41)	-	(41)
Net carrying amount	568	498	-	1 056
Depreciation (Note 3.2)	-	(40)	-	(40)
Balance at end of year, net of accumulated depreciation	568	458	-	1 016
Balance at end of year				
At cost	568	731	352	1 651
Accumulated depreciation	-	(283)	(352)	(635)
Net carrying amount	568	448	-	1 016

(1) Capital work in progress includes all assets that are under construction and not yet in use as at the reporting date. These items of property, plant and equipment will be reallocated to the respective asset class on completion of the construction.

(2) No items of property, plant and equipment have been pledged as security for liabilities.

(3) These items consist of motor vehicles and office furniture and equipment.

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2021

	Group		Company	
	Dec 2021 P'000	Dec 2020 P'000	Dec 2021 P'000	Dec 2020 P'000

8 INTERESTS IN JOINT VENTURES

The Group has a 40% and 25% interest in the joint arrangements, Engen Palapye Partnership and Engen Maun Partnership, respectively, which are involved in property letting.

The Group's interest in both joint arrangements is accounted for using the equity method in the consolidated financial statements. The financial year end of both joint ventures is 31 December and is the same as the group. Summarised financial information of the joint arrangements, based on their IFRS financial statements, and the reconciliations with the carrying amounts of the investments in the consolidated financial statements are set out below:

	Group Dec 2021 P'000	Group Dec 2020 P'000	Company Dec 2021 P'000	Company Dec 2020 P'000
Engen Palapye Partnership				
Current assets; Including cash and cash equivalents of P7 379 844 (2020: P6 063 369)	8 513	7 587	-	-
Non current assets	71 314	75 518	-	-
Current liabilities	(967)	(638)	-	-
Equity	78 860	82 467	-	-
Group's carrying amount of the investment	29 757	31 209	-	-
Engen Maun Partnership				
Current assets; Including cash and cash equivalents of P14 439 496 (2020: P11 077 756)	14 551	11 402	-	-
Non current assets	29 624	31 104	-	-
Current liabilities	(482)	(649)	-	-
Equity	43 693	41 857	-	-
Group's carrying amount of the investment	11 235	10 739	-	-
Total carrying amount of the investments	40 992	41 948	-	-

	Group Dec 2021 P'000	Group Dec 2020 P'000	Company Dec 2021 P'000	Company Dec 2020 P'000
Engen Palapye Partnership				
Rental income	6 030	7 449	-	-
Rentals	7 241	6 707	-	-
Other	(1 211)	742	-	-
Fair value gains on property	(2 830)	1 600	-	-
Interest income	217	454	-	-
Direct operating expenses	(2 045)	(1 742)	-	-
Profit for the year	1 372	7 761	-	-
Share of profit of joint venture – Palapye	549	3 105	-	-

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2021

	Group		Company	
	Dec 2021	Dec 2020	Dec 2021	Dec 2020
	P'000	P'000	P'000	P'000
Engen Maun Partnership				
Rental income	1 036	3 849	-	-
Rentals	3 380	3 515	-	-
Other	(2 344)	334	-	-
Fair value gains on property	1 600	900	-	-
Interest income	455	343	-	-
Direct operating expenses	(1 109)	(1 124)	-	-
Profit for the year	1 982	3 968	-	-
Share of profit of joint venture - Maun	495	992	-	-
Total share of profits of the joint ventures – Palapye and Maun	1 044	4 097	-	-

Non current assets comprise of the total investment properties owned by the joint arrangements.

The Engen Maun investment property is held by way of a 50 year lease with the Tawana Land Board commencing 12 November 2003 with an option to renew for a further 50 years. The joint arrangement was entered into on 16 July 1993.

The Engen Palapye investment property comprises of a shopping complex erected on Lot 68 in Palapye, measuring 16500 square metres held in terms of Tribal Lease Number L/E/4/788, commencing on 6 June 1982, for fifty years and registered under title deed number 9/83 dated 7 September 1983. The joint arrangement was entered into on 7 November 1991.

Investment properties are stated at fair value, which has been determined, based on valuations performed by an independent professionally qualified valuer, as at 31 December 2021 and 31 December 2020 for the current and previous year respectively. The valuer has recent experience in the location and category of the investment property being valued. The fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value is based on recent prices of similar properties in the same category and location.

The joint arrangements had no contingent liabilities or capital commitments as at 31 December 2021 and 2020. The joint arrangements cannot distribute their profits until they obtain consent from the four venture partners.

A dividend of P2 000 000 (2020: P6 000 000) was paid by Engen Palapye Partnership to all joint venture partners.

The values of the investment in joint arrangements in the company are shown below:

Unlisted				
- Engen Palapye Partnership (At cost)	-	-	2 762	2 762
- Engen Maun Partnership (At cost)	-	-	1 762	1 762
	-	-	4 524	4 524

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2021

		Group		Company	
		Dec 2021 P'000	Dec 2020 P'000	Dec 2021 P'000	Dec 2020 P'000
9	**INVESTMENTS**				
	Unlisted				
	- School debentures (At fair value through profit and loss)	37	37	10	10
		37	37	10	10

The investments in debentures have no maturity date and no interest applies to them.

