CRESTA

MARAKANELO LIMITED

2020 INTEGRATED REPORT

CRESTA MARAKANELO LIMITED

GENERAL INFORMATION

COMPANY REGISTRATION NO:
BW00001308618

NATURE OF BUSINESS
Cresta Marakanelo Limited ("the Company") and its subsidiary (together "the Group") operate a total of 12 hotels with 1,000 rooms. 11 hotels are in Botswana and one is in Zambia. A significant part of the hotel portfolio is focused on the provision of hotel services to business travelers. In addition to accommodation, Cresta, as part of its services, offers customers restaurants, bars, curio shops, health and beauty spa services, game drives and boat cruises, conference facilities, outside catering, as well as other ancillary business activities carried out from the hotels.

DIRECTORS	M K Lekaukau - (Chairman) J Y Stevens T G Ondoko O Majuru P Molefe G Sainsbury B K Molomo (resigned 23 July 2020) M Mbo (resigned 23 July 2020) M Morulane
SECRETARY	P Mothoteng
TRANSFER SECRETARIES	DPS Consulting Services (Pty) Ltd
REGISTERED OFFICE	2nd Floor, Marula House, Prime Plaza, Plot 74538 Gaborone
INDEPENDENT AUDITORS	Deloitte & Touche
BANKERS	Absa Bank Botswana Limited Absa Bank Zambia Plc Botswana Savings Bank Bank Gaborone Limited First National Bank of Botswana Limited Stanbic Bank Botswana Limited
CURRENCY	Botswana Pula

TABLE OF CONTENTS

BOARD OF DIRECTORS

MOATLHODI LEKAUKAU
Non-Executive Chairman
Appointed 30 November 2017
Member of the Human Resources and Nominations Committee

Mr Lekaukau is the Chief Investment Officer of Botswana Development Corporation (BDC) and the Chairman of YMH Media Group, a diversified media holding company with interests in Botswana and Zambia. He is the former Chief Executive Officer of Standard Chartered Bank Botswana. Prior to his role at Standard Chartered, he spent 12 years at Deloitte South Africa where he left as partner and Head of Mergers and Acquisitions for Southern Africa.

Mr Lekaukau is a member of the South African Institute of Chartered Accountants, a fellow member of the Botswana Institute of Chartered Accountants and holds a Bachelor of Commerce Degree and Postgraduate Diploma in Accounting from the University of Cape Town.

Mr Lekaukau has served on several boards of listed and private companies and his current board memberships include Water Utilities Corporation and Masawara Plc.

JOHN YENDALL STEVENS
Non-Executive Director
Lead Independent Director
Appointed 22 January 2010
Chairman of the Finance, Risk and Audit Committee

Mr Stevens served Deloitte in South Africa and Botswana for over 33 years. Eight of those years were as partner in charge of Deloitte Botswana. Mr Stevens retired from Deloitte in 2007 and took up the challenge of private consultancy. He holds a B.Comm Degree from Rhodes University, is a fellow member of the Botswana Institute of Chartered Accountants, a member of the South African Institute of Chartered Accountants and a member of the Institute of Chartered Accountants of England and Wales.
Mr Stevens also serves as a director on the Board of Standard Chartered Bank Botswana.

TSHEPIDI MOREMONG-ONDOKO
Non-Executive Director
Appointed 30 November 2017

Ms. Moremong-Ondoko holds a BA Degree in Economics and Political Science from Swathmore College and an MBA in Finance and International Business from Columbia University Business School. Ms. Moremong-Ondoko has a career spanning 20 years in financial services in both private equity and investment banking. She has worked for various institutions in Africa and Europe, including Aureos Capital, Goldman Sachs and Rand Merchant Bank. Ms. Moremong-Ondoko is currently the Head of Client Coverage for the rest of Africa for Rand Merchant Bank.

GAVIN SAINSBURY
Non-Executive Director
Appointed 1 September 2011

Mr Sainsbury is the Chief Executive Officer of Masawara Financial Services. Before joining Masawara, he was Chief Executive Officer of TA Holdings Limited, a company previously listed on the Zimbabwe Stock Exchange. Prior to that, he was the Managing Director of Colcom Holdings Limited from 2000 to 2010. Mr Sainsbury is a qualified Chartered Accountant and obtained his qualification in 1981 in both Zimbabwe and South Africa. Mr Sainsbury worked for Deloitte & Touche Zimbabwe from 1981 to 1998; he was appointed a Partner at Deloitte & Touche in 1989.

Mr Sainsbury serves as a director on a number of Boards including Botswana Insurance Company, Zimnat Life Insurance Company Limited and Dandemutande Investments Pvt Limited.

PIUS KOMANE MOLEFE
Non-Executive Director
Appointed 15 January 2011
Chairman of the Human Resources and Nominations Committee

Mr Molefe is the Chief Executive Officer of BBS Limited. He holds a Post Graduate Diploma in Economics from the University of Sussex in the United Kingdom. Mr Molefe previously worked for Barclays Bank of Botswana and Ministry of Finance among others. At the Ministry of Finance, he was involved in the handling of all development projects.

Mr Molefe was further involved in the development of policies regulating the financial services sector. He was involved in the establishment of the Botswana Stock Exchange and also served as a member in the exchange.

BOARD OF DIRECTORS (continued)

OSBORNE MAJURU
Non-Executive Director
Appointed 22 January 2010
Member of the Finance, Risk and Audit Committee

Mr Majuru is a Chartered Accountant (Z) with an Accounting (Honours) Degree from the University of Zimbabwe. Osborne has more than 20 years senior management experience including as Financial Director for Anglogold Ashanti in Zimbabwe, Tanzania and Isle of Man; Chief Executive Officer for Cresta Group of Hotels and Zuva Petroleum (Pvt) Limited. In 2019, Mr Majuru was appointed Chief Executive Officer in charge of the Cresta Hotels Cluster for the Masawara Group. Prior to this, he was the Group Chief Financial Officer and thereafter the Group Chief Strategy Officer for Masawara Zimbabwe (Pvt) Limited.

Mr Majuru serves on various Boards including Cresta Holdings (Pty) Limited, Cresta Hotels (Pvt) Limited, Grand Reinsurance and Minerva Risk Advisors.

MOKWENA MORULANE
Executive Director
Appointed 10 October 2017
Managing Director

Mr Morulane is the Managing Director of Cresta Marakanelo Limited. Mokwena started his career at Deloitte, and has held leadership roles in the mining, oil and financial services sectors.
Mr Morulane is a fellow of the Association of Chartered Certified Accountants (ACCA), and a member of the Chartered Institute of Secretaries in Southern Africa. He is also a fellow member of the Botswana Institute of Chartered Accountants. He holds a BA (Hons) in Accounting from the University of Luton, United Kingdom. He has also completed the Saïd Business School, University of Oxford Executive Leadership Programme.

Mr Morulane serves on the Boards of Minergy Limited, Masiela Trust Fund, Old Mutual Life and Sentlhaga Pension Fund.

CHAIRMAN'S STATEMENT

Chairman's Statement (continued)

On behalf Of the Board of Directors of Cresta Marakanelo Limited, I present to you the Integrated Annual Report for the Group for the year ended 31 December 2020.

FINANCIAL HIGHLIGHTS

	Dec-20 P'000	Dec-19 P'000	% Change
Revenue	**202,605**	396,920	(49%)
Operating (Loss)/Profit	**(35,252)**	51,012	(169%)
(Loss)/Profit Before tax	**(72,001)**	30,635	(335%)
(Loss)/Profit After tax	**(63,019)**	23,638	(367%)
(Loss)/Earnings Per Share (thebe)	**(34.83)**	13.06	(367%)
Total Assets	**537,844**	634,736	(15%)
Total Shareholders' Equity	**163,406**	227,357	(28%)
Cash And Cash Equivalents	**56,693**	103,138	(45%)
Cash Generated From Operations	**9,821**	109,465	(91%)

GOING CONCERN AND THE IMPACT OF COVID-19

For the financial year 2020, the Group incurred a net loss of P63 million (2019: profit P24 million) as a result of disruptions caused by the COVID-19 pandemic on the travel and hospitality industry. The disruptions are expected to continue in varying degrees for the foreseeable future. It is not clear when the current operating restrictions will return to 'normal' pre-pandemic levels. The material uncertainties regarding the recovery of the occupancy levels and the resultant impact on liquidity, as well as the successful negotiation of additional funding, should this be required, cast significant doubt on the Group's ability to continue as a going concern.

As soon as the business started experiencing cancellations due to COVID-19 in March 2020, Management was pro-active in reducing the operating leverage of the business. The following are highlights of the key actions taken:

- Management engaged with all key suppliers and landlords in order to agree on more favourable terms to preserve cash in the business;
- All non-critical and post lockdown capital expenditure was put on hold;
- All discretionary expenditure was put on hold;
- Significant reduction was made in marketing expenditure with a bias towards digital media;
- All guests especially the tour groups, were encouraged to postpone their trips to 2021 rather than outright cancellations; and
- A staff recruitment freeze was implemented.

As part of the Directors' consideration of continuously managing the on-going changing impacts of COVID-19, the appropriateness of adopting the going concern basis in preparing the financial statements and consideration of future funding requirements, a range of scenarios have been considered. The assumptions modelled in the scenarios are based on the estimated potential impact of COVID-19 restrictions and regulations, along with our proposed responses over the course of the next 15 months. These include a range of estimated impacts primarily based on length of time various levels of restrictions are in place and the severity of the consequent impact of those restrictions. The range of scenarios includes a scenario of an 18% reduced occupancy compared to 2019 as the best-case scenario, to a base case scenario which has a further 16% decrease in occupancy compared to the best-case scenario, to an extreme scenario of continued low occupancy throughout the 2021 financial year, which results in a further 14% decrease in occupancy compared to the base case. The length of the liquidity period, in relation to each outcome, depends on those actions which the Group chooses to take (e.g. the extent to which cash expenditure is reduced) and the Directors expect the negotiations relating to additional financing to be successful.

Chairman's Statement (continued)

GOING CONCERN AND THE IMPACT OF COVID-19 (continued)

In addition, the following assumptions and considerations have been made by the Directors in preparing the cash flow forecasts;

- That the downturn in business would not be for a period exceeding 12 months from date of approval of the financial statements;
- That there will be continued disruptions to the travel and hospitality industry, particularly for the foreign tourist sector during 2021, with foreign tourism picking up in 2022;
- No further extended country lockdowns;
- Improved food and bar revenue following the easing of alcohol restrictions and some level of increase in the level of conferencing;
- Cost containment and cash preservation measures continue and that salary reductions are re-instituted as approved by the Board; and
- In the worst-case scenario, the current conditions with limited conferencing prevail to March 2022.

The Group is currently in negotiations for an additional working capital facility to provide additional headroom. To date the Group has had adequate resources to meet its loan repayment commitments and its trading liabilities as they fall due. The Directors are satisfied that the Company has sufficient liquidity to withstand adjustments to the base case forecast, as well as the downside scenarios and continue to trade as a going concern for a period of at least 12 months from the date of approval of these financial statements and accordingly, the financial statements have been prepared on the going concern basis.

OVERVIEW OF OPERATIONS

Towards the end of March 2020, the Government of Botswana announced that the country would be on lockdown to limit the spread of COVID-19; this led to the Group temporarily closing its hotels for normal operations from 1 April 2020 to 4 June 2020. Cresta Golfview in Zambia was closed due to a significant decline in occupancies, from 1 April 2020 to 31 May 2020. The Group kept three of its hotels open, operating as quarantine centres, offering services to the Botswana Ministry of Health and Wellness, on a cost recovery basis during the month of April. One hotel continued to offer quarantine services to the Government until 27 November 2020.

After the lockdown period, the Group amplified its standard operating procedures to address the "new normal" brought about by the pandemic, rolled out the COVID-19 health and safety protocols informed by the World Health Organisation, respective Government and health authority guidelines and trained its staff members to ensure total adherence to such guidelines both in Botswana and Zambia.

In Botswana, the local market was the only available business for eight months, between 1 April 2020 to 1 December 2020 due to the closure of borders to non-citizens and non-residents. During this period, the Government of Botswana was supportive of the tourism and hospitality industry through its COVID-19 financial relief measures, granting a wage subsidy over nine months to qualifying businesses. The Group was a beneficiary of the wage subsidy and was eligible to receive a total of P14.6 million for the nine-month period. The wage subsidy was fundamental in helping the Group to keep the majority of its employees on full salaries during the period of hotel closures and low levels of business activity.

As a result of the various actions taken by Management to mitigate the impact of COVID-19 on the business, as highlighted under Going Concern, the wage subsidy received from the Government and the concessions received from employees and suppliers, the Group was able to minimise the reduction in cash balances during the period. Due to improved levels of business activity during the second half of the year when most of the hotels were fully operational (compared to the first half of the year), the cash balances declined marginally from P61.0 million as at 30 June 2020 to P56.6 million as at 31 December 2020. As a result of the improved performance during the last quarter of the year, the Directors approved the repayment to staff of all salary deductions made, payable over a three-month period commencing December 2020.

The P194.3 million decline in Group revenue (49%) compared to prior year is primarily attributable to COVID-19 related cancellations or postponements, the national lockdown period, low occupancies, conferencing restrictions and ban of alcohol sales.

Chairman's Statement (continued)

OVERVIEW OF OPERATIONS (continued)

The gross profit margin declined from 41% in 2019 to 26% primarily due to the continuance of full salaries for the majority of staff, while operations were closed or curtailed. Cost saving on discretionary costs was maximised, and variable costs declined in line with the level of activity, while the wage subsidy provided some relief, resulting in the overall decline in operating profit being limited to P85.9 million.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Total assets declined by P96.9 million (15%) compared to the year ended 31 December 2019. The decline in assets was primarily as a result of the reduction in cash resources during the period which accounted for 46% of the decline. The other 23% is attributed to the property, plant and equipment which had more depreciation than additions due to the capital expenditure freeze. The amortisation of the right-of-use assets accounted for another 23% of the decline, with the remaining 8% split between reduction in trade and other receivables due to low business activity, goodwill impairment and reduction in inventory to match business levels.

CONSOLIDATED STATEMENT OF CASH FLOWS

During the year, the cash generated from operations declined by 91% as a result of cash utilised in funding operating expenses during the period when the hotels were closed. Total cash utilized in operating activities amounted to P4.4 million, compared to cash generated from operating activities in the prior year of P90.4 million. Cash utilised in investing activities amounted to P P17.8 million primarily as a result of the acquisition of the Cresta Bosele Hotel property in February 2020 (2019: acquisition of four hotel properties for P251 million). With regards to financing activities, P9 million was utilised from existing loan facilities to fund the acquisition of the Cresta Bosele Hotel property; while P33.9 million was spent on loan and lease payments.

The Group ended the year with cash resources of P56.7 million (2019: P103.1 million).

SUBSEQUENT EVENTS

In December 2020, Cresta Marakanelo Limited ("CML") entered into conditional agreements with Phakalane Estates Proprietary Limited, Nectar Holdings Proprietary Limited and Real Time Services Proprietary Limited, for CML to lease Phakalane Golf Estate Hotel & Convention Centre ("Phakalane Hotel") and acquire certain hotel furniture, fittings and equipment for a consideration of P10,727,200. Subsequent to the year end, certain conditions precedent to the Lease Agreement were not concluded and consequently, the agreements lapsed.

Other than matters discussed in this publication, the Board and Management are not aware of any material events that have occurred subsequent to the end of the reporting period that requires adjustments and or disclosure in the financial statements.

DIVIDEND

In light of the performance during the year and in order to conserve cash resources, the Directors have decided not to declare a dividend for the 2020 financial year.

OUTLOOK

Whilst the COVID-19 pandemic ushered in unprecedented level of uncertainty on the tourism and hospitality industry, the medium to long term outlook is bolstered by:

- Vaccinations across the globe which are expected to increase people's confidence to travel;
- Botswana and the countries in the region are adopting guidelines which restrict the size of gatherings as opposed to strict movement bans or complete lockdowns;

The Group will continue to operate in survival mode, actively seeking cost containment opportunities and opportunities to increase revenue; keeping close engagements with staff and strategic partners alike and running sales promotions to steer the business out of the COVID-19 induced difficulties.

APPRECIATION

I would like to commend the Staff, Management and fellow directors for their continued support, hard work and dedication to the business. I would also like to thank our valued guests who have continued to patronize our business as well as our suppliers that supported us throughout the year.

M K Lekaukau
Chairman
30 March 2021

Executive Management

MOKWENA MORULANE
Managing Director

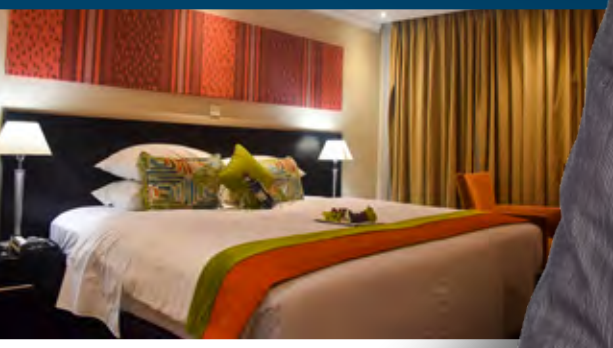
RUTENDO MAZIVA
Chief Financial Officer

SEGOMOTSO BANDA
Group Human Resources Manager

KARL SNATER
Group Operations Manager

GALEBOE MMELESI
Group ICT Manager

MANAGING DIRECTOR'S STATEMENT



Managing Director's Statement (continued)

FINANCIAL HIGHLIGHTS

Revenue

49% lower than FY19

P194.3 million lower than FY19

COVID-19 effects:
- International and regional markets travel restrictions.
- Lockdowns and hotel closures for 75 days
- Conferencing restrictions
- Low business sentiment
- Sale of alcohol ban

Sales and Distribution Expenses

40% saving against FY19

P3.9 million saving

- Discretionary expenditure freeze
- Cheaper Digital marketing

Cost of Sales, Administration and Operating Expenses

27% saving against FY19

Saving of **P89.5 million** excluding Government wage subsidy of **P14.6 million**
- Discounts received from Landlords and other key suppliers
- Savings in all variable cost lines

2020: A MOST UNUSUAL YEAR

The year 2020 started with a lot of promise. 2019 had seen us close the year with momentous performance that fuelled our ambitions for the coming year. The months of January and February 2020 recorded exceptional performance, and we were well on our way to a successful year ahead.

In March 2020, the first wave of COVID-19 effects hit the region resulting in mass international guests' cancellations at all our hotels, especially Cresta Mowana Safari Resort & Spa and Cresta Maun Hotel. The Government of Botswana announced a total lockdown for the month of April and May 2020, during which period all hotels were closed for normal operations. The hotels opened on a phased basis in June 2020, resulting in a total of 75 days of closure. Only three hotels were open for 15 days in April, albeit as quarantine centres on cost recovery basis. This meant the cash burn rate was close to 100%. Our management staff members voluntarily took a salary cut for a total of six (6) months in direct response to the subdued top line.

The Group performed sensitivity analysis and pivoted its tactics early on into the pandemic, seeking to find the footing of the business in the new normal and ensure its sustainability as a going concern. Whilst we are still not out of the woods, the various actions taken to preserve cash in the business have resulted in the Group continuing to operate as a going concern. We continue to exert efforts to drive revenue generation and cost containment and believe that the Group will emerge stronger out of these difficult times.

BUSINESS OPERATIONS

At the onset of the pandemic, there was immediate need to put in place COVID-19 protocols to safeguard our staff and guests alike and the Group did exactly that. The period of hotel closures was used to develop COVID-19 protocols and systems which were rolled out at resumption of service, training staff rigorously across the Group. The Group applied guidelines from the World Health Organisation and the Botswana Ministry of Health and Wellness, and underscored ***safety*** as our primary concern.

Some of our COVID-19 mitigation activities included the below:

- Updating of our Standard Operating Procedure Manual which guided the new way of operating;
- Partnership with a Medical Doctor who immediately was intimately involved in the development of COVID-19 protocols and putting in place systems to safeguard staff and guests.
- Staff training on COVID-19 protocols with nominated Safety, Health and Environment (SHE) representatives at all hotels;
- Personal protective equipment provided to all hotel staff; and
- Implementation of all other protocols as guided by the Ministry of Health and Wellness (MoHW) and the World Health Organisation (WHO).

Managing Director's Statement (continued)

FINANCIAL HIGHLIGHTS

The COVID-19 headwinds had us refocus the business to ensure survival. Cost reductions together with a freeze of capital and discretionary expenditure became even more important in response to the curtailed top line because of the country lockdowns, travel, and conferencing restrictions. Capital expenditure for the year was P19.0 million, which is 93% lower than 2019 which was P275.0 million.

The Group recorded a Loss Before Taxation of P72.0 million compared to the 2019 Profit Before Taxation of P30.6 million. It is critical that the business preserve its cash after closing the year with cash and cash equivalents of P56.7 million compared to P100.3 million in December 2019 (45% reduction).

According to the STR Africa Hotel Review statistics report for the year ended 31 December 2020, the hotel occupancy achieved in Botswana was 29% compared to 58% in 2019. Botswana faired significantly better than its regional counterparts, with reported annual occupancies in Namibia of 21%, South Africa at 24% and Zambia at 19%.

STRATEGIC PRIORITIES

Due to the circumstances shaped by COVID-19, liquidity became the more prominent short-term objective ahead of profitability and growth.

Most of the planned refurbishments were frozen in line with the adopted cash preservation strategy. The exception was the refurbishment of Cresta Marang Residency rooms as well as the Cresta Mowana Safari Resort & Spa presidential and executive suites which were already underway when the first signs of COVID-19 effects were evident.

The Group continued to look for opportunities to increase its footprint in Botswana, with agreements being signed for the lease of an existing property in Gaborone in December 2020. Unfortunately, as indicated in Note 33, certain conditions precedent in the lease agreement were not concluded and the deal was not consummated. However, this has not deterred the Group from seeking other properties to lease, that will add value to the business.

The Board and management made efforts to keep the staff engagement levels high. The executive management kept all staff members informed of the state of the Group affairs. All non-managerial staff members continued to receive their full salaries and benefits throughout the year. In addition to the above, getting technology to drive the business came to the fore of the strategic priorities. The Group speeded up its investment into reducing touch points at the hotels with the launch of an application and system which enables guests, among other things, to check in and out of the hotels without visiting the front office. The Group also centralised its reservations office at Head Office, running on a toll-free telephone line as a way of subsidising call-in guests.

OUR VALUES

In these unprecedent times that we operate in, embracing and living our core values is ever more critical to the sustainability of the business. Our human capital remains a paramount virtue. For our staff to deliver on and uphold the envisaged standards of customer service and guest satisfaction, they need to be fully empowered with the knowledge that Cresta puts them first.

We have continued to demonstrate this throughout the year through regular virtual, and in-person staff meetings with the Managing Director and Executive team; regular staff engagement sessions with the Company Medical Doctor; providing psychological therapy access to staff and enhancing an open-door policy between management and staff to enable swift identification and resolution of issues.

COMMUNITY OUTREACH

In pursuit of our strategic objective to remain a responsible corporate citizen, the Group has continued to play an active role in the communities we operate.

At the onset of the pandemic, the Group provided support to the Government of Botswana through being one of the first hotels to provide quarantine facilities, as well as hotel facilities for frontline workers. We have continued to play an active role in the fight against COVID-19 through donating over 9 000 masks to various schools around the country.

BOTSWANA MARKET OCCUPANCY ACHIEVED

29% compared to 58% in 2019

According to the STR Africa Hotel Review statistics report for the year ended 31 December 2020, the hotel occupancy achieved in Botswana was 29% compared to 58% in 2019. Botswana faired significantly better than its regional counterparts, with reported annual occupancies in Namibia of 21%, South Africa at 24% and Zambia at 19%.

Managing Director's Statement (continued)

COMMUNITY OUTREACH (continued)

Further to that, each of our 12 properties have been tasked with making a concerted contribution in their respective communities. More on these various initiatives can be read in the Sustainability Report Section of this Integrated Report.

OUTLOOK

During the first quarter of 2021 occupancies increased steadily, albeit at levels significantly below the prior year. Whilst the steady rise in occupancies is a positive sign, the occupancy levels achieved indicate that we are still in the pandemic turbulence. The situation is still uncertain and demands that the Group remain in survival mode. We still witness recurrent international lockdowns, in-country movement restrictions, national borders closures, and various national legislations that affect our industry. In March 2021, the United States of America ("USA") Centre for Disease Control declared a Level 4 travel advisory to American citizens discouraging travel to Botswana *"indicating a very high level of COVID-19 in the Country."* As the USA is one of the key source markets for leisure travellers to Botswana, this indicates a long road before the tourism and hospitality sector fully recovers from the effects of COVID-19.

However, our confidence in the tourism and hospitality sector is bolstered by the distribution of COVID-19 vaccines throughout the world. Vaccinations in Botswana began in March 2021; we are hopeful that this process will be expedited to be able to achieve herd immunity during the year. This will in turn position Botswana as a safe travel destination.

The Group will continue to closely watch the local, regional, and international developments to ensure that the business remains agile to the fast-changing environment.

APPRECIATION

I would like to take this opportunity to firstly thank and recognise the esteemed Board members who resigned from the CML Board in 2020 – Mr Bafana Molomo and Dr Mbako Mbo. Your individual contribution to CML has been invaluable. On behalf of myself, my Management Team, and indeed the rest of the Board, we wish you all the best in your new journeys.

My valued colleagues, the staff of Cresta Marakanelo, we would not be here, operating as a going concern, if it were not for each one of your distinct contribution. I appreciate you.

Our valued guests, we continue to greatly appreciate your patronage; even more especially in these very difficult economic times for us all. We look forward to our continued journey together. We pledge to continue our efforts in making Cresta Hotels a safe home away from home for you, exceeding your expectations each time you are in our care.

My fellow Board Members, thank you for the empathy, energy, insights, expertise and understanding that you showed during the year. It was indeed a very difficult year, a very unusual year. This year, several factors impacted the business, and it was critical to exercise financial prudence, coupled with solid judgement and empathy. The Board's role and contribution has been quintessential to ensuring the business makes it through the most difficult period in the history of CML

Mokwena Morulane
Managing Director

CORPORATE GOVERNANCE

Corporate Governance (continued)

THE BOARD

The Board is committed to ensuring that good practice in corporate governance is observed throughout the Group and remains the responsibility of the whole Board. The Board is committed to maintaining high standards of business integrity and professionalism in all its activities and continues to support the highest standards in corporate governance. The Group has adopted the King III Code of Corporate Governance and also abides by the Botswana Stock Exchange (BSE) Listing Requirements.

Overall control of the Group is exercised by the Board, which has responsibility, among other things, for setting strategy and ensuring adequate resources are available and effective; and ethical leadership is provided to achieve the Group's strategy. It, therefore, considers and approves, among other things, all major investment decisions, the key risks to which the business is exposed, and measures to eliminate or minimise the impact of such risks, capital expenditure and the appointment of certain key executives. The Board meets at least four times a year or as often as the circumstances may determine. In addition to the Board members, professional advisors and Executive Management of the Group are requested to attend Board and Committee meetings as and when required.

Executive management is accountable to the Board for the Group's operational performance including implementing Group strategy as determined by the Board; maintaining adequate internal control systems and risk management processes; monitoring operational performance against plans and targets and reporting to the Board any significant variances, maintaining an effective management team and succession planning.

COMPOSITION OF THE BOARD

The Company's Constitution prescribes that the number of Directors on the Board shall not be more than 12 or less than four, while a quorum for a Board meeting is three Directors. The Board is comprised of seven individuals of high calibre with a diverse set of skills, expertise and experience which are adequate to allow the Board to discharge its duties effectively. In accordance with the Company's Constitution, each Director may from time to time appoint any person who is not already a Director and who is approved by a majority of the other Directors to be the Director's alternate director.

The mandate of the Board also incorporates the promotion of diversity in the Board's membership including field of knowledge, skills and experience, age, culture, and gender, including the setting of targets for gender representation. The board considers these gender targets when considering new appointments to the Board.

Non-executive directors are appointed through a formal process and the Human Resources and Nominations Committee assists with the process of identifying suitable candidates to be proposed. The term of office for non-executive members is three years. Thereafter non-executive members may be re-elected for three years subject to the rotation guidelines in the Constitution.

In accordance with the Company's Constitution, one-third of the non-executive directors are required to retire annually, and if available and eligible, may stand for re-election at the company's AGM. Two directors retired during the year and did not stand for re-election at the AGM. The Directors of Cresta Marakanelo Limited are:

Moatlhodi Lekaukau – Non-Executive Chairman
John Stevens – Lead-Independent Non-Executive Director
Tshepidi Moremong-Ondoko – Independent Non-Executive Director
Pius Molefe – Independent Non-Executive Director
Osborne Majuru – Non-Executive Director
Gavin Sainsbury – Non-Executive Director
Mokwena Morulane – Managing Director
Bafana Molomo – Non-Executive Director (resigned 23 July 2020)
Mbako Mbo – Non-Executive Director (resigned 23 July 2020)

Even though the majority of the non-executive Directors are not independent, each Director is expected to fulfil their duties for the benefit of all shareholders, and it is believed that the independent non-executive Directors provide strong independent judgement to the deliberations of the Board.

The Board has established agreed procedures for managing potential conflicts of interest. All Directors are required to disclose at each meeting their shareholding, additional directorships and any potential conflicts of interest to the Chairperson and the Company Secretary. The Board reviews these procedures on an annual basis. The Board does not have an Independent Chairman and in order to assist the Board to deal with any actual or perceived conflicts of interest, Mr John Stevens was appointed as the Lead Independent Director. The Board is satisfied that the procedures for managing potential conflicts remain effective.

Corporate Governance (continued)

BOARD EVALUATION

The performance of the Board, committees and individual board members are assessed annually whether internally or independently. The aim of the evaluation is to assist the Board in improving its effectiveness. The performance of the Chairman and the Managing Director is also assessed annually. The outcome of the evaluation is discussed at a Board meeting and relevant action points are noted for implementation. For the 2020 year, an independent assessment was conducted, and the key area identified for improvement was the need for additional independent directors to be appointed to the Board.

On 18 March 2021 the Board considered the competence, qualifications and experience of the Company Secretary, Mr Phillip Mothoteng and concluded that he is competent to carry out his duties, and that it is satisfied that an arm's length relationship exists between the Board and the Company Secretary as envisaged in the Botswana Stock Exchange Listings Requirements.

INTERNAL CONTROL SYSTEMS

The Board is responsible for the Group's system of internal control, including the Group's financial reporting process and the Group's process for preparation of consolidated accounts, and for monitoring its effectiveness. In establishing this system, the Directors have considered the nature of the Group's business, with regard to the risks to which the business is exposed to, the likelihood of such risks occurring, their potential impact and the costs of protecting against them. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. This process is reviewed by the Finance, Risk and Audit Committee on behalf of the Board and has been in place for the year under review, and up to the date of the approval of the annual report. Primary responsibility for the operation of the system of internal controls is delegated to executive management. The effectiveness of the operation of internal control system is reviewed by the internal audit function and, where appropriate, by the Group's external auditor, who report to management and to the Finance, Risk and Audit Committee.

In addition, responsibility delegated to executive management to monitor the effectiveness of the systems of control in managing identified risks as established by the Board. The internal audit function reviews the effectiveness of key internal controls as part of its standard work programme, and individual reports are issued to appropriate senior management. These reports are summarized and distributed to the Finance, Risk and Audit Committee, the Managing Director and senior management of the group. They are subsequently reviewed by the Finance, Risk and Audit Committee, which ensures that, where necessary, recommendations on appropriate corrective action are drawn to the attention of the full Board.

Corporate Governance (continued)

BOARD DELEGATED COMMITTEES

In relation to certain matters, committees have been established with specific delegated authority and terms of reference that have been approved by the Board. The standing committees of the Board are the Finance, Risk and Audit Committee and the Human Resources and Nominations Committee. Both of these committees have terms of references approved by the Board.

2020 BOARD AND SUB-COMMITTEE MEETINGS ATTENDANCE

There were a number of Special Board meetings called during the year to discuss emergent issues brought on by the COVID-19 pandemic. The table below indicates the attendance by the Directors for Board and Committee meetings:

	Board Meetings		Finance, Risk & Audit Committee Meetings		Human Resources Committee Meetings	
	Maximum Possible	Attended	Maximum Possible	Attended	Maximum Possible	Attended
Moatlhodi Lekaukau	10	10	—	—	5	5
John Stevens	10	10	5	5	—	—
Gavin Sainsbury	10	8	—	—	—	—
Pius Molefe	10	5	—	—	5	4
Osborne Majuru	10	10	5	5	—	—
Tshepidi Moremong – Ondoko	10	9	—	—	—	—
Mokwena Morulane	10	10	5	5	5	5
Bafana Molomo	7	7	—	—	3	2
Mbako Mbo	7	5	3	3	—	—

Finance, Risk and Audit Committee

Committee Chairman – John Stevens
Committee Members – Osborne Majuru, Mbako Mbo (resigned 23 July 2020)

The Finance, Risk and Audit Committee is chaired by an independent non-executive Director, and had two non-executive Directors as members. One of members resigned from the Board on 23 July 2020. All of the Directors have the relevant financial experience as required. The Finance, Risk and Audit Committee meets at least four times a year, and the Committee meets with the external auditors at least twice a year. The Managing Director, Chief Financial Officer, Group Internal Auditor as well and the external auditors are invited to attend the Committee meetings, however, do not vote on any matters tabled for discussion.

The internal and external auditors have unrestricted access to the Finance, Risk and Audit Committee through the Chairman.

Corporate Governance (continued)

Mandate of the Committee:

- Assist the Board with the evaluation of adequacy and effectiveness of the internal control systems, accounting practices, information systems and auditing processes applied in the business.
- Ongoing reviews of the Group's risk management processes as well as ensuring legislative and regulatory compliance.
- Introduce such measures that would serve to enhance the credibility and objectivity of the financial statements.
- Reviewing the integrity of annual financial statements, reports, circulars and announcements made by the Company to shareholders.
- Monitoring and reviewing the effectiveness of the internal audit function.
- Making recommendations to the Board on the appointment and dismissal of the external auditor; and annual review of the independence and objectivity of the external auditor.
- Agreement of detailed scope of the external audit prior to commencement of their audit; reviewing the results of the audit and its cost effectiveness; and recommendation of the audit fee to the Board; monitoring and approving, when appropriate, the nature of any non-audit work and levels of fees paid.
- Considering on an annual basis and satisfying itself of the appropriateness of the expertise and experience of the Chief Financial Officer.

The Finance, Risk and Audit Committee is of the view that it has discharged all of its mandated roles. Further to this, the Committee confirms that it reviewed the appropriateness and expertise of the Chief Financial Officer Ms Rutendo Maziva and it is satisfied that she has the suitable expertise and skills for the position. Ms Maziva is a Chartered Accountant (Institute of Chartered Accountants of Zimbabwe and South African Institute of Chartered Accountants) and an Associate member of the Botswana Institute of Chartered Accountants (BICA). She has a Bachelor of Accounting Science Honours degree from the University of South Africa and a Master's in Business Administration from the University of Pretoria's Gordon Institute of Business Science (GIBS).

The Committee also confirms that it is satisfied with the audit work performed by the Group's external auditors, Deloitte & Touche, and that the external auditors continue to act with unimpaired independence. The Board, following a recommendation from the Committee, has therefore nominated Deloitte & Touche for re-appointment as the Group's external auditor for the ensuing year, at the forthcoming annual general meeting.

Human Resources and Nominations Committee

Committee Chairman – Pius Molefe
Committee Members – Moatlhodi Lekaukau, Mokwena Morulane, Bafana Molomo (resigned 23 July 2020).

The Human Resources and Nominations Committee is chaired by an independent non-executive director and has two non-executive Directors and one executive Director as members. The Human Resources Committee meets at least twice a year. It is responsible for considering and making recommendations to the Board, within agreed terms of reference, on the Group's remuneration policies, determining the remuneration packages of executive management and the operation of the Group's phantom share scheme. The mandate of the Committee also incorporates the regular review of the balance of skills, experience, independence and knowledge of the Board of Directors and its Committees. The Human Resources and Nominations Committee also leads the process for Board appointments and makes recommendations to the Board. Meetings convened to nominate new directors to the Board are chaired by Mr Lekaukau, the Board Chairman.

Other functions of the Committee include a review of the performance conditions used for long term incentives, review of short-term bonus arrangements and targets. The Committee takes independent advice as deemed necessary.

REMUNERATION REPORT

Directors' Remuneration

The basis for Directors' remuneration remained unchanged in 2020 compared to 2019. Non-executive Directors' are remunerated as follows:

	Fee per meeting (P)
Board Chairman	20,000
Board Member	10,000
Sub Committee Chairman	10,500
Sub Committee Member	7,000

The fee per meeting is also for ad-hoc meetings for sub-committees of the Board and attendance at the Annual General Meeting.

Due to the number of ad-hoc meetings held during the year to discuss emergent COVID-19 matters, the Directors waived their fees for ad-hoc meetings held from April 2020 to October 2020.

Corporate Governance (continued)

REMUNERATION REPORT (continued)

The total remuneration paid by the Company to non-executive Directors for the 2020 financial year for scheduled and ad-hoc meetings is listed below:

	2020 Directors' fees (P)	2019 Directors' fees (P)
Moatlhodi Lekaukau	**170,600**	153,000
John Stevens	**129,500**	89,000
Gavin Sainsbury	**30,000**	57,000
Pius Molefe	**51,000**	38,000
Bafana Molomo	**50,000**	68,000
Mbako Mbo	**51,250**	75,000
Osborne Majuru	**88,021**	50,000
Tshepidi Moremong-Ondoko	**60,000**	41,000
Total	**630,371**	590,000

The following Directors have direct or indirect shareholding in Cresta Marakanelo Limited:

John Stevens	200,000 shares
Moatlhodi Lekaukau	11,996 shares

KEY MANAGEMENT COMPENSATION

Key Management personnel of the Group includes the Managing Director, Chief Financial Officer, Group Operations Manager, Group ICT Manager and Group Human Resources Manager. They are all on fixed term employment contracts for three-to-five-year periods, which are renewable based on performance.