		Group		Company	
		Dec 2021 P'000	Dec 2020 P'000	Dec 2021 P'000	Dec 2020 P'000
10	**INVESTMENT IN SUBSIDIARIES**				
	Unlisted Holding				
	Shares at cost:				
	- Engen Marketing Botswana (Pty) Ltd 100%	-	-	72 209	72 209

A listing of the Group's principal subsidiaries is set out in Note 22.

		Group		Company	
		Dec 2021 P'000	Dec 2020 P'000	Dec 2021 P'000	Dec 2020 P'000
11	**INVENTORIES**				
	Petroleum products purchased for resale - at cost	38 548	11 147		-
	Provision for obsolete stock	(473)	(465)	-	-
		38 075	10 682	-	-

There was no write down and reversal of inventory that was recognised as an expense during the year. During 2021, P2 265 404 759 (2020: P2 110 949 396) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales.

		Group		Company	
		Dec 2021 P'000	Dec 2020 P'000	Dec 2021 P'000	Dec 2020 P'000
12	**TRADE AND OTHER RECEIVABLES**				
	Financial assets				
	Trade receivables, net of allowance for impairment	176 457	85 001	-	-
	Other receivables	4 221	3 387	-	-
		180 678	88 388	-	-
	Non-financial assets				
	Slate receivable	241 544	-	-	-
	Other receivables	20 394	15 948	-	-
		442 616	104 336	-	-

Trade and other receivables are non-interesting bearing and are generally on 30-60 days' terms with the exception of the slate receivable from Government which has no set terms. The directors consider the carrying value to approximate the fair value. Other receivables comprise mainly of amounts due from Government and value added tax receivable. The other receivables included in financial assets consist mainly of accruals and staff loans that do not form part of trade receivables. The other receivables and been assessed for impairment and no impairment was required.

The significant increase in the slate receivable was due to insufficient funds in the National Petroleum Fund that were required to settle the slate under-recoveries in the oil industry in Botswana. The slate under-recoveries accumulated over the period June 2021 to December 2021. Management has engaged with the Government and recoveries of these amounts are expected to take place in 2022. Hence, no impairment of these amounts was required.

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2021

12 TRADE AND OTHER RECEIVABLES continued

	Group		Company	
	2021	2020	2021	Dec 2020
	P'000	P'000	P'000	P'000
Trade and other receivables at 31 December				
Not past due	162 842	71 991	-	-
Past due:				
Less than 30 days	17 570	12 569	-	-
Between 30 days and 60 days	262	3 828	-	-
Between 60 days and 90 days	-	-	-	-
More than 90 days	4	-	-	-
Total	180 678	88 388	-	-

Past due but not impaired is based on time since recognition and after 30 days, the balances have no factors that would evidence impairment, management still considers these balances as fully recoverable. The directors consider the carrying amount to approximate the fair value.

As at 31 December 2021, trade receivables at nominal value of P7 046 954 (December 2020: P9 278 977) were impaired and fully provided for. Movements in the allowance for expected credit losses of receivables were as follows:

	Dec 2021	Dec 2020	Dec 2021	Dec 2020
	P'000	P'000	P'000	P'000
At beginning of year	9 279	10 879	-	-
Utilised during the year	-	(42)	-	-
Reversal of unused provision	(2 232)	(1 558)	-	-
At end of year	7 047	9 279	-	-

The allowance represents impairment losses on individually assessed financial assets and expected credit losses.

Refer to Note 20 for additional information in respect of allowances for expected credit losses.

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2021

		Group		Company	
		Dec 2021 P'000	Dec 2020 P'000	Dec 2021 P'000	Dec 2020 P'000
13	**CASH AND CASH EQUIVALENTS**				
	For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following:				
	Cash on hand and at bank	184 854	287 333	2 848	1 746
	Short term deposits	109 309	103 553	27 150	30 686
	Cash resources	294 163	390 886	29 998	32 432

The short term deposits had variable effective interest rates of between 1.0% and 5.6% (December 2020 – 1.0% and 4.2%) for the year. At year end the short-term deposits were maturing within 60 days (December 2020: 90 days). No interest is earned on cash amounts maintained in the Group's current accounts. The Group has unutilised banking facilities with First National Bank of Botswana Limited of Nil (December 2020: Nil).

		Dec 2021 P'000	Dec 2020 P'000	Dec 2021 P'000	Dec 2020 P'000
14	**STATED CAPITAL**				
	159 722 220 authorised and issued ordinary shares at no par value, fully paid	8 138	8 138	8 138	8 138
		8 138	8 138	8 138	8 138

For capital management disclosures refer to Note 20.

		Dec 2021 P'000	Dec 2020 P'000	Dec 2021 P'000	Dec 2020 P'000
15	**PROVISIONS**				
	Dismantling and restoration costs				
	Balance at beginning of year	57 187	75 254	-	-
		27 128	(23 356)	-	-
	Additional provision (Note 7)	4 070	1 178		
	Change in estimate (Note 7)	23 058	(24 534)	-	-
	Finance costs (Note 3.3)	3 141	5 289	-	-
		87 456	57 187	-	-
	Long term leave liability				
	Balance at the beginning of the year	-	74	-	-
	Charge for the year	26	-	-	-
	Transfer to short term leave liability	-	(74)	-	-
	Balance at the end of the year	26	-	-	-
		87 482	57 187	-	-

Refer to the note for the Change in Accounting Estimate on Page 25.