The guiding principles relating to the remuneration of key management are;

- Compensation arrangements shall emphasize performance-based remuneration and retention of key management.
- Compensation shall maintain an appropriate balance between base salary, long-term and annual incentive compensation.
- In approving remuneration, the recent remuneration history of key management, including special or unusual remuneration payments, shall be taken into consideration.
- Bonus cash incentives remuneration shall be linked to the agreed bonus formula, determined in relation to set annual targets.

The long-term incentive plan is not yet in place and is still being developed.

The Managing Director and Chief Financial Officer's remuneration is paid by the Management Company (Note 29). Refer to Note 29.4 for remuneration received by key management.

Corporate Governance (continued)

KING III COMPLIANCE CHECKLIST

The Group has largely complied with the guidelines of the King III Code of Corporate Governance. Explanations for the instances of partial compliance and non-compliance have been included below.

Key: **√ Compliant** **# Partially compliant** **✗ Non-compliant**

	Status	Note
Ethical Leadership and Corporate Citizenship		
The board should provide effective leadership based on an ethical foundation	√	
The board should ensure that the company is seen as a responsible corporate citizen	√	
The board should ensure that the company's ethics are managed effectively	√	
Board and Directors		
The board is the focal point for and the custodian of corporate governance	√	
The board should appreciate that strategy, risk, performance and sustainability are inseparable	√	
The board should provide effective leadership based on ethical foundation	√	
The board should ensure that the company is and is seen to be a responsible corporate citizen	√	
The board should ensure that the company's ethics are managed effectively	√	
The board should ensure that the company has an effective and independent audit committee	#	Note 3
The board should be responsible for the governance of risk	√	
The board should be responsible for information technology (IT) governance	√	
The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	√	
The board should ensure that there is an effective risk-based internal audit	√	
The board should appreciate that the stakeholders' affect the company's reputation	√	
The board should ensure the integrity of the company's integrated annual report	√	
The board should report on the effectiveness of the company's systems of internal controls	√	
The board and its directors should act in the best interests of the company	√	
The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the act	√	
The board should elect a chairman of the board who is an independent non-executive director.	#	Note 1
The CEO of the company should not also fulfil the role of chairman of the board.	√	
The board should appoint the chief executive officer and establish a framework for the delegation of authority	√	
The board should comprise a balance of power, with a majority of non-executive directors.	√	
The majority of non-executive directors should be independent	#	Note 2
Directors should be appointed through a formal process	√	
The induction of and ongoing training and development of directors should be conducted through formal processes	√	
The board should be assisted by a competent, suitably qualified and experienced company secretary	√	
The evaluation of the board, its committees and the individual directors should be performed every year	√	
The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities	√	
A governance framework should be agreed between the group and its subsidiary boards	√	
Companies should remunerate directors and executives fairly and responsibly.	√	
Companies should disclose remuneration of each individual director and prescribed officer	√	
Shareholders should approve the company's remuneration policy	√	

Corporate Governance (continued)

KING III COMPLIANCE CHECKLIST (continued)

Key: **√ Compliant** **# Partially compliant** **✗ Non-compliant**

	Status	Note
Audit Committee		
The board should ensure that the company has an effective and independent audit committee	#	Note 3
Audit committee members should be suitably skilled and experienced independent non-executive directors	#	Note 3
The audit committee should be chaired by an independent non-executive director	√	
The audit committee should oversee integrated reporting	√	
The audit committee should ensure that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities.	√	
The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function	√	
The audit committee should be responsible for overseeing of internal audit.	√	
The audit committee should be an integral component to the risk management process	√	
The audit committee is responsible for recommending the appointment of the external auditors and overseeing the external audit process	√	
The audit committee should report to the board and shareholders on how it has discharged its duties	√	
The Governance of Risk		
The board is responsible for the governance of risk	√	
The board should determine the levels of risk tolerance	√	
The risk committee or audit committee assists the board in carrying out its risk responsibilities.	√	
The board should delegate to management the responsibility to design implement and monitor the risk management plan	√	
The board should ensure that risk assessments are performed on a continual basis	√	
The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	√	
The board should ensure management considers and implements appropriate risk responses	√	
The board should ensure continual risk monitoring by Management	√	
The board should receive assurance regarding the effectiveness of the risk management process	√	
The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to shareholders	√	
The Governance of Information Technology ("IT")		
The board should be responsible for information technology (IT) governance	√	
IT should be aligned with the performance and sustainability objectives of the company	√	
The board should monitor and evaluate significant IT investments and expenditure	√	
IT should form an integral part of the company's risk management	√	
The board should ensure that the information assets are managed effectively	√	
The risk committee and audit committee should assist the board in carrying out its IT responsibilities	√	

Corporate Governance (continued)

KING III COMPLIANCE CHECKLIST (continued)

Key: √ **Compliant** # **Partially compliant** ✗ **Non-compliant**

	Status	Note
Compliance with Laws, Codes, Rules and Standards		
The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	√	
The board and its individual directors should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business	√	
Compliance risk should form an integral part of the company's risk management process	√	
The board should delegate to management the implementation of an effective compliance framework and processes	√	
Internal Audit		
The board should ensure that there is an effective risk based internal audit	√	
Internal audit should follow a risk-based approach to its plan	√	
Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management	√	
The audit committee should be responsible for overseeing internal audit	√	
Internal audit should be strategically positioned to achieve its objectives	√	
Governing Stakeholder Relationships		
The board should appreciate that stakeholders' perceptions affect a company's reputation	√	
The board should delegate to management to proactively deal with stakeholder relationships	√	
The board should strive to achieve the appropriate balance between the various stakeholder groupings, in the best interests of the company	√	
Companies should insure equitable treatment of shareholders	√	
Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	√	
The board should ensure disputes are resolved as effectively, efficiently and expeditiously as possible	√	
Integrated Reporting and Disclosure		
The board should ensure the integrity of the company's integrated annual report	√	
Sustainability reporting and disclosure is integrated with the company's financial reporting	√	
Sustainability reporting and disclosure should be independently assured.	✗	Note 4

Corporate Governance (continued)

KING III COMPLIANCE CHECKLIST (continued)

Notes

Note 1. Subsequent to the Chairman's appointment to the Board as an Independent Director, he accepted a role at Botswana Development Corporation, a significant shareholder of the Company. In order to assist the Board to deal with any actual or perceived conflicts of interest, Mr John Stevens was appointed as the Lead Independent Director.

Note 2. The Board is comprised of one executive director and six non-executive directors. Of the non-executives, three directors are not deemed to be independent as they are either shareholder representatives or shareholder nominees. Of the three independent directors, Mr John Stevens is the Lead Independent Director.

Note 3. The Finance, Risk and Audit Committee members are suitably qualified, however only the Committee Chairman is independent.

Note 4. The Sustainability report has not been independently assured.

Communication with Stakeholders

The Group holds Annual General Meetings. At these meetings, there is an opportunity for all shareholders to question the Chairperson and other Directors (including Chairman of the Finance, Risk and Audit Committee, Human Resources and Nominations Committee). The Group prepares separate resolutions on each substantially separate issue put to shareholders and does not combine resolutions together inappropriately. A schedule of proxy votes cast is made available for inspection at the conclusion of the proceedings and the annual report is laid before the shareholders at the Annual General Meeting. Notice of the annual general meeting and related papers are sent to shareholders at least 21 days prior to the date of the meeting, and the Group encourages all shareholders to make positive use of the annual general meeting for communication with the Board.

Further, the group has made available an investor relations page on the Group's website: www.crestamarakanelo.com. All information about the Group and activities can be found on this page. Comments and questions can be channelled to management through this page.

SUSTAINABILITY REPORT

Sustainability Report

BASIS OF PREPARATION & PRESENTATION

The non-financial information on Sustainability Reporting and Sustainable Development Goals (SDGs) has been prepared taking guidance contained in the following:

- Integrated Reporting Framework
- Global Reporting Initiative (GRI) Standards
- Botswana Stock Exchange (BSE) Listing Requirements
- King Report on Corporate Governance 2009 (King III)

The Group and Company financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS).

COMPANY AND BUSINESS OVERVIEW

Cresta Marakanelo Limited operates in the hospitality and tourism sector with a significant part of the hotel portfolio focussed on the provision of hotel services to business travellers. In addition to accommodation, Cresta, as part of its services, offers customers restaurants, bars, safari tours, conference facilities, outside catering, as well as other ancillary business activities carried out from the Hotels. In its operations, Cresta derives marketing benefits and support from the use of the "Cresta" brand, through its Management Agreement with Cresta Holdings (Proprietary) Limited.

Cresta Marakanelo Limited ("the Company" or "CML") and its subsidiary ("the Group") operate hotels in Botswana and Zambia. The Company operates eleven (11) hotels in Botswana, geographically spread as below:

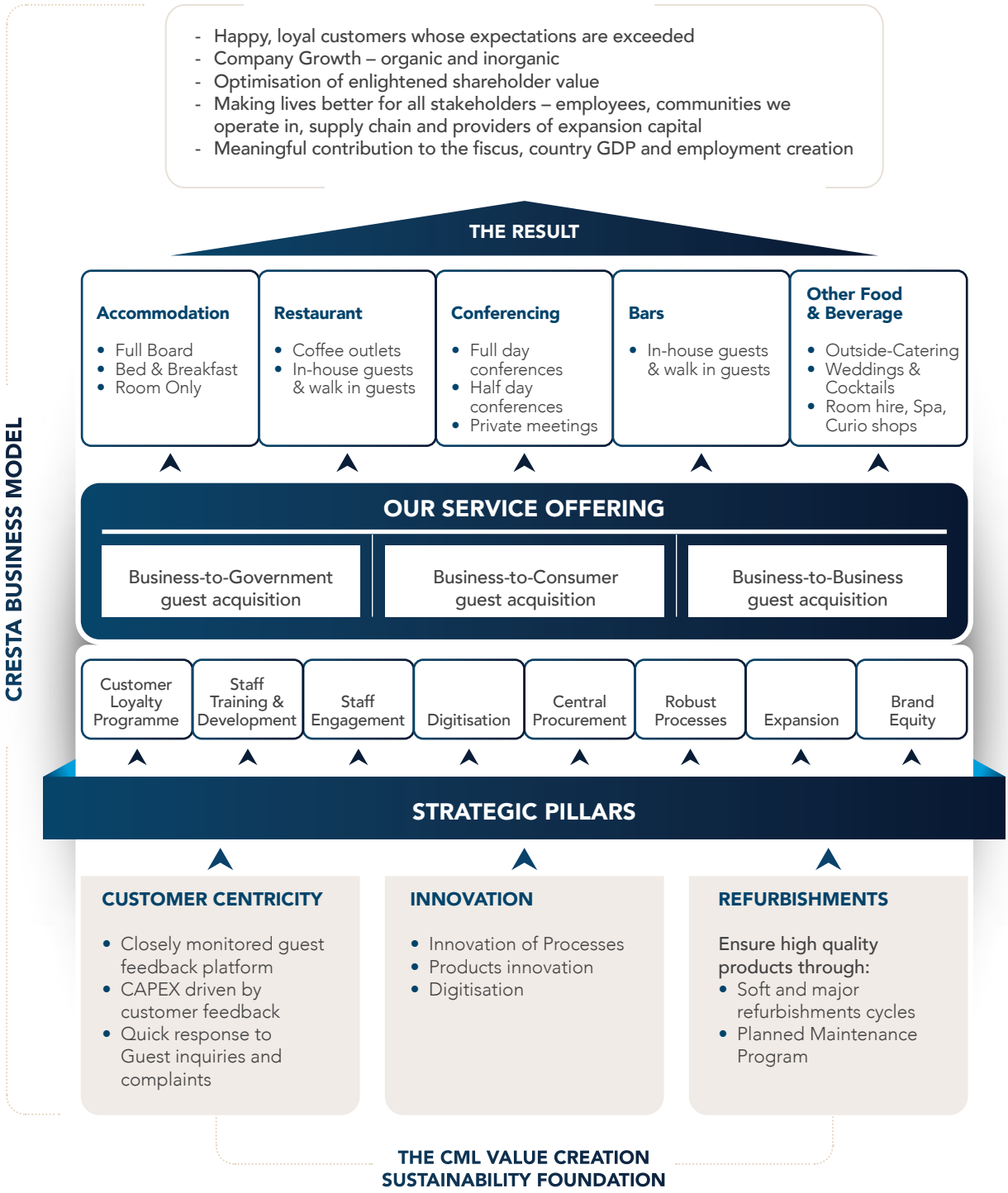
- **Gaborone** – Cresta Lodge and Cresta President
- **Francistown** – Cresta Thapama and Cresta Marang
- **Maun** – Cresta Riley's and Cresta Maun
- **Palapye** – Cresta Botsalo
- **Selebi Phikwe** – Cresta Bosele
- **Mahalapye** – Cresta Mahalapye
- **Jwaneng** – Cresta Jwaneng
- **Kasane** – Cresta Mowana

In Zambia, the Group operates Cresta Golfview in Lusaka.

RELEVANT LAWS AND REGULATIONS

- Companies Act
- Tourism Act
- Income Tax Act
- VAT Act
- Employment Act

Sustainability Report (continued)



Sustainability Report (continued)

CRESTA MARAKANELO LIMITED KEY RISKS

RISK CATEGORY	DETAILED RISK	POTENTIAL IMPACT	RISK MITIGATION
COVID-19 related strategic risks	COVID-19 pandemic leading to travel and conferencing restrictions	Significant loss of revenue	- Strict COVID-19 hygiene protocols including thorough training of staff - Got into a partnership with a Medical Doctor who handles all COVID-19 related matters including establishment of preventive processes and staff training - Efficient cost management to reduce the impact of the lost revenues
	Concentration risk on Government business	Loss of revenue base as government suspended conferencing	
	Rising price wars on the back of the shrunk market base	Under pressure Average Daily Rate	
Operational Risks	Failure to adapt to the continuously evolving guests demands.	Market share loss from failure to adapt to the changing needs	Constant research on the trends and customising where relevant
	Guests' perception of destination risk e.g. like disease outbreaks, recently COVID-19	Unforeseen cancellation of bookings	- Crisis management framework on right sizing and lean operations - Continuous staff training and upskilling around topical key risk areas like COVID-19
IT Risks	Cyber attacks	Lawsuits by infringed guests & brand reputation damage	- Vulnerability tests conducted bi-annually - Staff training on cyber attacks
	Social media easily and quickly spreading negative information about the business	Damaged brand perception, low customer ratings leading to loss of revenue	Regular review of the social media pages, responding to queries and questions timely, crisis management framework in place
Financial Risks	Distressed cash flows putting debt service under pressure	Breach of debt covenants; insufficient cash to fund operations	Continuous engagement of providers of finance for debt restructuring as well as new lines of credit.

Sustainability Report (continued)

OUR RESPONSE TO COVID-19 HEADWINDS

On 27 March 2020, the Government of Botswana put the country on lockdown which led to the Company temporarily closing its hotels for normal operations from 3 April 2020 to 4 June 2020. Cresta Golfview in Zambia was closed due to a significant decline in occupancies, from 1 April 2020 to 31 May 2020. The Group kept three of its hotels open, operating as quarantine centres, offering services to the Botswana Ministry of Health and Wellness, on a cost recovery basis during the month of April. One hotel continued to offer quarantine services to the Government until 27 November 2020.

In Botswana, the local market was the only available business for eight months, between 1 April 2020 to 1 December 2020 due to the closure of borders to non-citizens and non-residents.

As soon as the business started experiencing cancellations due to COVID-19 in March 2020, management was pro-active in reducing the operating leverage of the business. The following are highlights of the key actions taken:

- Management engaged with all key suppliers and landlords to agree on more favourable terms to preserve cash in the business.
- All non-critical and post lockdown capital expenditure was put on hold.
- All discretionary expenditure was put on hold.
- Significant reduction was made in marketing expenditure with a bias towards digital media.
- All guests especially the tour groups, were encouraged to postpone their trips to 2021 rather than outright cancellations; and
- A staff recruitment freeze was implemented.

Other key actions taken include:

Restructuring of debt with the providers of finance

Strategic closure of hotels during lockdown and phased re-opening

Coupled with internal actions, government wage subsidy has been fundamental in allowing the business to continue paying the majority of its employees full salaries

Training of staff on COVID-19 protocols and roll out of new standard operating procedures

Appointment of a Medical Doctor to partner the Company in managing COVID-19 both as a preventative measure and management of positive cases

Sustainability Report (continued)

OUR SIX CAPITALS

The Company measures its value and performance on a triple bottom line yard stick of People, Planet and Profit.

The Company performance which in turn builds Company value is built by the blocks of physical capital and intangible capitals. Physical capitals in the form of manmade capital which aids in production such as property and equipment and intangible capitals come in human capital, brand, technology, systems and licenses to operate.

The fusion of these capitals with the financial capital underpins the growth of the business in the short, medium and long term. To ensure maximisation of the return on investment, CML has deployed a robust strategy development and execution process underpinned by effective and efficient enterprise risk management.

The Group has identified Six Capitals under which it drives the sustainability of the Triple Bottom Line. These are described below.

CAPITAL	UTILISATION OF THE CAPITAL
Manufactured Capital	The state of the properties operated by CML is a key success factor to its triple bottom line goals across its planning horizon. To achieve a sustainable bottom line, the Company is committed to drive its manufactured capital through: • Reinvestment in maintenance and enhancement of capacity with significant spend being allocated towards property refurbishments (soft and hard refurbishments) each financial year. • Expansion of capacity through: o Adding room inventory on the existing properties o Developing new hotels (in partnership with Real Estate development partners) both domestically and regionally The Company is set to introduce green efficiencies in its future builds.
Intellectual Capital	The CML Intellectual Capital is the sum total value of the brand equity, company employee knowledge, skills, business training and processes which all consolidates into the business' competitive advantage. The CML core levers in keeping this capital efficient and effective are: • Brand maintenance. • Brand proliferation into gateways – Oasis, Urban Heartbeat, African Fingerprint and African Roots - to allow space to remain competitive in different customer segments. This enables price discrimination and optimisation of revenue from different markets. • Robust systems, processes and standard operating procedures, avoiding red tape through quarterly reviews of systems as first line of defence and internal audits as the second line of defence.

Sustainability Report (continued)

OUR SIX CAPITALS (continued)

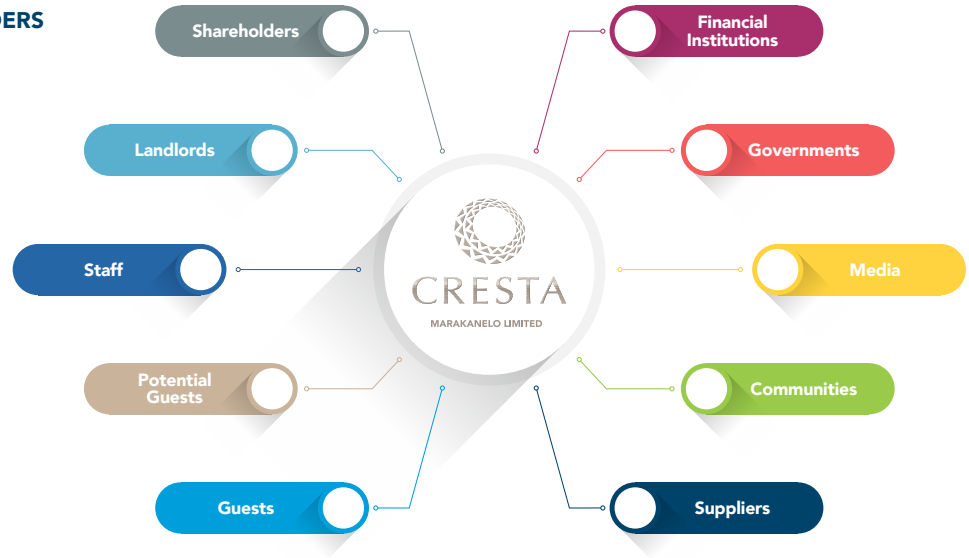
CAPITAL	UTILISATION OF THE CAPITAL
Social and Relationship Capital	The Company is deliberate in developing and maintaining sound mutually beneficial business relationships with stakeholders – customers, investors, shareholders, employees and trade unions, government, financial institutions, suppliers including landlords and the communities we operate in. This capital is being propagated by: • Compliance with the laws and regulations and honouring contracts and agreements in all spheres of operation. Management maintains a Compliance Checklist and quarterly audits are performed which includes testing of compliance. • Enhanced turnaround time on responses to customer feedback and as far as practical, meeting the raised needs. • Stakeholder engagement between CML Executive Management and the Labour Unions on an annual basis plus the regular Works Council Meetings between staff and Management. • Negotiation policy underpinned by a desire for win-win agreements with our suppliers • CML is involved in Corporate Social Responsibility activities including: Empowering the Youth in the education sector through: o Graduate Traineeship Programs o Being a Botswana Institute of Chartered Accountants (BICA) Authorised Training Employer
Natural Capital	In its decision-making process, CML actively considers the impact of natural resources onto the business – both renewable and non-renewable. This has been significant in getting the Company to holistically identify and manage its Risk Universe and opportunities available for appropriation. Key utilisation of this capital has been driven by the underscored: • Water harvesting - for example Cresta Maun runs entirely on non-municipal water • Our arrangement of planting 2 000 indigenous trees every year across our hotels. (The nursery is at Cresta Mowana). • Energy preservation initiatives – LED lightning across all hotels and conducting feasibility on solar powered hotels • Water saving inventiveness – water regulation devices in all showers, central laundry at city / town level and rolling out of dry gardens.

Sustainability Report (continued)

OUR SIX CAPITALS (continued)

CAPITAL	UTILISATION OF THE CAPITAL
Financial Capital	Having put together all the other capitals, the Board and management are well cognisant for the need of funding to spearhead strategy and effectively realise value out of the other capitals. CML strive to have access to reasonably priced debt capital or equity contributions to fund its inorganic expansion strategy as well as financing some of the projects out of cash generated from operations. The Company pays special attention to the following: • Judicious working capital management to ensure continued going concern and ability to finance organic growth • Observance of the strategy and resource allocation process in place via quarterly board meetings to review the progress on strategy execution. • Active management of cashflows to ensure adherence to the debt covenants and periodic business update engagements with the lender.
Human Capital	CML prides itself in the engine that drives the optimisation of all the other five identified capitals – Our People. The Company places importance on its staff engagement levels to ensure there is always adequate highly skilled talent to deliver on the strategy. Core Human Capital keys to CML are: • Recruitment and retention of top skills. • Employee engagement surveys and implementation of recommendations or corrective actions • Succession planning for key positions • Fair and sustainable remuneration with annual performance-based bonus. • Career growth opportunities for our staff underpinned by internal promotions whenever possible • Investing in staff training and development programs.

OUR KEY STAKEHOLDERS



Sustainability Report (continued)

OUR KEY STAKEHOLDERS (continued)

Stakeholder Group	Point of Engagement with stakeholder	Stakeholder Expectations of Us	Our Engagement method with stakeholder	The Engagement Expected Outcome
Guests are at the heart of our existence	We endeavour to accurately identify our guests needs, their view of our brand and spending patterns	- Hygienic facilities with strict COVID-19 compliant protocols - Warm staff for a friendly stay - Uninterrupted bandwidth experience - Value for money - Loyalty recognition	- Feedback mechanisms are in place - Management check-ups while guests are in-house - 24/7 Reception Help Desk - Cresta Pride Loyalty Card which offers up to 50% discount	- Happy and brand loyal customer, leading to repeat revenue - Customer word of mouth advertising
Potential Guests Market wide customers not yet staying with Cresta hotels.	Understanding their needs, perception of our brand and service, any feedback from our existing clients, what would make our potential guests patronise our properties.	- Increased awareness of our product offerings and value proposition - Better rates than their current service provider	- Reference to the Trip Advisor and other social media positive feedback - Word of mouth from existing guests whose expectations are continuously exceeded - Marketing efforts and sales calls	- New business - Enhanced brand perception based on experience - Market word of mouth advertising
Staff are the engine driving the business model, exceeding our guests expectations	Empathising in their socio-economic needs, career aspirations and training needs	- Job security given the COVID-19 induced going concern scare - Avoiding salary cuts which have been the norm in the industry due to the COVID-19 headwinds - Friendly environment	- Open door policy up to the office of the Managing Director - Staff engagement surveys - Reassurance town hall meetings with the Executive Management team	- Reassured staff members who are enabled to consistently exceed guests expectations - Innovation and creativity
Landlords Strategic partners in delivering Cresta standard properties	Identification of salient features of the lease agreements and adherence to them	- Adherence to the lease agreements duties and responsibilities - Business going concern - Timely payment of lease obligations	- Scheduled periodic meetings plus ad-hoc engagements from time to time	- Secured tenure beyond stated lease period to foster long-term business sustainability - Remission of lease payments on time

Sustainability Report (continued)

OUR KEY STAKEHOLDERS (continued)

Stakeholder Group	Point of Engagement with stakeholder	Stakeholder Expectations of Us	Our Engagement method with stakeholder	The Engagement Expected Outcome
Shareholders, including potential investors Providers of equity capital.	Understanding their business growth vision and required return on investment	- Business going concern - Growth, both organic and inorganic - Consistent dividend payment - Transparent and ethical management	- Annual General Meetings - Press Releases, whenever necessary - Website, more especially the investor relations tab - Publishing Audited Financial Statements and Reports - Results presentation meetings	- Enhanced market capitalisation - Sought after counter on Botswana Stock Exchange - Dividend payments - Increasing profitability
Suppliers Strategic partners in delivering the Cresta guest promise	Gathering information on their going concern, price fairness and products quality	- Objectivity on tender adjudication and placing of orders - Fairness on pricing and payments terms - Timely payments of amounts due to them - Business going concern	- Communication of tender adjudication results - Supplier by supplier meetings - Three quotations system on orders - Tipoff forum, independently managed by Internal Audit	- Fair pricing and payment terms - Strong brand equity and perception - Reciprocal business and word of mouth advertising
Communities Providers of natural resources in our space	Understanding their points of needs – ecological and socio-economic.	- Ecological approach to business, conserving and preserving natural resources - Payback to the Communities we are doing business in	- Corporate Social Responsibility engagements - Donations	- Enhanced goodwill within communities - Building brand equity
Media Partners in reaching our markets and guests	Engage them to ensure dissemination of the correct, objective narrative about the Company	- Providing content for various media channels - Transparency and honest response to questions - Advertising spend	- Radio appearances - Active social media presence - Press releases - Advertising spend	- Information enriched market

Sustainability Report (continued)

OUR KEY STAKEHOLDERS (continued)

Stakeholder Group	Point of Engagement with stakeholder	Stakeholder Expectations of Us	Our Engagement method with stakeholder	The Engagement Expected Outcome
Governments Sets the tourism policy parameters within which Cresta operates	Consistency of economic policies and even more especially Tourism policy is critical to the sustainable success of Cresta business	- Compliance to laws and regulations - Contribution to the fiscus in taxation - Contribution to Gross Domestic Product (GDP) - Employment creation	- Engagement through the hospitality industry body from time to time - Annual returns filing - Taxation returns - Co-Marketing the Country during the global and regional tourism expos (Link: page 27)	- Tourism friendly and consistent policies
Financial Institutions Providers of debt capital	Banks from time to time fund Cresta's organic and inorganic growth.	- Adherence to debt covenants - Sustainable company performance - Meeting debt obligations	- Periodic business update meetings - Sharing periodic financial reports	- Favourable cost of capital - Access to expansionary capital

Sustainability Report (continued)

OUR KEY STAKEHOLDERS (continued)

Cresta Pride Card Loyalty Programme

As a way of recognising and thanking our loyal and valued customers, Cresta operates a loyalty programme under the Cresta Pride Card banner as a direct reward to them for supporting our business.

The Cresta Pride Card offers our customers up to 20% discount on accommodation during weekdays and up to 50% discount over weekends on bed and breakfast. Cresta Pride Card holders are also periodically offered accommodation specials which are not available to non-card holders.

Cresta Pride Card members reconciliation as at 31 December 2020

	Number of Members
Members as at 01 January 2019	17,418
Additions	13,689
Exits / Expired Cards	(10,527)
Total Number of Pride Card Members as at 31 December 2019	**20,580**
Members as at 01 January 2020	20,580
Additions	5,686
Exits	(27)
Total Number of Pride Card Members as at 31 December 2020	**26,239**

There was a net growth of 27% Cresta Pride Card holders in 2020.

Guest Satisfaction Surveys

Daily Guest Feedback is collected, received, acted upon and analysed to impact our service offering going into the future. We achieve this through Centricity (a guest feedback collection application), TripAdvisor and other social media sites and indeed through verbal face to face interaction with our guests.

The Feedback is collected on the following:

- The service on arrival was welcoming
- The check in process was efficient
- The room layout and furnishings met my expectations
- The room was clean.
- The quality of the food met my expectations
- The staff was friendly and willing to help
- My checkout was accurate and efficient
- I received value for money
- The overall experience met my expectations
- I would recommend this hotel to my friends, family or colleagues

The Overall Guest Feedback Ratings were 88% for 2020 vs 87% in 2019.

Staff Training & Development

At the outbreak of the COVID-19 pandemic, the Company rolled out intensive training on the COVID-19 protocols and updated standard operating procedures in line with the guidelines from World Health Organisation and the Botswana Ministry of Health and Wellness.

75% of our training budget was allocated towards operations with a focus on the health and wellness of both our staff and guests.

Investment in Staff Training & Development

	2020 P'000	2019 P'000
Investment for the year	**996**	752
Operations focus	**747**	335
Support functions	**149**	101
Risk training	**100**	317

Staff compliment demographics	Headcount	
	2020	2019
The composition of our staff compliment is:	**978**	1016
Males	**532**	490
Females	**446**	526
Of the total number of employees, total non-citizens are:	**10**	10
Males *	**8**	8
Females	**2**	2

* Cresta Golfview in Zambia, employs two (2) non-citizens who are males.

Sustainability Report (continued)

SUSTAINABLE DEVELOPMENT GOALS

Botswana as a country focuses on six Sustainable Development Goals (SDGs), these are SDG1,2,3,5,9,17. SDG 6,7 and 15 are also directly relevant to the situation on ground in the country. Cresta's strategic priorities have been primarily focused towards our contribution to poverty eradication and environmental sustainability. The table below illustrates our contribution to each of the identified goals.

Development Goal		How CML contributes to the SDG
	**SDG1:** Poverty Eradication through Economic Growth	• As at 31 December 2020, CML employed 920 people in Botswana and 63 people in Zambia. Taking dependents per employee into account, the Company is directly impacting more lives than its direct employees. • The tourism industry contribution to Botswana's Gross Domestic Product (GDP) averages 13%. CML being a large hotel chain group in the country, is thus a significant contributor to the GDP of Botswana.
	**SDG2:** Ending Hunger and Increasing Access to Nutrition and Linkages to Poverty	• The poverty eradication measures discussed under SDG 1 substantially help in alleviating nutritional challenges in the sphere of our influence. • Each day, every employee present at work is provided with a balanced diet meal
	**SDG 3:** Ending Poverty and Ensuring Healthy Lives and Well-being	• The Company implements safety measures and supplies relevant protective equipment to different departments like maintenance and kitchen staff • To promote prevention of HIV/ AIDS spread, the company places condoms in all public toilets and hotel rooms • At the onset of the COVID-19 outbreak, the Company hired a medical Doctor who went around the hotels educating staff on prevention and precautionary measures. Personal protective equipment has also been provided to all staff members.
	**SDG 5:** Gender Equality and Poverty	• CML prohibits any kind of discrimination – gender discrimination, racial or any other form of segregation. There is a set policy which stipulates the channels to follow when there is a grievance. The cases are reported to the Group Human Resources Manager for necessary action.

Sustainability Report (continued)

SUSTAINABLE DEVELOPMENT GOALS (continued)

Development Goal		How CML contributes to the SDG
	**SDG 6:** Ensure availability and sustainable management of water and sanitation for all	During 2020 going into Q1 2021, CML will roll out water conservation initiatives including: • Water regulation devices in all showers and taps • Central laundry at city / town level and • Rolling out of dry gardens
	**SDG 7:** Ensure access to affordable, reliable, sustainable and modern energy for all	• In a bid to save energy, the Company has migrated all lighting to LED energy saving bulbs across all its hotels. • Studies are also underway to assess going green using solar powered operations.
	**SDG 15:** Life on land	• Cresta has established an indigenous tree nursery at Cresta Mowana and plans to plant has new trees every year across our hotels. During 2020, 500 trees were planted.
	**SDG 17:** Ending Poverty through Strengthening Means of Implementation and Revitalization of Global Partnerships for Sustainable Development	• CML has several partnerships with different strategic members of the economy – corporates, governments, NGOs, community, donors, academics and other businesses. The common goal of the partnerships is collaboration towards sustainable development of the economy.

THE OUTLOOK

Whilst the COVID-19 pandemic ushered in unprecedented level of uncertainty on the tourism and hospitality industry, the medium to long term outlook is bolstered by:

- Vaccinations across the globe which increases the market's confidence to travel;
- Hard lockdowns are being eased across the globe;
- Botswana and the countries in the region are adopting guidelines which restrict the size of gatherings as opposed to strict movement bans/lockdowns;
- Botswana has loosened the restrictions regarding the sale of alcohol;

The Group will continue to operate in a survival mode, actively watching out for cost containment opportunities, keeping close engagements with staff and strategic partners alike and running cash sales promotions to steer the business out of the COVID-19 induced difficulties.

Corporate Social Responsibility Initiatives

Making a Difference in Our Communities

Corporate Social Responsibility Initiatives

CML recognizes its responsibility as an economic entity in the society in which it operates, thus is guided by a Corporate Social Responsibility policy.

The purpose of the policy is to act as a guide for the hotel chain in conducting all its Corporate Social Responsibility projects with integrity, while aligning it with the business' vision/mission/values.

To ensure our sustainable contribution in the communities in which we operate, CML has made a provision where P1 from every accommodation stay goes towards our CSR fund. Proceeds from this fund enable CML to continuously participate in initiatives that make a difference in our society.

Through our investment in the communities, we aim to make a positive, sustainable impact on the communities in which CML operates.

Policy Statement

As an operator in the hospitality sector, being a responsible corporate citizen is a key component of our own sustainability. As such we must be dedicated to the empowerment, development, and growth of the communities in which we operate.

CML's main aim is to engage in projects where there are shared goals and values while looking for opportunities to create and nurture partnerships with reputable societal organisations.

The Group seeks to be responsive to the needs of the communities by engaging in high quality, cost effective, sustainable, need based community activities through short- and long-term partnerships.

The overriding principle shall be to advance interests in:

- Education;
- Women and Vulnerable Children (OVCs) and
- Environmental Sustainability.

Corporate Social Responsibility Initiatives (continued)

COVID-19 Success Story

As the world rippled with the effects of the COVID-19 pandemic, Cresta Marakanelo Limited was one of the first organisations to join in the fight against the pandemic through offering some of our hotels to be used as COVID-19 quarantine centers in 2020.

Our Botswana properties Cresta Marang Gardens, Cresta Bosele, Cresta Botsalo, Cresta Rileys and Cresta Lodge Gaborone were offered as quarantine centers to be used by the Botswana Government's Ministry of Health and Wellness (MoHW).

The properties that were used as quarantine stations were being supported by the MoHW, the Botswana Police Service (BPS) and the Botswana Defense Force (BDF).

The Cresta Team provided support services such as general cleaning, maintenance, and culinary services. All the Cresta Health and Safety protocols were approved and signed off by the MoHW.

Throughout 2020, CML played an active and concerted role in supporting the various communities in managing the effects of the pandemic. Some of the initiatives include;

- **Cresta Jwaneng** provided complimentary accommodation to the Mabutsane Sub district council during the Botswana Nationwide lockdown, including providing of food parcels to Sese Village.
- **Cresta Maun, Cresta Bosele and Cresta Botsalo** supported the Ministry of Health and Wellness through various donations of transportation, meals, and availing conferencing facilities.
- **Cresta Mowana Safari Resort & Spa** donated mattresses, sheets, towels, and various other items including chairs and food to a family in need at Satau Village, Kasane.
- Over 9000 masks were donated to several schools including Matlapana Primary School, Chobe Community Junior Secondary School in Maun, and Mahube Primary school in Francistown.

Corporate Social Responsibility Initiatives (continued)

In 2020, Cresta Hotels took an active role in supporting the fight against Gender Based Violence (GBV). Cases of GBV have seen a significant rise globally and in the region. We saw it fitting to be the accommodation partner for the Majwe Mining Albert Milton 570 Cycling Challenge, which saw riders from across Botswana joining in to support the cause against GBV.

On the morning of December 3rd, 2020, The First Lady of Botswana, Mrs. Neo Masisi, who was the guest cyclist, led the first day of the 570km challenge and successfully completed 15km. The team cycled from Gaborone to Mahalapye, then cycled back to Gaborone on Friday and completed the last lap to Jwaneng.

The CANA Zone IV championship took place in Botswana on the 19th of February 2020. Swimming teams from 14 countries converged in Gaborone and onto our very own Cresta Lodge Gaborone.

Cresta Lodge Gaborone was the official CANA ZONE 4 accommodation partner and sponsored TEAM BOTSWANA with a total of 40 rooms for 6 nights. The Championship took place from the 21st to 23rd February 2020 at the University of Botswana.

Corporate Social Responsibility Initiatives
(continued)

Cresta Hotels commemorated the Botswana National tree planting day under the theme, ***Forrest Restoration: A Path to Recovery and wellbeing***, where over 50 different species of local trees were planted simultaneously across 10 Cresta properties.