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2021

		Group		Company	
		Dec 2021 P'000	Dec 2020 P'000	Dec 2021 P'000	Dec 2020 P'000
16	**TRADE AND OTHER PAYABLES**				
	Financial liabilities				
	Trade payables	56 188	22 909	-	-
	Related party payables (Note 17)	237 008	119 927	-	-
	Other payables	6 275	5 844	1 610	2 547
		299 471	148 680	1 610	2 547
	Non-financial liabilities				
	Duties & Levies	84 471	41 284	-	-
	Leave pay	967	1 222	-	-
	Slate payable	-	10 690	-	-
	Other payables	8 969	8 861	-	-
		393 878	210 737	1 610	2 547

Trade payables are non interest bearing and are normally settled on 30-60 day terms.

Other payables, duties and levies are non-interest bearing and have an average term of 30 – 60 day terms. Other payables included in financial liabilities consist of accruals. Other payables in non-financial liabilities consist of accruals, provision for bonus and the health and safety provision.

For terms and conditions relating to related parties, refer to Note 17.

	Group		Company	
	Dec 2021 P'000	Dec 2020 P'000	Dec 2021 P'000	Dec 2020 P'000

17 RELATED PARTY DISCLOSURES

Related party transactions where control exists include Petroleum Investment Holdings Limited, which owns 70% of the Company's shares. The remaining 30% of the shares are widely held. The ultimate parent of the Group is Petroliam Nasional Berhad (PETRONAS) of Malaysia.

During the year, the Group entered into transactions with fellow subsidiaries. Those transactions along with related balances at 31 December 2021 and 31 December 2020 are presented in the following table:

(i) Purchase of goods/services:

	Group Dec 2021 P'000	Group Dec 2020 P'000	Company Dec 2021 P'000	Company Dec 2020 P'000
Purchase of refined oil products - Engen Petroleum Limited	2 038 260	1 309 628	-	-
Purchase of refined oil products - Engen Namibia (Pty) Ltd	83 880	27 362	-	-
Service fees for the provision of technical, accounting and computer support - Engen Petroleum Limited (Note 3.2)	13 232	11 756	-	-
Dividends received from Engen Marketing Botswana (Proprietary) Limited	-	-	179 049	178 889
Rent paid to Joint Ventures (Engen Palapye Partnership and Engen Maun Partnership)	397	685	-	-

Engen Petroleum Limited, a company incorporated in the Republic of South Africa, is a subsidiary of PETRONAS of Malaysia and is therefore an entity related through common control. Engen Namibia (Pty) Ltd, a company incorporated in the Republic of Namibia, is a subsidiary of PETRONAS of Malaysia and is therefore an entity related through common control. The above transactions were carried out on commercial terms and conditions.

(ii) Outstanding balances arising from purchases of goods/services

	Group Dec 2021 P'000	Group Dec 2020 P'000	Company Dec 2021 P'000	Company Dec 2020 P'000
Purchase of refined oil products and services fees for technical, accounting and computer support -				
Engen Petroleum Limited (Note 16)	227 388	119 570	-	-
Engen Namibia (Pty) Ltd (Note 16)	9 620	357	-	-
	237 008	119 927		

(iii) Compensation of key management personnel

	Group Dec 2021 P'000	Group Dec 2020 P'000	Company Dec 2021 P'000	Company Dec 2020 P'000
Short-term employee benefits	6 997	4 906	1 391	1 663
Post-employment benefits	365	267	-	-
Total compensation of key management personnel	7 362	5 173	1 391	1 663

The non-executive directors do not receive pension entitlement from the Group. A listing of the members of the Board of Directors is shown on page 1 of the financial statements.

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at normal market prices. Outstanding balances at the year end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For year ended 31 December 2021, the Group has not made any provision for doubtful debts relating to amounts owed by related parties (December 2020: Nil). This assessment is undertaken every financial year through examining the financial position of the related parties and the market in which the related parties operate. Related party balances are normally settled on 30 -60 days terms.

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2021

		Group		Company	
		Dec 2021 P'000	Dec 2020 P'000	Dec 2021 P'000	Dec 2020 P'000
18	**COMMITMENTS AND CONTINGENCIES**				
18.1	**Capital expenditure commitments**				
	The Group has the following purchase commitments for property, plant and equipment incidental to the ordinary course of business.				
	Approved and committed	-	-	-	-
	Approved but not committed	129 920	64 245	-	-
		129 920	64 245	-	-
18.2	**Contingent liabilities**				
	The Group, through its bankers, has provided the following guarantees at 31 December:				
	Bond to the Department of Customs & Excise for the movement of petroleum products from the Republic of South Africa and Namibia to Botswana and whilst in transit.	248	248	-	-
	Guarantee to Botswana Railways in respect of security for compliance with performance obligations in accordance with the fuel supply contract	300	300	-	-
		548	548	-	-

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2021

18.3 COMMITMENTS AND CONTINGENCIES continued

The Group's bankers issued guarantees in favour of the Department of Customs and Excise and Botswana Railways in terms of which the bankers (as guarantors) will reimburse the Department of Customs and Excise and Botswana Railways in the unlikely event that Engen default on their payments. This is limited to P248 000 and P300 000 respectively. In accordance with the agreed terms, any amounts paid by the bankers will be recovered from Engen. No liability is expected to arise.