These included the Jackelberry, Baobab, Acacia, Camelthorn, Motopi, Wild date palm, Papyrus, Sycamore Fig tree, African Mangosteen, and Motsentsela trees.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

Directors' Statement of Responsibility and Approval of the Financial Statements

for the year ended 31 December 2020

Directors' Statement of Responsibility

The Board of Directors of Cresta Marakanelo Limited ("the Company") and its subsidiary ("the Group") are required by the Botswana Companies Act, 2003 to maintain adequate accounting records and to prepare financial statements for each financial year which show a true and fair view of the state of affairs of the Company and Group at the end of the financial year and of the results and cash flows for the period. In preparing the accompanying Company and Group financial statements, International Financial Reporting Standards have been followed, suitable accounting policies have been used and, and reasonable and prudent judgements and estimates have been made. Any changes to accounting policies are approved by the Group's Board of Directors and the effects thereof are fully explained in the financial statements. The financial statements incorporate full and responsible disclosure in line with the significant accounting policies of the Group noted on pages 59 to 80.

Towards the end of March 2020, the Government of Botswana announced that the country would be on lockdown to limit the spread of COVID-19; this led to the Group temporarily closing its hotels for normal operations from 1 April 2020 to 4 June 2020. Cresta Golfview in Zambia was closed due to a significant decline in occupancies, from 1 April 2020 to 31 May 2020. The Group kept three of its hotels open, operating as quarantine centres, offering services to the Botswana Ministry of Health and Wellness, on a cost recovery basis during the month of April. One hotel continued to offer quarantine services to the Government until 27 November 2020.

For the financial year 2020, the Group and the Company incurred a net loss of P63 million (2019: profit P24 million) and P62 million (2019: profit P24 million) respectively, as a result of disruptions caused by COVID-19 on the travel and hospitality industry. The disruptions are expected to continue in varying degrees for the foreseeable future.

As soon as the business started experiencing cancellations due to COVID-19 in March 2020, management was pro-active in reducing the operating leverage of the business.

The Directors have reviewed the Group and Company budgets and cash flow forecasts for the year to 31 December 2021 and the period 1 January 2022 to 31 March 2022. On the basis of this review, and in the light of the current financial position, existing borrowing facilities of the Group and the effects of COVID-19 (Note 33 and 34), the directors are satisfied that Cresta Marakanelo Limited Company and Group are a going concern and have continued to adopt the going concern basis in preparing the financial statements.

The Board of Directors recognises and acknowledges its responsibility for the Group and Company's systems of internal financial control. Cresta Marakanelo Limited has adopted policies on business conduct, which cover ethical behaviour, compliance with legislation and sound accounting practice and which underpin the Group and Company's internal financial control process. The control systems include written accounting and control policies and procedures, clearly defined lines of accountability and delegation of authority, and comprehensive financial reporting and analysis against approved budgets. The responsibility for operating these systems is delegated to the executive director and management, who have confirmed that they have reviewed the effectiveness thereof.

The Directors considered that the internal financial control systems are appropriately designed to provide reasonable assurance, as to the reliability of the financial statements, and that assets are safeguarded against material loss or unauthorised use and that transactions are properly authorised and recorded.

The effectiveness of the internal financial control systems is monitored through management reviews, comprehensive reviews and testing by the internal auditors and the external auditors' review and testing of appropriate aspects of the internal financial control systems during the course of their statutory examinations of the Company and Group. The Group's external auditors, Deloitte & Touche, have audited the financial statements and their audit report appears on pages 51 to 54 of the financial statements.

The Group and Company's Directors have considered the results of these reviews, none of which indicate that the systems of internal control were inappropriate or operated unsatisfactorily. Additionally, no breakdowns involving material loss have been reported to the Directors in respect of the year under review.

Directors' Approval of the Financial Statements

The financial statements for the year ended 31 December 2020, which appear on pages 55 to 118 were approved for issue by the Board of Directors on 01 April 2021 and are signed on its behalf by:

Moatlhodi Lekaukau
Chairman

Mokwena Morulane
Managing Director

Deloitte.

Deloitte & Touche House
Plot 64518, Fairgrounds
Gaborone

Independent Auditor's Report

To the Shareholders of Cresta Marakanelo Limited

Opinion

We have audited the consolidated and separate financial statements of Cresta Marakanelo Limited (the Company) and its subsidiaries (the Group) set out on pages 55 to 118, which comprise the consolidated and separate statements of financial position as at 31 December 2020, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and 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 the Group and Company as at 31 December 2020, and their consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Group and Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Botswana, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of the material uncertainty related to COVID-19 on the Group's ability to continue as a going concern

We draw attention to Note 34 in the consolidated and separate financial statements, which indicates that the Group and Company incurred a net loss of P63 million and P61 million respectively, during the year ended 31 December 2020. As stated in Note 34, COVID-19 has affected the Group negatively. Material uncertainties regarding the recovery of the occupancy levels and the resultant impact on liquidity, as well as the successful negotiation of additional funding, should this be required, cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

Independent Auditor's Report (continued)

To the Shareholders of Cresta Marakanelo Limited

Key Audit Matter	How the matter was addressed in the audit
Impairment of Goodwill – Goodwill attributed to Jwaneng Cash Generating Unit ("CGU") and Cresta Golfview Hotel Limited	
The Group and the Company have goodwill attributed to two cash generating units which are Cresta Jwaneng (Group and Company) and Cresta Golfview (Group). In terms of the requirements of IAS 36: Impairment of Assets ("IAS 36") an annual impairment assessment should be performed for the goodwill. Significant judgement and estimates are required by the directors in assessing the impairment of the goodwill, which is determined with reference to the value in use, including the key assumptions into the discounted cash flow ("DCF") model for each cash generating unit. The DCF Model relies on the accuracy of the budgeted and projected net cash flows and the appropriateness of the discount rates used for each of the cash generating units. Accordingly, we identified the impairment assessment of goodwill as a Key Audit Matter. Related disclosures in the consolidated and separate financial statements: • Note 3.1 – Critical Accounting Estimates and Judgements, Estimated Impairment of Goodwill • Note 15 – Goodwill	We performed the following procedures: • Tested the design and implementation of the controls associated with the directors' assessment of the impairment of goodwill for the two cash generating units; • Challenged the impairment calculations prepared by the directors and audited the validity and reasonableness of the assumptions applied in the impairment assessment; • Reviewed the future projected cash flows used in the directors' "value in use" calculation to determine whether they are reasonable; • Compared the projected cash flows against historical performance to test the reasonableness of the directors' projections; • Tested the accuracy of the key inputs used in the computation, which include the future growth rates, and the discount rates; • Performed independent sensitivity analysis of key inputs (discount rates and the future growth rates) used in the "value in use" computation; • Recalculated the "value in use" and the final impairment amounts recognised and compared the amounts to the directors' computation; and • Reviewed the related disclosures for compliance with the requirements of IAS 36. In conclusion, we consider the judgements and estimates used for the goodwill impairment assessment and related disclosures to be appropriate.

Independent Auditor's Report (continued)

To the Shareholders of Cresta Marakanelo Limited

Other Information

The directors are responsible for the other information. The other information comprises the Statement of Directors' Responsibility and Approval of the Financial Statements, which we obtained prior to the date of this auditor's report and the Annual Report will be made available after the date of our independent auditor's report. 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 on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and 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 Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Group's and Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and 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 Group's and 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 consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or the Company to cease to continue as a going concern.

Independent Auditor's Report (continued)

To the Shareholders of Cresta Marakanelo Limited

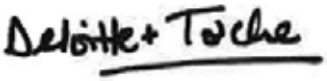
Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.

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



Deloitte & Touche
Certified Auditors
Practicing Member: Pragna Naik (CAP 007 2021)
Gaborone
01 April 2021

Statement of Profit and Loss and other Comprehensive Income

for the year ended 31 December 2020

		CONSOLIDATED		COMPANY	
	Notes	2020 P'000	2019 P'000	2020 P'000	2019 P'000
Revenue	4	**202,605**	396,920	**193,128**	374,735
Cost of sales	5	**(150,430)**	(236,105)	**(142,899)**	(219,149)
Gross profit		**52,175**	160,815	**50,229**	155,586
Sales and distribution expenses	5	**(5,955)**	(9,900)	**(5,844)**	(9,364)
Administration and operating expenses	5	**(96,062)**	(99,903)	**(93,562)**	(95,417)
Government wage subsidy	5	**14,590**	—	**14,590**	—
Operating (loss)/profit		**(35,252)**	51,012	**(34,587)**	50,805
Finance income	7	**1,080**	739	**1,080**	739
Finance expense	7	**(28,938)**	(21,116)	**(26,593)**	(20,913)
Impairment of goodwill	15	**(4,332)**	—	**—**	—
Impairment of assets	5	**(4,559)**	—	**—**	—
Impairment of investment	10	**—**	—	**(10,572)**	—
(Loss)/profit before income tax		**(72,001)**	30,635	**(70,672)**	30,631
Income tax credit/(expense)	8	**8,982**	(6,997)	**8,982**	(6,871)
(Loss)/profit for the year		**(63,019)**	23,638	**(61,690)**	23,760
Other comprehensive loss					
Currency translation differences (subject to subsequent recycling through profit or loss)		**(932)**	(94)	**—**	—
Other comprehensive loss for the year		**(932)**	(94)	**—**	—
Total comprehensive (loss)/income for the year		**(63,951)**	23,544	**(61,690)**	23,760
Basic and diluted (loss)/earnings per share (thebe)	9	**(34.83)**	13.06		

Statement of Financial Position

At 31 December 2020

	Notes	CONSOLIDATED 2020 P'000	CONSOLIDATED 2019 P'000	COMPANY 2020 P'000	COMPANY 2019 P'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	**381,640**	404,550	**381,640**	402,498
Right-of-use-assets	14	**59,132**	82,285	**59,132**	73,913
Intangible assets					
Goodwill	15	**5,274**	9,606	**5,274**	5,274
Lease rights/Software	15	**1,119**	1,225	**1,119**	1,193
Investment in subsidiary	10	**—**	—	**—**	10,572
Deferred tax asset	21	**8,119**	—	**8,119**	—
Total non-current assets		**455,284**	497,666	**455,284**	493,450
Currents assets					
Inventories	17	**2,300**	2,756	**2,059**	2,532
Trade and other receivables	18	**23,353**	25,894	**22,657**	24,208
Current income tax assets		**214**	5,282	**214**	5,079
Cash and cash equivalents	19	**56,693**	103,138	**56,076**	100,749
Total current assets		**82,560**	137,070	**81,006**	132,568
Total assets		**537,844**	634,736	**536,290**	626,018
EQUITY					
Capital and reserves					
Stated capital	20	**18,500**	18,500	**18,500**	18,500
Treasury shares	16	**(5,915)**	(5,915)	**(2,105)**	(2,105)
Foreign currency translation reserve		**(1,222)**	(290)	**—**	—
Retained earnings		**152,043**	215,062	**152,708**	214,398
Total equity		**163,406**	227,357	**169,103**	230,793
LIABILITIES					
Non-current liabilities					
Lease liabilities	14	**64,389**	83,144	**63,982**	78,083
Deferred tax liabilities	21	**—**	579	**—**	863
Borrowings	22	**237,500**	243,500	**237,500**	243,500
Total non-current liabilities		**301,889**	327,223	**301,482**	322,446
Current liabilities					
Trade and other payables	23	**29,260**	39,549	**27,707**	37,397
Borrowings	22	**16,428**	11,734	**16,428**	11,734
Lease liabilities	14	**18,774**	16,185	**13,926**	11,872
Contract liabilities	25	**8,087**	12,688	**7,644**	11,776
Total current liabilities		**72,549**	80,156	**65,705**	72,779
Total liabilities		**374,438**	407,379	**367,187**	395,225
Total equity and liabilities		**537,844**	634,736	**536,290**	626,018

Statement of Changes in Equity

for the year ended 31 December 2020

	Stated capital P'000	Treasury shares P'000	Foreign currency translation reserve P'000	Retained earnings P'000	Total equity P'000
CONSOLIDATED					
Year ended 31 December 2019					
Balance at 1 January 2019 (as previously reported)	18,500	(5,915)	(196)	178,619	191,008
Effects of change in accounting policy for initial application of IFRS 16	—	—	—	12,805	12,805
Balance at 1 January 2019 - as re-stated	**18,500**	**(5,915)**	**(196)**	**191,424**	**203,813**
Total comprehensive (loss)/income for the year	—	—	(94)	23,638	23,544
Profit for the year	—	—	—	23,638	23,638
Other comprehensive loss for the year	—	—	(94)	—	(94)
Balance at 31 December 2019	**18,500**	**(5,915)**	**(290)**	**215,062**	**227,357**
Year ended 31 December 2020					
Balance at 1 January 2020	18,500	(5,915)	(290)	215,062	227,357
Total comprehensive income/(loss) for the year	—	—	(932)	(63,019)	(63,951)
Loss for the year	—	—	—	(63,019)	(63,019)
Other comprehensive loss for the year	—	—	(932)	—	(932)
Balance at 31 December 2020	**18,500**	**(5,915)**	**(1,222)**	**152,043**	**163,406**
COMPANY					
Year ended 31 December 2019					
Balance at 1 January 2019 (as previously reported)	18,500	(2,105)	—	177,833	194,228
Effects of change in accounting policy for initial application of IFRS 16	—	—	—	12,805	12,805
Balance at 1 January 2019 - as re-stated	**18,500**	**(2,105)**	**—**	**190,638**	**207,033**
Profit for the year	—	—	—	23,760	23,760
Balance at 31 December 2019	**18,500**	**(2,105)**	**—**	**214,398**	**230,793**
		—			
Year ended 31 December 2020					
Balance at 1 January 2020	18,500	(2,105)	—	214,398	230,793
Loss for the year	—	—	—	(61,690)	(61,690)
Balance at 31 December 2020	**18,500**	**(2,105)**	**—**	**152,708**	**169,103**

Statement of Cash Flows

for the year ended 31 December 2020

		CONSOLIDATED		COMPANY	
	Notes	2020 P'000	2019 P'000	2020 P'000	2019 P'000
Cash flows from operating activities					
Cash generated from operations	28	**9,821**	109,465	**5,824**	105,633
Interest paid	7	**(21,177)**	(12,038)	**(19,479)**	(12,676)
Tax refund/(paid)	28	**5,068**	(7,053)	**4,865**	(6,618)
Net cash (utilised)/in generated from operating activities		**(6,288)**	90,374	**(8,790)**	86,339
Cash flows utilised in investing activities					
Purchase of property, plant and equipment	13	**(18,106)**	(274,521)	**(18,033)**	(274,221)
Purchase of computer software	15	**(928)**	(513)	**(928)**	(513)
Proceeds on disposal of plant and equipment		**166**	1,054	**166**	1,054
Interest received	7	**1,080**	739	**1,080**	739
Net cash utilised in investing activities		**(17,788)**	(273,241)	**(17,714)**	(272,941)
Cash flows (utilised)/from financing activities					
Interest paid - finance lease	14	**(7,761)**	(9,078)	**(7,114)**	(8,237)
Repayment of lease liabilities		**(14,587)**	(13,968)	**(9,807)**	(9,953)
Repayment of loans and borrowings		**(10,306)**	(2,857)	**(10,306)**	(2,857)
Proceeds from loans and borrowings		**9,000**	251,000	**9,000**	251,000
Net cash (utilised)/generated from financing activities		**(23,654)**	225,097	**(18,227)**	229,953
Net (decrease)/increase in cash and cash equivalents		**(47,730)**	42,230	**(44,732)**	43,351
Cash and cash equivalents at beginning of year		**103,138**	61,636	**100,749**	58,974
Exchange (loss)/gain on cash and bank balances		**1,285**	(728)	**59**	(1,576)
Cash and cash equivalents at end of year	19	**56,693**	103,138	**56,076**	100,749

Summary of Significant Accounting Policies

for the year ended 31 December 2020

General Information

Cresta Marakanelo Limited ("the Company") and its wholly owned subsidiary Cresta Golfview Hotel Limited (together "the Group") is a public limited company listed on the Botswana Stock Exchange and primarily operates hotels and related services in Botswana and Zambia. Of the 11 properties, 6 are owned (Mowana Safari and Spa, Marang Gardens, Thapama Hotel, President Hotel, Cresta Lodge, and Rileys Hotel), 5 are leased from different landlords (Maun Hotel, Mahalapye Hotel, Jwaneng Hotel, Botsalo Hotel and Marang Residency). Most hotels are operated as business hotels and they offer accommodation and conferencing facilities except for Mowana Safari Resort and Spa which is a leisure property, offering accommodation and conferencing facilities, health and beauty spa, curio shop, game drives and boat cruises.

The consolidated Group financial statements and separate Company financial statements for the year ended 31 December 2020 have been approved for issue by the Board of Directors on 30 March 2021.

Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these Group and Company financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of Preparation

The Group and Company financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention as modified by certain financial assets and liabilities at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. These areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Group's financial statements are disclosed in the "Critical estimates and assumptions" section of the financial statements.

Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

New and amended IFRS Standards that are effective for the current year

The Cresta Marakanelo Limited accounting policies are described in the notes to the financial statements. The accounting policies adopted by the Group are in line with International Financial Reporting Standards (IFRS). In the current year, the following applicable new or revised Standards issued by the International Accounting Standards Board (IASB) and effective for annual reporting periods beginning on or after 1 January 2020 were adopted by the Group.

Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7 – effective date on or before end 1 January 2020

In September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7).These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

The amendments have no impact on the Group as the Group does not have cash flow or fair value hedges.

Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16 – effective date 1 June 2020

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2020

1.1 Basis of Preparation (continued)

Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16 – effective date 1 June 2020 (continued)

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and

c) There is no substantive change to other terms and conditions of the lease.

In the current financial year, the Group has applied the amendment to IFRS 16 (as issued by the IASB in May 2020) in advance of its effective date.

Impact on accounting for changes in lease payments applying the exemption

The Group has applied the practical expedient retrospectively to all rent concessions that meet the conditions in IFRS 16:46B and has not restated prior period figures.

The Group has benefited from a 3 months waiver of lease payments on certain leased buildings. The waiver of lease payments of P4,312,000 for the Group and P1,328,000 for the Company has been accounted for as a negative variable lease payment in profit or loss. The Group has derecognised the part of the lease liability that has been extinguished by the forgiveness of lease payments, consistent with the requirements of IFRS 9:3.3.1.

The Group has benefited from a 2-month rental deferment on leased buildings for Cresta Jwaneng hotel, which will be paid over a period of 9 to 12 months with no associated interest charges.

The Group has remeasured the Right of use and lease liability for one hotel pursuant to the landlord offering a 50% lease discount from April to September 2020 with a further freeze on rental escalations for the entire year of 2021. The lease modification was computed using the revised lease payments and the revised discount rate, resulting in a decrease in the right of lease assets by P1,226,000. The Group continued to recognise interest expense on the lease liability.

Amendments to References to the Conceptual Framework in IFRS Standards

The Group has adopted the amendments included in Amendments to References to the Conceptual Framework in IFRS Standards for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new Framework. Not all amendments, however, update those pronouncements with regard to references to and quotes from the Framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The Standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2020

1.1 Basis of Preparation (continued)

Amendments to IFRS 3 Definition of a business - issued in October 2018, effective 1 January 2020
The Group has adopted the amendments to IFRS 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020.

Amendments to IAS 1 and IAS 8 Definition of material - issued in October 2018, effective 1 January 2020
The Group has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

New and revised IFRS Standards in issue but not yet effective
At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

IFRS 17 Insurance Contracts
IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the IASB issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023.

Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2020

1.1 Basis of Preparation (continued)

IFRS 17 Insurance Contracts (continued)
IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application. This standard is not applicable to the Company.

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise. This standard is not applicable to the Company.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current
The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Amendments to IFRS 3 – Reference to the Conceptual Framework
The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2020

1.1 Basis of Preparation (continued)

Amendments to IAS 16 – Property, Plant and Equipment — Proceeds before Intended Use
The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Amendments to IAS 37 – Onerous Contracts — Cost of Fulfilling a Contract
The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Annual Improvements to IFRS Standards 2018 – 2020
The Annual Improvements include amendments to four Standards.

Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2020

1.1 Basis of Preparation (continued)

IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

FRS 9 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements.
As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

IAS 41 Agriculture

The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pretax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2020

1.2 Basis of Consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquire on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in statement of comprehensive income.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in statement of comprehensive income or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-Group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

In the Company Financial Statements, the investment in subsidiary is accounted for at cost less accumulated impairment losses. The investment in subsidiary is tested for impairment on an annual basis.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in statement of comprehensive income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to statement of comprehensive income.

Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2020

1.3 Foreign Currency Translation

(a) Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Pula, which is the Group's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or cost'.

(c) Group companies

The results and financial position of all Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
(iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized in other comprehensive income.

1.4 Revenue Recognition

The Group recognises revenue from the following major sources:

- Provision of services – accommodation revenue from the sale of bed nights at its hotels and lodges
- Food and bar revenue from the sale of food, beverages, curios and ancillary goods
- Other revenue from activities such as safaris, room hire and other services including spa, laundry and Cresta loyalty Cards.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of the goods and services to the customers.

Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2020

1.4 Revenue Recognition (continued)

Revenue is recognised as follows:

(a) Provision of services – accommodation and other revenues

Provision of services is recognised when the Group satisfies its performance obligations, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. The Group sells bed nights at its hotels and lodges to guests and also provides guided safaris, room hire, laundry and other services including spa to guests. Revenue from these services is recognised when the service is provided to the guest, usually over the period of the guests' stay at the hotels and lodges.

(b) Sale of goods – Food, Bar and other revenues

For sales of food, beverages and other ancillary goods, revenue is recognised when control of the goods has transferred, being at the point the customer purchases/consumes the goods. Payment of the transaction price is due immediately at the point the customers purchase/consume the goods.

(c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest rate method.

(d) Dividend income

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

(e) Customer loyalty programme

The Group operates a loyalty programme where customers accumulate points for every paid (night) spent in the hotel. These points provide a discount to customers that they would not receive without spending paid nights in the hotels. The promise to provide a discount to the customer is therefore a separate performance obligation. The reward points are recognised as a separately identifiable component of the initial sale transaction, by allocating the fair value of the consideration received between the services provided and the reward points. The reward points are initially recognised as contract liabilities at their fair value.

Revenue from the reward points is recognised at a point in time when the points are redeemed and the Group has satisfied its performance obligations in relation to providing the goods and services to the guest. Revenue for points that are not expected to be redeemed is recognised in proportion to the pattern of rights exercised by customers

1.5 Leases

The Group as a lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2020

1.5 Leases (continued)

The Group as a lessee (continued)

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

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated and separate statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group performed an adjustment for a remeasured lease for Botsalo hotel during the current period presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. The Group however will not have any dismantling or removal activity to be done at the end of its property leases.

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

Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2020

1.5 Leases (continued)

The Group as a lessee (continued)

The right-of-use assets are presented as a separate line in the consolidated and separate statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component based on the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties.

The Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

1.6 Dividend Distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the group's financial statements in the year in which the dividends are approved by the Group's shareholders.

Withholding tax of 7.5% is payable on the gross value of dividends. The withholding tax is treated as once off tax on the hands of the shareholders.

1.7 Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

Capital work in progress is stated at cost less any recognised impairment. Depreciation of these assets, determined on the same basis as other assets, commences when the assets are ready for their intended use.

Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2020

1.7 Property, Plant and Equipment (continued)

Land and buildings comprise mainly hotel properties. Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

– Buildings: shorter of their useful life or the lease term.	50 years
– Improvements to leasehold premises: lower of lease period and useful lives	5 - 10 years
– Plant and equipment	6 – 7 years
– Furniture, fixtures and fittings	4 – 7 years
– Motor vehicles	5 – 7 years
– Computers	3 years

Operating equipment (which includes uniforms, kitchen utensils, crockery, cutlery and linen) is recognised as an expense based on usage. The period of usage depends on the nature of the operating equipment and varies between two to five years. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other (losses)/gains – net, in the statement of comprehensive income.

Impairment

Property, Plant and equipment are reviewed for impairment losses annually and whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, the latter being the higher of fair value less cost to sell of the asset and its value in use.

1.8 Intangible Assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business/subsidiary/associate at the date of acquisition. Goodwill on acquisition of business/subsidiaries is included in 'intangible assets'. Goodwill on acquisitions of associates is included in 'investments in associates'. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units or Groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(b) Trademarks and licenses

Separately acquired trademarks and licenses are shown at historical cost. Trademarks and licenses acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licenses have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives of 15 to 20 years.

Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2020

1.8 Intangible Assets (continued)

(c) Lease rights

Lease rights represents rights covered by contract or similar arrangement to occupy, lease out or otherwise utilise property. Separately acquired lease rights are shown at historical costs. Lease rights acquired in a business combination are recognised at fair value at the acquisition date. Where lease rights are acquired directly through agreement, the Group records these at nominal amounts at the inception of the underlying lease/rental agreements or when such agreements are renewed.

Lease rights have a finite useful life based on the underlying contractual agreement assigning such rights to the consignee and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of the lease rights over their estimated useful lives based on contractual assignment terms.

(d) Computer software

Acquired computer/other software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (four years).

Costs associated with maintaining computer software programmers are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

1.9 Impairment of Non-Financial Assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

1.10 Financial Instruments

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

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

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2020

1.10 Financial Instruments (continued)

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is 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.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; 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.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL). Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit impaired financial assets (i.e. assets that are credit impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit impaired financial assets, a credit adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit impaired. For financial assets that have subsequently become credit impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the "finance income" line item.

Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2020

1.10 Financial Instruments (continued)

Classification of financial assets (continued)

(ii) Debt instruments classified as at FVTOCI

The debt instruments held by the Group are classified as at FVTOCI. The debt instruments are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these debt instruments as a result of foreign exchange gains and losses, impairment gains or losses, and interest income calculated using the effective interest method are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. All other changes in the carrying amount of these debt instruments are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument by instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short term profit taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'finance income' line item in profit or loss.

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2020

1.10 Financial Instruments (continued)

Classification of financial assets (continued)

(iv) Financial assets at FVTPL (continued)

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item.

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically;

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other gains and losses' line item;
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss in the 'other gains and losses' line item. Other exchange differences are recognised in other comprehensive income in the investments revaluation reserve;
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other gains and losses' line item; and
- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI and trade and other receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

(i) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

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

(ii) Credit impaired financial assets

A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event (see (ii) above);
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(e) the disappearance of an active market for that financial asset because of financial difficulties.

Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2020

1.10 Financial Instruments (continued)

Impairment of financial assets (continued)

(iii) Write off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(iv) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2020

1.10 Financial Instruments (continued)

Financial liabilities at Fair Value Through Profit and Loss (FVTPL)

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL. A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short term profit taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in profit or loss.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability. Gains or losses on financial guarantee contracts issued by the Group that are designated by the Group as at FVTPL are recognised in profit or loss.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

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

Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2020

1.10 Financial Instruments (continued)

Financial liabilities at Fair Value Through Profit and Loss (FVTPL) (continued)

Derecognition of financial liabilities

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

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

1.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the average cost method. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to complete the sale. Provision is made for slow moving and obsolete inventories.

1.12 Cash and Cash Equivalents

Cash and cash equivalents are carried in the statement of financial position at cost which approximates amortised cost. Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, net of bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated statement of financial position.

1.13 Stated Capital

Ordinary shares are classified as equity and stated at the fair value of the consideration received. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group holds equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Group's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, and is included in equity attributable to the Group's equity holders.

1.14 Related Parties

Related parties consist of entities under common ownership and control. Related parties comprise the holding Group, subsidiary companies, directors of the Group and key management. Transactions with related parties are in the normal course of business.

Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2020

1.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

1.16 Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.17 Cost of Sales

Cost of sales comprise direct cost incurred in the provision of goods and services and are recognised as incurred.

1.18 Income Tax

a) Income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in other comprehensive income. In this case the tax is also recognised in other comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date where the Group operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

b) Deferred tax

Deferred income tax is recognised for in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2020

1.19 Employee Benefits

a) Pension obligations

The Group operates a defined contribution pension scheme. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

b) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to present value. Contract staffs are paid terminal gratuities in accordance with their respective employment contract.

c) Other benefits

(i) Severance payments and gratuities

The Group does not provide pension benefits for all its employees, but operates a gratuity scheme for expatriates in terms of employment contracts, and a severance benefit scheme for citizens in terms of section 28 of the Botswana Employment Act. Severance pay is not considered to be a retirement benefit plan as the benefits are payable on completion of each 60 month period of continuous employment, at the option of the employee. The expected gratuity and severance benefit liability is provided in full by way of accrual.

(ii) Leave pay

The costs of paid leave is recognised as an expense based on basic pay, as the employee render services that increases the entitlement or, in the case of non-accumulating absence, when absence occurs.

(iii) Profit sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit sharing due to management and employees where contractually obliged or where there is past practice that has created a constructive obligation.

Employees of the Group receive remuneration in the form of a share of dividends paid by the Group. This scheme is managed through an employee trust scheme whereby employees render services as consideration for distribution from the employee trust scheme which owns the underlying shares in the Group's shares. The objective of the scheme is to retain staff. Only employees who meet the required criteria of two years in continuous employment are eligible to share in the trust distribution.

(iv) Medical aid

In terms of the employment contracts and the rules of relevant medical aid scheme, medical benefits are provided to employees. The Group subsidies a portion of medical aid contribution for certain employees. Contributions in relation to Group's obligations in respect of these benefits are charged against statement of comprehensive income in the period of payment.

Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2020

1.20 Earnings per Ordinary Share

Earnings per ordinary share are calculated using the weighted average number of ordinary shares in issue during the period and are based on the net (loss)/profit attributable to ordinary shareholders.

1.21 Segmental Report

Business segments are distinguishable components of the Group that provide services that are subject to risks and rewards. The costs of shared services are accounted for in a separate ("unallocated") segment. Transactions between segments are generally accounted for in accordance with Group policies as if the segments were standalone businesses with intra segment revenue being eliminated through separate adjustment to revenue.

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

1.22 Contingent Liabilities

Contingent liabilities are reflected when the Group has a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, or it is possible but not probable that an outflow of resources will be required to settle an obligation, or the amount of the obligation cannot be measured with sufficient reliability.

Financial Risk Management

for the year ended 31 December 2020

2. Financial Risk Factors

The Group's activities expose it to a variety of financial risks:

a) market risk (including currency risk, price risk, fair value interest rate risk, and cash flow interest rate risk),
b) credit risk; and
c) liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by senior management under policies approved by the board of directors. Management identifies evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board of Directors provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, and investment of excess liquidity.

2.1 Market Risk

i) Foreign currency risk

In the normal course of business, the Group may enter into transactions denominated in foreign currencies. In addition, the Group may have assets and liabilities in foreign currencies, which exposes it to fluctuations in foreign currency exchange rates. Foreign exchange risks arise when future commercial transactions or recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The Group had no assets and liabilities or significant committed future transactions denominated in foreign currencies at year end.

In the period under review, the Group did not have any material outstanding balances denominated in foreign currencies.

ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings, short-term bank deposits and bank overdrafts. Bank overdrafts are obtained at, and short-term deposits are placed at, variable rates that expose the Group to cash flow interest rate risk. During the financial year, the Group's borrowings and deposits at variable rates were denominated in Botswana Pula.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, and alternative financing. Based on these scenarios, the Group calculates the impact on the statement of comprehensive income of a defined interest rate shift.

Interest rate sensitivity analysis

The Group is exposed to interest rate cash flow risks only. The sensitivity analysis has been determined on the exposure of financial instruments to interest rates at the reporting date. For floating rate liabilities denominated in the reporting currency, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year.

A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If the rates had been 50 basis points higher/lower and all other variables were held constant, The Group's profits for the year ended 31 December 2020 would increase/decrease by P1,303,562 (2019: P676,317).

Financial Risk Management (continued)

for the year ended 31 December 2020

2.1 Market Risk (continued)

The Group places its funds in fixed interest earning deposits (fixed deposits) and fluctuating interest earning deposits which are adjusted on a short-term basis based on changes in the prevailing market related interest rates.

The cash resources are managed to ensure that surplus funds are invested in a manner to achieve maximum returns while minimising risks.

However, considering the short-term maturity for these deposits, these risks are minimised. There were no fixed deposits at the current year end.

2019			GROUP	COMPANY
Financial Instrument	**Name of the financial institution**	**Current interest Rate**	**Due in less than one year P'000**	**Due in less than one year P'000**
Fixed deposits	Absa Bank Botswana Limited	3.15%	20,061	20,061
Fixed deposits	Stanlib Investment Management Services	4.2%	10,109	10,109
Fixed deposits	Botswana Savings Bank Limited	4.0%	20,254	20,254

2.2 Credit Risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only reputable parties are accepted.

The Group continuously monitors defaults of customers and other counter parties identified either individually or by Group, and incorporate the information into credit risk controls.

If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, credit control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. In accordance with standard practice within the industry, the Group may require prepayment of standard charges prior to booking confirmation thereby eliminating a significant portion of credit risk prior to rendering services. The balance of dues from guests is settled through bank transfer, in cash or using credit cards. The most significant dues from guests arise from transactions with agents. The Group carefully vets new agents prior to extending credit terms, and deals mostly with agents with whom it has established reliable long term relationships. As a result of this, the Group historically has succeeded in minimising negative impacts of adverse credit risks events.

Financial Risk Management (continued)

for the year ended 31 December 2020

2.2 Credit Risk (continued)

Credit trading relationship

Individual customer risk limits are set in accordance with limits set by the board.

Management evaluates the credit risk relating to customers on an on-going basis and where appropriate, makes adequate provision for bad and doubtful debts. Financial assets exposed to credit risk at year end were as follows:

	CONSOLIDATED		COMPANY	
	2020 P'000	**2019 P'000**	**2020 P'000**	**2019 P'000**
Trade and other receivables excluding prepayments	**18,572**	21,826	**17,915**	20,452
Amount due from related party (Note 29)	**12**	12	**16**	62
Absa Bank Limited (Botswana & Zambia)	**55,147**	71,077	**54,530**	68,688
Botswana Savings Bank Limited	**—**	20,254	**—**	20,254
First National Bank of Botswana Limited	**1,511**	1,631	**1,511**	1,631
Stanbic Bank Botswana Limited	**35**	67	**35**	67
Stanlib Investment Management Services	**—**	10,109	**—**	10,109

2.3 Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Management monitors rolling forecasts of the Group's and Company's liquidity reserve on the basis of expected cash flows. Surplus cash held over and above balance required for working capital management are transferred to interest bearing assets. These are invested in interest bearing current accounts and time deposits, and money market deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts.

Fair value measurements are recognised in the statement of financial position. The different levels of financial instruments measured subsequent to initial recognition at fair value, can be grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Investment in subsidiary is regarded as level 3 instruments. There were no movements in the investment in subsidiary during the current year, refer to note 10 of the financial statements. There are no level 1 and 2 instruments. At the reporting date, the Group had the following assets that are expected to readily generate cash inflows for managing liquidity risk.

Financial Risk Management (continued)

for the year ended 31 December 2020

2.3 Liquidity Risk (continued)

	2020 P'000	2019 P'000
Group		
Cash at bank and short-term bank deposits		
Absa Bank Limited (Botswana & Zambia)	**55,147**	71,077
Botswana Savings Bank Limited	**—**	20,254
First National Bank of Botswana Limited	**1,511**	1,631
Stanbic Bank Botswana Limited	**35**	67
Stanlib Investment Management Services	**—**	10,109
	56,693	103,138
Company		
Cash at bank and short-term bank deposits		
Absa Bank Limited (Botswana & Zambia)	**54,530**	68,688
Botswana Savings Bank Limited	**—**	20,254
First National Bank of Botswana Limited	**1,511**	1,631
Stanbic Bank Botswana Limited	**35**	67
Stanlib Investment Management Services	**—**	10,109
	56,076	100,749

The table below analyses the Group's and Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

	Less than 1 year P'000	Between 1 and 2 Years P'000	Between 2 and 5 years P'000	Over 5 Years P'000	Total P'000
CONSOLIDATED					
As at 31 December 2020					
Trade and other payables	25,537	—	—	—	25,537
Borrowings	16,428	16,267	110,616	110,617	253,928
	41,965	**16,267**	**110,616**	**110,617**	**279,465**
As at 31 December 2019					
Trade and other payables	39,549	—	—	—	39,549
Borrowings	11,734	15,000	123,514	104,986	255,234
	51,283	**15,000**	**123,514**	**104,986**	**294,783**
COMPANY					
As at 31 December 2020					
Trade and other payables	23,984	—	—	—	23,984
Borrowings	16,428	16,267	110,616	110,617	253,928
	40,412	**16,267**	**110,616**	**110,617**	**277,912**
As at 31 December 2019					
Trade and other payables	37,397	—	—	—	37,397
Borrowings	11,734	15,000	123,514	104,986	255,234
	49,131	**15,000**	**123,514**	**104,986**	**292,631**

Financial Risk Management (continued)

for the year ended 31 December 2020

2.4 Analysis of Financial Instruments

2.4.1 Financial instruments by category

	Financial liabilities at amortised cost	
	2020 P'000	**2019 P'000**
CONSOLIDATED		
Trade and other payables	**25,537**	39,549
Borrowings	**253,928**	255,234
Amount due to related party	**668**	3,379
	280,133	298,163
COMPANY		
Trade and other payables	**23,984**	37,397
Borrowings	**253,928**	255,234
Amount due to related party	**620**	3,490
	278,533	296,121

**Statutory liabilities and Value Added Tax ("VAT") are excluded from trade and other payables.

The Group's approach to managing liquidity is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

	Financial liabilities at amortised cost	
	2020 P'000	**2019 P'000**
GROUP		
Cash and cash equivalents	**56,693**	103,138
Trade and other receivables excluding prepayments	**18,572**	21,826
Amounts due from related parties	**12**	12
	75,277	124,976
COMPANY		
Cash and cash equivalents	**56,076**	100,749
Trade and other receivables excluding prepayments	**17,915**	20,452
Amounts due from related parties	**15**	62
	74,006	121,263

All financial instruments are measured at amortized cost.