18.4 Lease rentals receivable – group as a lessor

Contingent lease rentals receivable are based on volumes sold and a value has not been attributed to these agreements. Total contingent rentals recognised as income in the year amounted to P13 093 029 (2020: P12 440 333). Other lease rentals which are under cancellable lease arrangements relate to commercial property leases from third parties. The operating lease income maturity analysis is shown below:

	2021 P'000	2020 P'000
Within one year	1 039	1 060
Within two to five years	1 932	3 919
More than five years and less than ten years	528	1 006
	3 499	**4 985**

18.5 Legal claims

In the ordinary course of business, the Group is a defendant in a litigation arising from trade claims. Although there can be no assurances, the Group believes, based on information currently available, that the ultimate resolution of the legal proceedings would not likely have a material adverse effect on the results of its operations, financial position or liquidity of the Group. The Group has not raised any liability in respect of these claims which amount to nil (2020: nil).

19 SEGMENT REPORTING

Operating segment information

The property letting segment is made up of the two joint ventures (Refer to Note 8). The Directors consider that on the basis of risks and returns and the Group's organisational and reporting structure for management purposes there are primarily two operating segments, petrochemical activities and property letting business. Within the petrochemical activities there are two main business units, Commercial and Retail, the two segments have similar economic characteristics and the distribution channel is similar and as such have been aggregated as one segment; petrochemical activities segment. Petrochemical activities primarily involve the selling and distribution of fuel. All revenue is earned in Botswana and all assets are situated in Botswana. Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Amounts disclosed are based on the numbers included in the consolidated financial statements.

19 SEGMENT REPORTING continued

Year ended 31 December 2021	Petrochemical Activities	Property Letting	Consolidated
	P'000	P'000	P'000
Segment Revenue			
External sales	2 709 624	-	2 709 624
Total Segment Revenue (Note 2)	2 709 624	-	2 709 624
Results			
Depreciation (Note 3.2)	22 283	-	22 283
Foreign exchange gains (Note 3.5)	2 518	-	2 518
Finance costs (Note 3.4)	(9 798)	-	(9 798)
Taxation (Note 4)	(93 945)	-	(93 945)
Share of profit of joint ventures	-	1 044	1 044
Profit for the year after tax	**259 856**	**1 044**	**260 900**
Total assets	**1 208 343**	**40 992**	**1 249 335**
Total liabilities	**570 295**	**-**	**570 295**
Capital Expenditure (Note 7)	**30 228**	**-**	**30 228**

Year ended 31 December 2020	Petrochemical Activities	Property Letting	Consolidated
	P'000	P'000	P'000
Segment Revenue			
External sales	2 331 368	-	2 331 368
Total Segment Revenue (Note 2)	2 331 368	-	2 331 368
Results			
Depreciation (Note 3.2)	28 355	-	28 355
Foreign exchange gains (Note 3.5)	7 736	-	7 736
Finance costs (Note 3.4)	(10 175)	-	(10 175)
Taxation (Note 4)	(49 203)	-	(49 203)
Share of profit of joint ventures	-	4 097	4 097
Profit for the year after tax	**93 912**	**4 097**	**98 009**
Total assets	**898 915**	**41 948**	**940 863**
Total liabilities	**359 447**	**-**	**359 447**
Capital Expenditure (Note 7)	**37 868**	**-**	**37 868**

19 SEGMENT REPORTING continued

	2021 P'000	2020 P'000
Geographic information		
Revenues from external customers		
Botswana (Note 2)	2 709 624	2 331 368
Total revenue from external customers per the consolidated statement of profit or loss and other comprehensive income (Note 2)	2 709 624	2 331 368

The revenue information above is based on the location of the customers.

20 FINANCIAL INSTRUMENTS

Group

31 December 2021	***Note***	***Financial assets measured at amortised cost P'000***	***Financial liabilities measured at amortised cost P'000***	***Assets/(liabi lities) held at fair value through P&L P'000***	***Total carrying amount P'000***
Financial assets					
Investments – unlisted debentures	9	-	-	37	37
Trade and other receivables	12	180 678	-	-	180 678
Cash at bank and in hand	13	294 163	-	-	294 163
Forward exchange contract asset		-	-	224	224
Financial liabilities					
Trade and other payables	16	-	(299 471)	-	(299 471)
Forward exchange contract liability		-	-	(1 084)	(1 084)
		474 841	(299 471)	(824)	174 546

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2021

20 FINANCIAL INSTRUMENTS continued

31 December 2020	***Note***	***Loans and receivables P'000***	***Financial liabilities measured at amortised cost P'000***	***Assets/(liabilities) held at fair value through P&L P'000***	***Total carrying amount P'000***
Financial assets					
Investments – unlisted debentures	9	-	-	37	37
Trade and other receivables	12	88 388	-	-	88 388
Cash at bank and in hand	13	390 886	-	-	390 886
Forward exchange contract asset		-	-	861	861
Financial liabilities					
Trade and other payables	16	-	(148 680)	-	(148 680)
Forward exchange contract liability		-	-	(107)	(107)
		479 274	(148 680)	791	331 385

Company

The accounting classification of each category of financial instruments, and their carrying amounts, are set out below.