2.4.2 Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates.

Financial Risk Management (continued)

for the year ended 31 December 2020

2.4 Analysis of Financial Instruments (continued)

2.4.2 Credit quality of financial assets (continued)

There are no credit ratings available in Botswana. The below financial institutions have reported sound financial results and continued compliance with minimum capital adequacy requirements set by the regulator. None of the financial assets that are fully performing has been negotiated during the year.

		GROUP		COMPANY	
	Ratings	**2020 P'000**	**2019 P'000**	**2020 P'000**	**2019 P'000**
Trade receivables and other receivables excluding Prepayments	Not rated	**18,572**	21,826	**17,915**	20,452
Cash at bank and short-term deposits	**Not rated**	**56,693**	103,138	**56,076**	100,749
Absa Bank Limited (Botswana & Zambia)	Not rated	**55,147**	71,077	**54,530**	68,688
Botswana Savings Bank Limited	Not rated	**—**	20,254	**—**	20,254
First National Bank of Botswana	Not rated	**1,511**	1,631	**1,511**	1,631
Stanbic Bank Botswana Limited	Not rated	**35**	67	**35**	67
Stanlib Investment Management Services	Not rated	**—**	10,109	**—**	10,109

2.5 Capital Risk Management

The Board reviews the Group's capital allocation policy on a regular basis. The Group's capital allocation framework defines its priorities for uses of cash, underpinned by its principle to maintain a strong balance sheet. The framework prioritises the use of cash generated from operations for re-investment in the business to drive organic growth and to maintain a progressive dividend policy.

While the capital allocation policy will remain in place for the long term, as a result of the impact of COVID-19 the Board reviewed actions to safeguard the business as a temporary modification to the policy. As a result, the Board decided to not declare a dividend for the year ended 31 December 2020 and until there is greater visibility on market recovery.

While funding organic growth remains the Board's first priority, pressure on profit and cash in the short-term requires a reduction in operating and capital expenditure. With a focus on capital retention and sourcing of capital during the current period the Board has also reviewed the Group's access to funding including sources of debt and equity.

The capital structure at 31 December 2020 and 2019 are as follows:

	2020 P'000	**2019 P'000**
GROUP		
Total borrowings (note 22)	**253,928**	255,234
Less: Cash and cash equivalent (Note 19)	**(56,693)**	(103,138)
Net debt	**197,235**	152,096
Total equity	**168,529**	227,357
Total capital	**365,764**	379,453
COMPANY		
Total borrowings (note 22)	**253,928**	255,234
Less: Cash and cash equivalent (Note 19)	**(56,076)**	(100,749)
Net debt	**197,852**	154,485
Total equity	**169,103**	230,793
Total capital	**366,955**	385,278

Critical Accounting Estimates and Assumptions

for the year ended 31 December 2020

3 Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

3.1 Estimated Impairment of Goodwill

The Group tests annually whether the goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1.9. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

3.2 Income Taxes

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

3.3 Useful lives and residual values of Property, Plant and Equipment

Property, plant and equipment are depreciated over its useful life taking into account residual values where appropriate. The actual useful lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re–assessing asset useful lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

3.4 Impairment of Investment in Subsidiary

The Company assesses annually whether the investment in subsidiary has suffered any impairment. The net asset value and the value in use of the subsidiary are considered in making this assessment. The value in use calculations require the use of estimates, in accordance with the accounting policy stated in note 1.9.

3.5 Impairment of Assets

The Group follows the guidance of IFRS 9 to determine when a financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Intangible assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, the latter being the higher of fair value less cost to sell and the value in use.

Allowance for doubtful debts is created where there is objective evidence, such as probability of insolvency or significant financial difficulties of the debtor, that the Group will not be able to collect the amount under original terms of the invoice. An estimate is made with regards to the probability of insolvency and the estimated amount of debtors who will not be able to pay.

Critical Accounting Estimates and Assumptions (continued)

for the year ended 31 December 2020

3 Critical Accounting Estimates and Judgements (continued)

3.6 Contract Liabilities

The Group operates a loyalty programme through which guests accumulate points for every paid night spent in the Cresta hotel that entitle them to discounts on future purchases in form of a free meal and or free night of accommodation after reaching 500 points and 1,000 points respectively. A guest needs to spend P1,000 to earn 100 points. These points provide a discount to guests that they would not receive without paying for a night at any Cresta Hotel (i.e. a material right). The promise to provide the discount to the customer is therefore a separate performance obligation.

The transaction price is allocated between the revenue and the points on a relative stand-alone selling price basis. The stand-alone selling price per point is estimated based on the discount to be given when the points are redeemed by the customer and the likelihood of redemption, as evidenced by the Group`s historical experience. A contract liability is recognised for revenue relating to the loyalty points at the time of the initial sales transaction. Revenue from the loyalty points is recognised when the points are redeemed by the customer. Revenue for points that are not expected to be redeemed is recognised in proportion to the pattern of rights exercised by the guests.

At 31 December 2020, the contract liabilities were estimated based on an expected redemption rate of 45% (2019: 45%) of total accumulated points. Had the estimated redemption rate been 10% higher/(lower), the contract liabilities recognised at the balance sheet date would have been P483,700 (2019: P588,220) higher/ (lower). The decrease in the expected redemption rate is based on management expectation that in the current year more points have been earned due to targeted promotions which will result in a high number of expired points.

3.7 Going Concern

Management assessed the impact of COVID-19 on the Group's ability to continue as a going concern with additional disclosures on the assumptions and judgements included in Note 34.

Notes to the Financial Statements

for the year ended 31 December 2020

		CONSOLIDATED		COMPANY	
		2020 P'000	2019 P'000	2020 P'000	2019 P'000
4	**Revenue**				
	Accommodation revenue	**118,271**	224,335	**114,893**	215,409
	Food revenue	**60,955**	121,936	**56,185**	111,670
	Bar revenue	**12,563**	28,025	**11,819**	26,021
	Other	**10,816**	22,624	**10,231**	21,635
		202,605	396,920	**193,128**	374,735
5	**Expenses by Nature**				
	Inventory consumed	**27,870**	55,028	**25,720**	50,675
	Employee benefit expense (note 6)	**72,661**	95,021	**69,566**	89,222
	Transport expenses	**1,575**	1,384	**1,522**	1,282
	Operating lease payments	**349**	16,937	**349**	16,937
	Lease concessions (note 14)	**(4,312)**	—	**(1,328)**	—
	Operating lease depreciation	**16,960**	18,095	**14,151**	14,439
	Auditor's remuneration				
	- Audit fee	**1,060**	1,456	**904**	1,239
	Depreciation	**36,228**	31,298	**35,835**	30,725
	Amortisation	**1,010**	1,040	**1,001**	1,003
	Provision for impairment of trade debtors (note 18)	**1,507**	465	**1,284**	436
	Internal audit costs	**1,460**	1,452	**1,460**	1,452
	Directors' fees	**630**	590	**630**	590
	Management fees (note 29)	**6,062**	11,767	**5,778**	11,098
	Profit bonus payable to management company (note 29)	**—**	9,237	**—**	9,278
	Water and electricity	**16,209**	18,716	**15,708**	18,067
	Marketing and promotion	**3,806**	7,353	**3,713**	6,858
	Repairs and maintenance	**9,223**	10,689	**8,729**	9,784
	Impairment of goodwill (note 15)	**4,332**	—	**—**	—
	Impairment of assets	**4,559**	—	**—**	—
	- Impairment of property plant and equipment (note 13)	**1,497**	—	**—**	—
	- Impairment of right of use assets (note 14)	**3,043**	—	**—**	—
	- Impairment of intangibles (note 15)	**19**	—	**—**	—
	Impairment of investment (note 10)	**—**	—	**10,572**	—
	Other expenses	**23,253**	55,059	**23,379**	50,899
	Insurance	**4,048**	3,498	**4,020**	3,461
	Legal	**444**	807	**432**	759
	Telephone	**3,837**	4,137	**3,782**	4,041
	Travel expenses	**529**	1,877	**510**	1,687
		237,857	345,908	**227,715**	323,930
	Analysed as:				
	Cost of sales	**150,430**	236,105	**142,899**	219,149
	Sales and distribution expenses	**5,955**	9,900	**5,844**	9,364
	Administration and operating expenses	**96,062**	99,903	**93,562**	95,417
	Government wage subsidy	**(14,590)**	—	**(14,590)**	—
		237,857	345,908	**227,715**	323,930

Notes to the Financial Statements (continued)

for the year ended 31 December 2020

	CONSOLIDATED		COMPANY	
	2020 P'000	**2019 P'000**	**2020 P'000**	**2019 P'000**
6 Staff Costs				
- Pension contributions	**3,768**	3,580	**3,684**	3,407
- Gross salaries and wages	**83,483**	91,441	**80,472**	85,815
- Government wage subsidy	**(14,590)**	—	**(14,590)**	—
	72,661	95,021	**69,566**	89,222
The COVID-19 wage subsidy from the Government of the Republic of Botswana for the period April to November 2020 amounted to P11.4 million and was received by the Company during the year. The November and December 2020 subsidy amounting to P3.2 million is still to be received. The wage subsidy went a long way in cushioning the Company from the payroll costs during the period of low business levels. The monthly subsidy accounted for 30% of the basic wage bill. There are no future related costs in respect of these grants which were received solely as compensation for costs incurred in the year.				
Number of employees	**951**	1,016	**893**	953
7 Finance Income and Expenses				
Interest income	**(1,080)**	(739)	**(1,080)**	(739)
Interest on bank overdrafts and loans	**21,177**	12,038	**19,479**	12,676
Interest expense on lease liabilities	**7,761**	9,078	**7,114**	8,237
Finance costs	**28,938**	21,116	**26,593**	20,913
8 Income Tax Expense				
Company tax	**—**	3,192	**—**	3,192
Deferred tax charge/(credit) - note 21	**(8,982)**	3,806	**(8,982)**	3,679
Tax (credit)/charge	**(8,982)**	6,998	**(8,982)**	6,871
The tax on the (loss)/profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the company as follows:				
(Loss) /Profit before tax	**(72,001)**	30,635	**(70,672)**	30,631
Tax calculated at current tax rates - 22%	**(15,840)**	6,740	**(15,548)**	6,739
Expenses not deductible for taxation (allowable deductions)	**6,566**	132	**6,566**	132
Subsidiary rate adjustment from 22% to 26.25% (2019:17.5%)	**58**	(11)	**—**	—
Tax loss not recognised in deferred tax	**234**	349	**—**	—
Tax credit	**(8,982)**	6,998	**(8,982)**	6,871

Notes to the Financial Statements (continued)

for the year ended 31 December 2020

9 Earnings Per Share

Basic earnings per share is calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year (excluding Treasury Shares):

	CONSOLIDATED		COMPANY	
	2020 P'000	**2019 P'000**	**2020 P'000**	**2019 P'000**
Total operating (loss)/profit attributable to shareholders	**(63,019)**	23,638		
Weighted average number of ordinary shares in issue ('000)	**180,934**	180,934		
- Total number of shares issued	**185,000**	185,000		
- Less: Treasury shares (Note 16)	**(4,066)**	(4,066)		
Basic and diluted (loss)/profit earnings per share (thebe)	**(34.83)**	13.06		

10 Investment in Subsidiary

	2020 % Holding	**2019 % Holding**	**2020 P'000**	**2019 P'000**
Company				
Held directly:				
Cresta Golfview Hotel Limited, Zambia*	**100%**	100%		
Opening balance	**—**	—	**10,572**	10,572
Impairment			**(10,572)**	—
Closing balance			**—**	10,572

Impairment test on investment in subsidiary

The investment in subsidiary is tested for impairment on an annual basis. The recoverable amount of an investment in subsidiary is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Due to the impact of COVID-19 on the business in the current financial year, as well the Budget for the following year and the probabilities of the hotel lease being renewed on favourable terms for the subsidiary, the investment in the subsidiary was impaired in full.

Key assumptions used in the calculation of the recoverable amounts, discount rates and growth rates used value-in-use calculation for Cresta Golfview is disclosed in note 15.

The investment in subsidiary has been classified as a Level 3 financial instrument in Note 2.3. The carrying amount of the investment has been written down to nil (2019: 10.6 million).

*The principal activity of the subsidiary is to operate a hotel in Zambia.

Notes to the Financial Statements (continued)

for the year ended 31 December 2020

11 Loan to Subsidiary

Cresta Marakanelo Limited (the holding company) obtained a loan from Barclays Bank of Botswana Limited (now ABSA Bank of Botswana Limited) to acquire the business of Golfview Hotel Limited. A new company, Cresta Golfview Hotel Limited (subsidiary) was formed as a vehicle to purchase the business of Golfview Hotel Limited in Zambia. The holding company advanced Cresta Golfview Hotel Limited the amount received from Absa Bank of Botswana Limited as a loan. The loan to the subsidiary was at the same terms as the loan from ABSA Bank to the holding company. The loan of P20m was obtained at prime less 2%. The loan was to be repaid over a period of 10 years. During the 2016 financial year, the holding Company made a decision to convert the subsidiary loan balance into equity shares in Cresta Golfview Hotel Limited. As a result the investment in subsidiary was increased by P15.3m.The objective of the conversion was to provide financial assistance to Cresta Golfview Hotel Limited due to continued operating losses incurred by the entity and excessive borrowing costs in Zambia for financing working capital through external borrowings. The effective date of the conversion was 01 May 2016. The investment in subsidiary was tested for impairment and the value written down to P10.6 million in December 2016. As at 31 December 2020 the whole balance was impaired due to continued and forecasted losses for the subsidiary.

12 Cresta Employee Scheme

The Company operates an Employee Scheme which was approved at the Annual General Meeting held on the 26th June 2015. Only employees who have been with Cresta Marakanelo Limited for a period of not less than two years and who are not serving notice are eligible for participation in the scheme distributions. The persons who may participate in the Employee Scheme are such Qualifying Employees as the Board from time to time in its absolute discretion considers to be contributing to the growth and profitability of the Company and who have been employed by the Company for at least two years. Qualifying Employees who are entitled to benefit under the Scheme do not become shareholders in the Company and have no voting rights. The Scheme is a cash bonus payment which is determined on the dividends payable based on the Scheme Shares. 2% (3 700 000 shares) of the stated share capital of Cresta Marakanelo Limited is enjoyed by the Qualifying Employees through the Scheme. During the year there were no dividends paid (2019: nil).

Notes to the Financial Statements (continued)

for the year ended 31 December 2020

13 Property, Plant and Equipment

	Leasehold land and buildings P'000	Furniture, fixtures and fittings P'000	Motor vehicles P'000	Computers P'000	Operating equipment P'000	Capital work in progress P'000	Total P'000
CONSOLIDATED							
Year ended 31 December 2019							
Opening net book amount	92,424	45,317	915	2,350	10,584	14,453	166,043
Forex difference	(230)	(531)	(11)	(40)	(197)	(8)	(1,016)
Additions	260,982	8,296	188	1,137	2,933	986	274,521
Disposals	(249)	(11,584)	(4,140)	(1,156)	—	—	(17,129)
Depreciation on disposals	249	11,415	3,828	1,147	—	—	16,639
Transfers	7,114	6,794	—	126	—	(14,034)	—
Depreciation	(15,170)	(14,227)	(408)	(1,494)	—	—	(31,299)
Usage of operating equipment	—	—	—	—	(3,209)	—	(3,209)
Closing net book amount	345,120	45,480	372	2,070	10,111	1,398	404,550
At 31 December 2019							
Cost	400,555	178,899	1,858	16,745	10,111	1,398	609,565
Accumulated depreciation	(55,435)	(133,419)	(1,486)	(14,675)	—	—	(205,015)
Net book amount	345,120	45,480	372	2,070	10,111	1,398	404,551
Year ended 31 December 2020							
Opening net book amount	345,120	45,480	372	2,070	10,111	1,398	404,551
Reclassified expenses	—	—	—	—	—	(202)	(202)
Exchange difference	104	23	(7)	20	(78)	—	62
Impairment of subsidiary assets	(414)	(682)	—	(22)	(380)	—	(1,497)
Additions	11,313	3,188	218	383	1,103	1,901	18,106
Disposals	(433)	(2,705)	—	(413)	—	—	(3,551)
Depreciation on disposals	429	2,596	—	407	—	—	3,432
Transfers	1,196	—	—	—	—	(1,196)	—
Depreciation	(21,472)	(13,141)	(213)	(1,402)	—	—	(36,228)
Usage of operating equipment	—	—	—	—	(3,034)	—	(3,034)
Closing net book amount	**335,843**	**34,761**	**370**	**1,043**	**7,722**	**1,901**	**381,640**
At 31 December 2020							
Cost	**412,321**	**178,724**	**2,069**	**16,713**	**7,722**	**1,901**	**619,450**
Accumulated depreciation	**(76,478)**	**(143,963)**	**(1,699)**	**(15,670)**	**—**	**—**	**(237,810)**
Net book amount	**335,843**	**34,761**	**370**	**1,043**	**7,722**	**1,901**	**381,640**

Leasehold land and buildings with a net book value of P 276,921,038 are secured as indicated in Note 22.

Notes to the Financial Statements (continued)

for the year ended 31 December 2020

13 Property, Plant and Equipment (continued)

	Leasehold land and buildings P'000	Furniture, fixtures and fittings P'000	Motor vehicles P'000	Computers P'000	Operating equipment P'000	Capital work in progress P'000	Total P'000
COMPANY							
Year ended 31 December 2019							
Opening net book amount	91,821	43,575	868	2,239	9,843	14,432	162,778
Adjustment	—	—	—	—	—	(208)	(208)
Additions	260,885	8,220	188	1,106	2,836	986	274,221
Disposals	(249)	(11,584)	(4,140)	(1,156)	—	—	(17,129)
Depreciation on disposals	249	11,415	3,828	1,147	—	—	16,639
Transfers from WIP	7,112	6,776	—	126	—	(14,014)	—
Depreciation	(15,070)	(13,844)	(379)	(1,432)	—	—	(30,725)
Usage of operating equipment	—	—	—	—	(3,078)	—	(3,078)
Closing net book value amount	344,748	44,558	365	2,031	9,601	1,196	402,498
At 31 December 2019							
Cost	399,902	170,081	1,207	14,774	9,601	1,196	596,761
Accumulated depreciation	(55,154)	(125,523)	(842)	(12,744)	—	—	(194,263)
Net book amount	344,748	44,558	365	2,030	9,601	1,196	402,498
Year ended 31 December 2020							
Opening net book amount	344,748	44,558	365	2,030	9,601	1,196	402,498
Additions	11,313	3,166	218	377	1,058	1,901	18,033
Disposals	(433)	(2,705)	—	(413)	—	—	(3,551)
Depreciation on disposals	429	2,596	—	407	—	—	3,432
Transfers from WIP	1,196	—	—	—	—	(1,196)	—
Depreciation	(21,409)	(12,855)	(213)	(1,358)	—	—	(35,835)
Usage of operating equipment	—	—	—	—	(2,937)	—	(2,937)
Closing net book amount	**335,844**	**34,760**	**370**	**1,043**	**7,722**	**1,901**	**381,640**
At 31 December 2020							
Cost	**411,978**	**170,542**	**1,425**	**14,737**	**7,722**	**1,901**	**608,305**
Accumulated depreciation	**(76,134)**	**(135,782)**	**(1,055)**	**(13,694)**	**—**	**—**	**(226,665)**
Net book amount	**335,844**	**34,760**	**370**	**1,043**	**7,722**	**1,901**	**381,640**

Leasehold land and buildings with a net book value of P 276,921,038 are secured as indicated in Note 22.