31 December 2021	***Note***	***Financial assets measured at amortised cost P'000***	***Financial liabilities measured at amortised cost P'000***	***Assets held at fair value through P&L P'000***	***Total carrying amount P'000***
Financial assets					
Investments – unlisted debentures	9	-	-	10	10
Cash at bank and in hand	13	29 998	-	-	29 998
Financial liabilities					
Trade and other payables	16	-	(1 610)	-	(1 610)
		29 998	(1 610)	10	28 398

31 December 2020	***Note***	***Financial assets measured at amortised cost P'000***	***Financial liabilities measured at amortised cost P'000***	***Assets held at fair value through P&L P'000***	***Total carrying amount P'000***
Financial assets					
Investments – unlisted debentures	9	-	-	10	10
Cash at bank and in hand	13	32 432	-	-	32 432
Financial liabilities					
Trade and other payables	16	-	(2 547)	-	(2 547)
		32 432	(2 547)	10	29 895

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2021

20. FINANCIAL INSTRUMENTS continued

Total interest income and total interest expense calculated using the effective interest method for financial assets or financial liabilities that are not at fair value through profit or loss are as follows:

	Group			Company		
	Interest income	***Interest expense***	***Total net gains and losses***	***Interest income***	***Interest expense***	***Total net gains and losses***
December 2021						
Cash & cash equivalents/ payables	7 463	-	7 463	454	-	454
December 2020						
Cash & cash equivalents/ payables	10 190	-	10 190	733	-	733

Total exchange gains and losses for financial assets or financial liabilities that are at fair value through profit or loss are as follows:

	Group		Company	
	Fair value gains/(losses)	***Total net fair value gains/(losses)***	***Fair value gains/(losses)***	***Total net fair value gains/(losses)***
December 2021				
Forward exchange contracts (Note 3.5)	5 966	5 966	-	-
December 2020				
Forward exchange contracts (Note 3.5)	(5 958)	(5 958)	-	-

20 FINANCIAL INSTRUMENTS continued

Financial risk management objectives and policies

The main risks arising from the group's and company's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk.

Interest rate risk

Financial instruments that are sensitive to interest rate risk are bank balances and cash (refer note 13). Interest rates applicable to these financial instruments compare favourably with those currently available in the market and are only applicable to Botswana interest rates. The group's policy is to minimise the interest rate risk exposure as such the group has no external debt and invests in the best interest yielding call and fixed deposits accounts.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates at reporting date, with all other variables held constant, of the group's and company's profit before tax (through the impact on floating rate financial instruments) and equity at reporting date. The reasonable possible change is based on past trends of interest rates and expected future changes. The impact was calculated by applying the reasonable possible change to the exposures at reporting date, and with reference to the next 12 months. There is no direct impact on the group's and company's equity apart from the after tax amount of the statement of profit or loss and other comprehensive income impact. An interest rate sensitivity of 1% is likely to affect the user of the financial statements and sensitivity analysis is presented below.

	Group		**Company**	
	2021	**2020**	**2021**	**2020**
	P'000	**P'000**	**P'000**	**P'000**
Effect on profit before tax				
Increase of 1% in interest rates	2 942	3 909	300	324
Decrease of 1% in interest rates	(2 942)	(3 909)	(300)	(324)

Foreign currency risk

The group purchases its petroleum products in other countries and, as a result, is exposed to movements in foreign currency exchange rates. Foreign currency risk is managed at a senior level and monitored by the group management. Foreign currency risk is only with regard to transactions with a fellow subsidiary in South Africa payable in Rands. The group is also operates foreign currency bank accounts which are denominated in South African Rand and is therefore exposed to foreign currency fluctuations.

The group and company use foreign currency forward exchange to manage foreign exchange exposure.

The following table demonstrates the sensitivity to a reasonably possible change in the South African Rand exchange rate, with all other variables held constant, of the group's and company's profit before tax (due to changes in the fair value of monetary assets and liabilities). The reasonable possible change is based on past trends of foreign exchange rates and expected future changes. The impact was calculated by applying the reasonable possible change to the exposures at reporting date, and with reference to the next 12 months. There is no effect on the group's and company's equity apart from the after tax amount of the statement of profit or loss and other comprehensive income impact.

	2021	**2020**
	P'000	**P'000**
Effect on profit before tax		
Increase of 10% in the ZAR rate	(35 485)	(14 721)
Decrease of 10% in the ZAR rate	35 485	14 721

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2021

20 FINANCIAL INSTRUMENTS continued

Financial Risk Management

The group mitigates the risk of foreign exchange rate movements through the use of forward exchange contracts. The notional amount of coverage from forward contracts as at 31 December 2021 was P257 541 445 (31 December 2020: P119 122 344).

Currency profile

The Pula equivalent values of amounts translated from foreign currencies at year end are as follows:

	2021 Pula	2021 Rand	2020 Pula	2020 Rand
Related party payables (Note 17)	237 007 767	322 093 555	119 926 754	162 260 898
Bank balances	140	190	2 165	2 929
Exchange rate	1.000	1.359	1.000	1.353

Credit risk management

Transactions are only conducted with approved counterparties that satisfy the assessment in terms of specific guidelines, rules, and parameters in terms of an approved counterparty selection list and limits. The purpose of credit risk policies and processes is to set the foundation for the establishment of effective credit risk management across the Group.

The Group's credit risk is primarily attributable to trade and other receivables. The amounts presented in the Statement of Financial Position are net of allowances for expected credit losses. For allowances for doubtful receivables disclosure, refer to note 12. An allowance for impairment is made based on the expected credit loss which is an amount expected of default based on the historical amount and adjusted by forward looking information.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for the customer segments. There is no categorisation of customer segments as the loss patterns are similar.

The Group has collateral against some of its trade and other receivables in the form of cessions over trade and other receivables, bonds over movable and immovable property and letters of guarantee. The fair value of collateral held amounted to P69 786 002 (2020: P68 916 000). There was no collateral that was sold or repledged. There were no obligations to return the collateral. The entity had the right to use the collateral to extinguish the respective trade receivables that it was covering with no restrictions.

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents and certain derivative instruments, the Group's exposure to credit risks arises from default of the counter party. The credit quality of these counterparties is good as all of these counterparties are reputable banking institutions.

Maximum credit risk exposure per class in total is the carrying values of loans and receivables and financial assets at fair value disclosed in Note 12.

For trade and other receivables, all new counterparties are subject to a credit risk assessment. This is a process whereby a counterparty's credit worthiness is evaluated using qualitative and quantitative weighted criteria. Use is made of outside vetting agencies to vet new potential customers. The information obtained from these agencies is used in the Group's own credit risk rating system.

As a result of these evaluations the customers are assigned a risk rating. The credit risk rating framework is used as the primary credit evaluation tool. Exposure limits, credit terms and security requirements are all set according to these risk ratings.

All customers are grouped according to their risk category.

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2021

The risk rating determines how often the counterparties risk rating will be reviewed. If the counterparties risk rating is rated as average risk, low risk, or minimal risk the review takes place every 6 months. High risk counter parties are reviewed every month. Each business stream and division will monitor their credit exposure and credit risk for reporting to management on a monthly basis.

The following is a table highlighting the credit quality of Engen's trade and other receivables that are neither past due nor impaired.

%	Low Risk	Minimal Risk	Average Risk	Significant/ High Risk	Total
2021	99.58%	-	-	0.42%	100%

The following is a table highlighting the credit quality of Engen's trade and other receivables that are neither past due nor impaired.

%	Low Risk	Minimal Risk	Average Risk	Significant/ High Risk	Total
2020	99.55%	-	-	0.45%	100%

Debtors in government and industry and commerce category are the main trade categories that fall into low risk, with industry and commerce being the main trade category in minimal risk. Industry and commerce and retail are the main trade categories in average risk; and sales and distribution companies, fleet, retail and export debtors are the main categories in significant risk.

Listed below is the age analysis of trade and other receivables. The age analysis is based on credit terms.

2021 P'000	Carrying Amount	Current	Less than 30 days	Between 30 and 60 days	Between 60 and 90 days	More than 90 days
Expected credit loss rate		0.33%	0.63%	3.62%		
Trade receivables at gross carrying amount	187 725	163 142	17 997	266	-	6 320
Expected credit losses	(7 047)	(300)	(427)	(4)	-	(6 316)
	180 678	162 842	17 570	262	-	4

2020 P'000	Carrying Amount	Current	Less than 30 days	Between 30 and 60 days	Between 60 and 90 days	More than 90 days
Expected credit loss rate		0.20%	0.85%	4.0%		
Trade receivables at gross carrying amount	97 667	71 991	12 569	3 828	-	9 279
Expected credit losses	(9 279)	(143)	(107)	(153)	-	(8 876)
	88 388	71 848	12 462	3 675	-	403

Cu

The specific provisions that are included in the Expected Credit Losses above amount to P7 046 954 (2020: P9 278 977).

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2021

20 FINANCIAL INSTRUMENTS continued

Liquidity risk

Liquidity risk is the risk that the group and company have insufficient funds available to fulfil their existing and future cash flow obligations. Several elements are regarded as fundamental in the management of liquidity. These include the maintenance of minimum levels of marketable and liquid assets; effective cash flow management; implementation of long term funding strategies; diversification of funding; and adequate contingency plans.

The group and company have access to banking facilities in excess of their current and anticipated future requirements. The group's and company's borrowing powers are not limited by its Articles of Association.

The following table summarises the maturity profile of the group's financial liabilities at 31 December 2021 based on contractual undiscounted payments:

Group

31 December 2021	**Less than 1 month P'000**	**1 to 3 months P'000**	**3 to 12 months P'000**	**1 to 5 years P'000**	**> 5 years P'000**	**Total P'000**
Trade and other payables	-	299 471	-	-	-	299 471
Forward exchange contract liability	-	1 084	-	-	-	1 084
	-	300 555	-	-	-	300 555
31 December 2020						
Trade and other payables	-	148 680	-	-	-	148 680
Forward exchange contract liability	-	107	-	-	-	107
	-	148 787	-	-	-	148 787
Company						
31 December 2021						
Trade and other payables	-	1 610	-	-	-	1 610
31 December 2020						
Trade and other payables	-	2 547	-	-	-	2 547

FAIR VALUE MEASUREMENTS

The following table provides fair value measurement hierarchy of the group's assets and liabilities.
Quantitative disclosures fair value measurement hierarchy for instruments as at 31 December 2021:

		Fair value measurement using:			
		Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value:					
	Date of valuation	P'000	P'000	P'000	P'000
Foreign exchange forward contracts	31 December 2021	223	-	223	-
School debentures	31 December 2021	37	-	-	37
Liabilities measured at fair value:					
Foreign exchange forward contracts	31 December 2021	1 084	-	1 084	-

There have been no transfers between level I and 2 during the year.

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2021

FAIR VALUE MEASUREMENTS continued

Quantitative disclosures fair value measurement hierarchy for instruments as at 31 December 2020:

		Fair value measurement using:			
		Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value:					
	Date of valuation	P'000	P'000	P'000	P'000
Foreign exchange forward contracts	31 December 2020	861	-	861	-
School debentures	31 December 2020	37	-	-	37
Liabilities measured at fair value:					
Foreign exchange forward contracts	31 December 2020	107	-	107	-

Fair values
The directors consider the carrying amount of all financial instruments to approximate their fair value since the financial assets and liabilities have a short term to maturity and the interest rate on other receivables approximate the market rate. The fair value of foreign forward exchange contracts (FEC) is determined by using quoted prices in a market that is not active for the identical item held by another party as an asset. The fair value is measured using a valuation model. The input to this model being exchange rates are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

Capital management

The group and company define capital as the total equity of the group and company as noted in the statement of changes in equity. The group's and company's long-term objective for managing capital is to deliver competitive, secure and sustainable returns to maximise long-term shareholder value. Management is of the view that these objectives are being met. The group and company are not subject to any externally-imposed capital requirements.

The group and company aim to maintain capital discipline in relation to investing activities while growing the dividend per share. The Group and company do not have any long term debt. Cash retained in the group and company is used to self-fund investing activities.

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2021

21 LEASES (GROUP AS LESEE)

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:

	Lease Properties	Total
Cost	**P'000**	**P'000**
1 January 2021	91 184	91 184
Additions	3 518	3 518
Derecognition of lease	(627)	(627)
31 December 2021	94 075	94 075
Accumulated depreciation		
1 January 2021	9 200	9 200
Current year	6 643	6 643
31 December 2021	15 843	15843
Net carry amount	78 232	78 232

	Lease Properties	Total
Cost	**P'000**	**P'000**
1 January 2020	67 424	67 424
Additions	27 186	27 186
Derecognition of terminated lease	(3 426)	(3 426)
31 December 2020	91 184	91 184
Accumulated depreciation		
1 January 2020	3 801	3 801
Current year	5 499	5 499
Derecognition of terminated lease	(100)	(100)
31 December 2020	9 200	9 200
Net carry amount	81 984	81 984

	2021	2020
	P'000	**P'000**
Other disclosures		
Interest expense on lease liabilities	6 657	4 886
Total cash outflow from leases within the scope of IFRS 16	(10 025)	(7 773)

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2021

LEASES (GROUP AS LESEE) (continued)

	2021 P'000	2020 P'000
Lease liabilities		
The maturity analysis of lease liabilities is as follows:		
Payments:		
Within one year	10 849	13 199
Two to five years	28 165	26 078
More than five years and less than ten years	7 335	37 922
More than ten years	99 003	63 121
	145 352	140 320
Finance charges:		
Within one year	(6 604)	(6 581)
Two to five years	(19 320)	(19 367)
More than five years and less than ten years	(6 328)	(25 337)
More than ten years	(29 383)	(4 789)
	(61 635)	(56 074)
Net present value	83 717	84 246
Non-current liabilities	79 472	77 628
Current liabilities	4 245	6 618
	83 717	84 246

Lease liabilities

	2021	2020
Balance at the beginning of the year	84 246	65 888
Additions	3 518	27 186
Interest	6 657	4 886
Derecognition of lease	(679)	(5 941)
Lease payments within the scope of IFRS 16	(10 025)	(7 773)
Balance at end of the year	83 717	84 246

Nature of leasing activities (in the capacity as lessee)

The Group leases a number of properties in Botswana. It is customary for the lease contracts to provide for payments to increase each year by inflation or a constant percentage.

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2021

22 SUBSIDIARY COMPANY

The subsidiary company of Engen Botswana Limited which is incorporated in Botswana, is as follows:

	% Holding	Business Description
Engen Marketing Botswana (Pty) Ltd	100	Marketing of petroleum products

The major portion of the group's activities are conducted by Engen Marketing Botswana (Pty) Ltd.

23 EVENTS AFTER THE REPORTING PERIOD

A final dividend of 63.7 thebe per share was declared on 15 March 2022. There are no other events that occurred after the reporting date that require adjustment or disclosure in the annual financial statements.

24 IMPACT OF COVID-19

The Covid-19 outbreak was first reported near the end of 2019 in Wuhan, China. Since then, the virus has spread worldwide. On 11 March 2020, the WHO declared the Covid-19 outbreak to be a pandemic.

Covid-19 significantly impacted the world economy in 2020 and may continue to do so in the years to come. Many countries have imposed travel bans on millions of people and additionally people in many locations are subject to quarantine measures. Businesses are dealing with lost revenue and disrupted supply chains. Countries have imposed lockdowns in response to the pandemic and, as a result of the disruption to businesses, millions of workers have lost their jobs. The Covid-19 pandemic has also resulted in significant volatility in the financial and commodities markets worldwide. Numerous governments have announced and implemented measures to provide both financial and non-financial assistance to the affected entities. These developments have presented entities with challenges in preparing their IFRS financial statements.

The revenues of the group were impacted as a result of the decline in petroleum products due to the afore-mentioned reasons, however, they improved after the lifting of the State of Public Emergency in Botswana on 1 October 2021. There were no disruptions to the supply chains. Some customers delayed in the payment of their accounts, however, they were still able to settle their obligations. There were no impairments to financial and non-financial assets that were recognised in 2021 arising from the Covid-19 situation. The cash position of the group remained stable and the group was able to trade without any funding from external sources.

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ENGEN BOTSWANA LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of Engen Botswana Limited and its subsidiaries (the Group) and company set out on pages 3 to 53, which comprise the consolidated and separate statements of financial position as at 31 December 2021, and the consolidated and separate statements of profit or loss and other comprehensive income, and the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Engen Botswana Limited as at 31 December 2021, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act (CAP 42:01).

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group and Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of the Group and Company. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audits of the Group and Company. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements. The Key Audit Matters apply only to the audit of the consolidated financial statements.

Key Audit Matter – Consolidated Financial Statements	How the matter was addressed in the audit
<u>Provision for dismantling and restoration cost of sites</u> The Group has a provision for the dismantling and restoration cost of sites stated at P87.4 million at 31 December 2021 (2020: P57.2 million) representing 15% of the Group's total liabilities (2020: 20%) We considered the provision to be significant to the audit of Engen Botswana Limited Group due to the following reasons: The calculation of this provision requires management's judgement in estimating future decommissioning costs and events, both internal and external to the Group. A small change to the variables making up the costs, as well as a change to an event; for example a change in useful life, can result in a material impact to the valuation of the future obligation. The judgement required to estimate the dismantling and rehabilitation costs is primarily compounded by the fact that the restoration and rehabilitation of each site is unique, and there has been limited restoration and rehabilitation activity. Thus there is limited historical precedent against which to benchmark estimates of future costs. The influence of ongoing activity and the annual changes to costs, as well as the significant judgements and estimates relating to the rehabilitation obligation, are revised each year. The assumptions that we consider having a significant impact on the provision recognised are: • Risk discount rate (which is influenced by the movement in the prime rate) • Estimates of future costs and, • Useful lives of sites Accordingly, the above audit matter is considered a Key Audit Matter. The provision for dismantling and restoration cost of sites is disclosed in Note 15 to the financial statements together with the key judgements and estimates described in Note 1.	Our audit procedures comprised the following in addressing the key audit matter: We recalculated the provision based on the inputs used by management. We assessed the provision and the appropriateness of the discount rate assumption used to arrive at the liability by performing the following: I. A sensitivity analysis of changes in the discount rate. II. We involved our internal valuation specialists to assist in evaluating the methodology applied in the discount rate calculations. We tested the reasonableness of the discount rate used by comparing the results of management's discount rate and EY specialist discount rates. III. We assessed whether the Group discount rate was adjusted for country specific risks. IV. We assessed the reasonability of management's discount rate by comparing it to the prime rate adjusted for country and entity specific risks. We agreed the lease terms used in the calculation to the terms in the lease contracts. We tested the accuracy of the inputs used by management in the calculation by evaluating the completeness of the number of sites used in the calculation against underlying information. We performed a recalculation of the unwinding of the discount rate arising from the present value calculations applied to the future cash flows. We assessed the completeness and accuracy of the disclosures relating to the provision in terms of the requirements of IAS 16 - Property, Plant and Equipment and IAS 37 - Provisions, Contingent Liabilities and Contingent Assets.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the 2 page document titled Engen Botswana Limited Annual financial statements, which includes the Directors' Report included on page 2 as required by the Companies Act (CAP 42:01), which we obtained prior to the date of this report and the annual report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act (Cap 42:01), and for such internal control 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.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting processes.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 based on these 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 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 to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the 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.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Ernst + Young

Ernst & Young
Practicing Member: Bakani Ndwapi
Partner
Certified Auditor
Botswana Accountancy Oversight Authority registration number: CAP0010
Gaborone

Date……30th March 2022……….