Notes to the Financial Statements (continued)

for the year ended 31 December 2020

13 Property, Plant and Equipment (continued)

The Company owns the following properties:

Mowana Safari Lodge
Agreement through a "Deed of Fixed Period State Grant" between the Government of Botswana and Cresta Marakanelo Limited dated 22 January 1998 for lease over Lot 2239 - Kasane, representing 34,1684 hectares in the Chobe Administrative District. The state grant is for a period of 50 years expiring on 22 January 2048 upon which the land together with all improvements thereon shall revert to the State absolutely without compensation payable for improvements or otherwise.

Cresta Marang Hotel
Agreement through a "Deed of Fixed Period State Grant" between the Government of Botswana and Cresta Marakanelo Limited dated 14 November 1996 for lease over plots 930, 931 and 21367 - Francistown, representing 63,829 hectares in the North East Administrative District. The state grant is for a period of 50 years expiring on 14 November 2046 upon which the land together with all improvements thereon shall revert to the State absolutely without compensation payable for improvements or otherwise.

Other properties acquired:
The below properties were acquired in 2019 from Letlole La Rona and Botswana Hotel Development Corporation and their leases were terminated on the acquisition date in June 2019 and February 2020 (for Bosele Hotel):

Cresta President Hotel
Lot 1168/9 - Freehold property, Plot measuring 2002 meter squared, in the Gaborone Extension No. 3 - The Mall.

Properties acquired have an initial 50 years state grant lease which gives the purchaser (Cresta Marakanelo Limited) rights to cede, assign, transfer, lease, sell, mortgage or otherwise deal with the property during the period of ownership, provided that at the end of the 50-year period from the date of first registration the property together with all the improvements thereon (in whose name soever they may then be registered) shall revert to the State absolutely without compensation payable for improvements or otherwise. Further details per property are shown below;

Cresta Lodge
Lot 50719 - Plot measuring 3,5697 Ha, in the Gaborone Administrative District with fixed State Grant No. 1613/90, first registered on the 6 December 1990.

Cresta Riley's Hotel
Tribal Lot 141 Maun - Plot measuring 2,4815 Ha, in the Batawana Tribal Territory with 50 year fixed State lease, first registered on the 9 August 1998.

Cresta Thapama Hotel
Lot 6348 - Plot measuring 2,5085 Ha, in the Francistown Administrative District with fixed State Grant No. 548/84, first registered on the 22 November 1984.

Cresta Bosele Hotel
Lot 19267 - Selebi Phikwe - Plot measuring 2,9812 Ha, in the Selebi Phikwe (Cadastre 466) in Selebi Phikwe Administrative district with fixed State Grant of 50 years, first registered on the 28 June 1973.

Notes to the Financial Statements (continued)

for the year ended 31 December 2020

14 Right of Use Assets and Lease Liabilities

As at end of December 2018, the Group had a total of 11 properties which were leased from various Land Lords, subsequent to the implementation of IFRS 16 in January 2019, the Group purchased 5 of the leased properties from the lessor. The leased properties had a historical deferred IAS 17 lease liability of P25.8 million for the Group and P24.4 million for the Company for operating leases at the date of initial application of IFRS 16.

The Group therefore elected to apply IFRS 16.C5(b) by assuming the 5 properties purchases are categorized as short-term leases at the date of initial application. Collectively the purchased properties had a historical deferred lease lability of P12.8 million which has been adjusted to equity.

For those properties which the Group continues to lease, as well as the vehicle leases, the Group has adopted IFRS 16.C8(b)(ii) and considers them to be long-term leases at the date of initial recognition. The Group therefore initially recognised the Right of Use assets (ROU) , equal to the lease liability. Further, at the date of initial application, the Group adjusted the ROU assets with a total of P13 million for the Group and P11.6 million for the Company.

Amounts recognised in the statement of financial position and profit or loss
Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movement during the period.

GROUP	Right-of-use assets		
	Buildings P'000	Motor vehicles P'000	Total P'000
Cost			
As at 1 January 2019	98,276	2,104	100,380
Additions	—	—	—
As at 31 December 2019	**98,276**	**2,104**	**100,380**
Additions	—	596	596
Lease re-measurement	(1,226)	—	(1,226)
Exchange loss	(2,520)	—	(2,520)
As at 31 December 2020	**94,530**	**2,700**	**97,230**
Accumulated depreciation			
As at 1 January 2019	—	—	—
Charge for the year	17,048	1,047	18,095
As at 31 December 2019	**17,048**	**1,047**	**18,095**
Charge for the year	16,159	801	16,960
Impairment	3,043	—	3,043
At 31 December 2020	**36,250**	**1,848**	**38,098**
Carrying amount			
At 31 December 2020	**58,280**	**852**	**59,132**
At 31 December 2019	81,228	1,057	82,285

Notes to the Financial Statements (continued)

for the year ended 31 December 2020

14 Right of Use Assets and Lease Liabilities (continued)

Amounts recognised in the statement of financial position and profit or loss (continued)

COMPANY	Right-of-use assets		
	Buildings P'000	Motor vehicles P'000	Total P'000
Cost			
As at 1 January 2019	86,248	2,104	88,352
Additions	—	—	—
As at 31 December 2019	86,248	2,104	88,352
Additions	—	596	596
Lease re-measurement	(1,226)	—	(1,226)
At 31 December 2020	**85,022**	**2,700**	**87,722**
Accumulated depreciation			
As at 1 January 2019	—	—	—
Charge for the year	13,392	1,047	14,439
As at 31 December 2019	13,392	1,047	14,439
Charge for the year	**13,350**	**801**	**14,151**
As at 31 December 2020	**26,742**	**1,848**	**28,590**
Carrying amount			
At 31 December 2020	**58,280**	**852**	**59,132**
As at 31 December 2019	72,856	1,057	73,913

The Group recognised an impairment loss of P3,043,000 for the right of use asset related to the subsidiary, Cresta Golfview. The right of use assets are tested for impairment on an annual basis. The recoverable amount of the right of use assets are determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Due to the impact of COVID-19 on the business in the current financial year, as well the Budget for the following year and the probabilities of the hotel lease being renewed on favourable terms for the subsidiary, right of use asset were impaired in full.

Additionally the Group has benefitted from lease payment holiday on certain leased properties. The payment holiday reduced payments in the period from April to June 2020 by P4,312,000 for the Group and P1,328,000 for the company. (note 5).

The Group has remeasured the Right of use asset and lease liability for Cresta Botsalo hotel pursuant to the landlord offering 50% lease discounts from April to September 2020 with a further freeze on rental escalations to September 2021. The lease modification was computed using the revised lease payments and the new discount rates resulting in a decrease of Right of use asset and lease liability by P1,226,000 (note 14).

Notes to the Financial Statements (continued)

for the year ended 31 December 2020

14 Right of Use Assets and Lease Liabilities (continued)

The group leases several assets including buildings and vehicles. The average lease term for buildings is 10 years while for vehicles is 3 years.

Cresta Golfview Hotel, Zambia
Lot 10247 - Lusaka, Zambia - 10 year lease with Golfview Hotel Limited commenced 1 February 2012. Annual lease rentals amount to US$360,000 (equivalent to P2,823,529) for the first year with annual escalations of 5%. In December 2016 the annual escalation was amended to the higher of USCPI or 2% per annum. Lease concessions of P2,005,000 were given during the year from May to December 2021.

Cresta Mahalapye Hotel
Mahalapye - 10 year lease with Knights Bridge (Proprietary) Ltd commenced 1 October 2012. Annual lease rentals amount to P1,620,000 for the first year with annual escalations of 8%.

Cresta Jwaneng Hotel
Lot 5483 - Jwaneng - 10 year lease with United Promotional Enterprise (Proprietary) Limited commenced 1 June 2013. Annual lease rentals amount to P2,340,000 for the first year with annual escalations of 8%.

Cresta Head Office
Plot 74538, Marula House, 2nd floor, New CBD, Gaborone - 5 year lease with Primetime Property Holdings Limited commenced 1 April 2017. Annual lease rentals amount to P1,450,802 for the first year with annual escalations of CPI +1%.

Cresta Maun Resort
Lot 16719 - Maun - 10 year lease with Reinet Safaris (Proprietary) Limited commenced 1 April 2016. Annual lease rentals amount to P3,720,000 for the first year with annual escalations of 8%.

Cresta Marang Gardens (Residency)
The company has a lease agreement with Knight Bridge (Proprietary) Limited in respect of a Hotel for plot 6218 portion of lot 931, Francistown. The lease is for 10 years commencing on 1 July 2017 and renewable at the option of Cresta Marakanelo Limited for a further 10 year period. Annual lease rentals amount to P2,160,000 for the first year with annual escalation of 5%.

The Group has options to purchase certain vehicles for a nominal amount at the end of the lease term. The Group's obligations are secured by lessors title to the leased assets for such leases.

In the Current year several vehicle leases expired. Some of the related assets were acquired and the other leases were renewed or replaced for a twelve month period. There were no disposals during the year. The maturity analysis of the liabilities is presented below;

Notes to the Financial Statements (continued)

for the year ended 31 December 2020

14 Right of Use Assets and Lease Liabilities (continued)

Amounts recognised in the profit and loss

	CONSOLIDATED		COMPANY	
	2020 P'000	**2019 P'000**	**2020 P'000**	**2019 P'000**
Depreciation expense of right-of-use assets	**16,960**	18,095	**14,151**	14,439
Interest expense on leased buildings	**7,640**	8,904	**6,993**	8,063
Interest expense on leased vehicles	**121**	174	**121**	174
Sub total	**7,761**	9,078	**7,114**	8,237
Rent expense - short-term lease buildings	**349**	16,937	**349**	16,937
Rent expense - short-term lease vehicles	**152**	52	**152**	52
Total amounts recognised in profit or loss	**25,222**	44,162	**21,766**	39,665

Lease liabilities

	GROUP		COMPANY	
	2020 P'000	**2019 P'000**	**2020 P'000**	**2019 P'000**
Analysed as:				
Non Current	**64,389**	83,144	**63,982**	78,083
Current	**18,774**	16,185	**13,926**	11,872
	83,163	99,329	**77,908**	89,955
Maturity analysis				
Year 1	**25,297**	24,188	**20,123**	19,294
Year 2	**19,735**	25,160	**19,303**	20,176
Year 3	**14,621**	19,794	**14,621**	19,378
Year 4	**13,422**	14,791	**13,422**	14,791
Year 5	**14,367**	13,718	**14,367**	13,718
Onwards	**18,293**	33,305	**18,293**	33,305
	105,735	130,956	**100,129**	120,662
Less: Unearned interest	**22,573**	31,627	**22,222**	30,706
	83,163	99,329	**77,908**	89,955
Analysed				
Non Current	**16,049**	23,624	**16,024**	23,285
Current	**6,524**	8,003	**6,198**	7,421
	22,573	31,627	**22,222**	30,706

All lease obligations are denominated in BWP except for Cresta Golfview hotel which is in USD. The Cresta Golfview hotel lease term expires on 31 January 2022.

Notes to the Financial Statements (continued)

for the year ended 31 December 2020

15 Intangible Assets

	CONSOLIDATED		COMPANY	
	2020 P'000	**2019 P'000**	**2020 P'000**	**2019 P'000**
Goodwill				
Opening net book amount	**9,606**	10,396	**5,274**	5,274
Cost	**10,396**	10,396	**5,274**	5,274
Accumulated impairment	**—**	(221)	**—**	—
Impairment of goodwill - current year	**(4,332)**	—	**—**	—
Prior year exchange difference and accumulated depreciation	**(790)**	—	**—**	—
Exchange differences	**—**	(569)	**—**	—
Closing net book amount	**5,274**	9,606	**5,274**	5,274

In 2013, the Group entered into an agreement with United Promotional Enterprise (Proprietary) Limited (t/a Cezar Hotel),a company registered in Botswana, to acquire the hotel business which operated within Jwaneng township. As a result of the acquisition, the Group recognised goodwill arising from customer relationships related to the location of the hotel premises.

Impairment test of goodwill
For the purpose of annual impairment testing, goodwill was attached to the following Cash Generating Units ("CGU"):

Cresta Golfview Hotel Limited	**4,332**	5,122	**—**	—
Cresta Jwaneng Hotel	**5,274**	5,274	**5,274**	5,274
Opening net book amount	**9,606**	10,396	**5,274**	5,274

The Group did not identify any impairment for the Cresta Jwaneng CGU (2019: Nil), while the Cresta Golfview CGU has been fully impaired during the current year (2019: Nil).

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

For the Cresta Golfview CGU, due to the material impact of COVID-19 on the future prospects of the business, the material uncertainty related to the probability of agreeing on a sustainable lease renewal for the property before the lease expiry on 31 January 2022, only the 12 month budget was considered, resulting in a recoverable amount which was lower than the carrying amount of the goodwill, therefore the full amount of the goodwill has been written off.

An uncertainty exists related to the impact of COVID-19 on the future cashflows utilised in the computations of the value in use for the Cresta Jwaneng CGU, which may result in future impairments, refer to note 34.

Notes to the Financial Statements (continued)

for the year ended 31 December 2020

15 Intangible Assets (continued)

	CONSOLIDATED		COMPANY	
	2020 P'000	**2019 P'000**	**2020 P'000**	**2019 P'000**
Key assumptions used in the calculation of recoverable amounts, discount rates and growth rates, are as follows for Cresta Golfview:				
Growth rate beyond the budget period of 2020 to 2024 years (terminal value growth rate)	**—**	3.00%	**—**	—
Discount rate	**—**	23.70%	**—**	—
Recoverable amount of the goodwill (P'000)	**—**	10,559	**—**	—
Headroom %	**—**	120%	**—**	—
Budget period considered for impairment testing is 2021 12 month budget due to the probability that the lease may not be renewed.				
Key assumptions used in the calculation of recoverable amounts, discount rates and growth rates for Cresta Jwaneng are as follows:				
Growth rate beyond the budget period of 2021 to 2025 years (terminal value growth rate)	**2.00%**	2.00%	**2.00%**	2.00%
Discount rate	**14.00%**	13.00%	**14.00%**	13.00%
Recoverable amount of CGU (P'000)	**15,086**	39,744	**15,086**	39,744
Headroom %	**36%**	146%	**36%**	146%

For the current year, if the discount rate is at 15.3% (2019: 18.3%) headroom will be nil (2019: nil).

For the initial 5 year forecast period, if the revenue growth rate is reduced from 5% (2019: 4%) to 2.3% (2019: 2.5%) the headroom will be nil (2019: nil).

A material uncertainity exists related to the impact of COVID-19 on the future cashflows utilised in the computations of the value in use, which may result in future impairments. (Refer to Note 34)

Notes to the Financial Statements (continued)

for the year ended 31 December 2020

15 Intangible Assets (continued)

	CONSOLIDATED		COMPANY	
	2020 P'000	**2019 P'000**	**2020 P'000**	**2019 P'000**
Lease rights				
Opening net book amount	**—**	26	**—**	26
Amortisation charge	**—**	(26)	**—**	(26)
Closing net book amount	**—**	—	**—**	—
Cost	**—**	365	**—**	365
Accumulated amortisation	**—**	(365)	**—**	(365)
Net book amount	**—**	—	**—**	—
Lease rights related to leasehold concessions acquired through the leasing of property from Botsalo Hotel (Proprietary) Limited on 1 October 2009 and were amortised over 10 years until October 2019, being the initial lease period.				
Software				
Opening net book amount	**1,226**	1,805	**1,194**	1,714
Additions	**928**	513	**928**	513
Disposal cost	**(2)**	(78)	**(2)**	(56)
Amortisation charge	**(1,010)**	(1,014)	**(1,001)**	(977)
Impairment software	**(19)**	—	**—**	—
Exchange difference	**(4)**	—	**—**	—
Closing net book amount	**1,119**	1,226	**1,119**	1,194
Cost	**4,841**	3,914	**4,714**	3,787
Accumulated amortisation	**(3,699)**	(2,689)	**(3,595)**	(2,594)
Impairment	**(19)**	—	**—**	—
Exchange difference	**(4)**	—	**—**	—
Net book amount	**1,119**	1,225	**1,119**	1,193
Net book amount of intangible assets (excluding goodwill)	**1,119**	1,225	**1,119**	1,193

Notes to the Financial Statements (continued)

for the year ended 31 December 2020

16 Treasury Shares

	CONSOLIDATED		COMPANY	
	2020 P'000	**2019 P'000**	**2020 P'000**	**2019 P'000**
Opening and closing balance	**5,915**	5,915	**2,105**	2,105

The company acquired 365,056 of its own shares through an offer to qualifying shareholders between 10 October 2011 and 2 December 2011. Only shareholders holding stocks of between 100 and 2000 shares were eligible. The total amount paid to acquire the shares was approximately P550,000 and has been deducted from retained earnings within shareholders equity. These shares are held as treasury shares. The company has the right to re-issue these shares at a later date.

In addition, The Employee Share Trust was disbanded in 2015 and replaced with Cresta Employee share Scheme, (note 12). Shares issued to the Cresta Employee Scheme (3,700,000) have been disclosed as treasury shares.

17 Inventories

Foods, beverages and tobacco	**1,692**	2,265	**1,479**	2,068
Curio shop and stationery	**608**	491	**580**	464
	2,300	2,756	**2,059**	2,532
The cost of inventories recognised as expense included in 'cost of sales' amounted to	**27,870**	55,028	**25,720**	50,675

18 Trade and Other Receivables

Trade receivables	**12,002**	20,286	**11,417**	19,250
less: expected credit loss	**(2,249)**	(1,113)	**(1,966)**	(1,042)
Trade receivables - net	**9,754**	19,173	**9,451**	18,208
Prepayments	**4,769**	4,056	**4,725**	3,694
Amount due from related parties (note 29)	**12**	12	**16**	62
VAT receivable	**3,721**	—	**3,721**	—
Government wage subsidy receivables	**3,180**	—	**3,180**	—
Other receivables (sundry debtors, trade deposits and unpaid cheques)	**1,918**	2,653	**1,564**	2,244
	23,353	25,894	**22,657**	24,208

The carrying amount of trade and other receivables are denominated in Botswana Pula and approximates the fair value due to their short-term nature. Trade debtors are unsecured and do not attract interest. Other receivables consist of sundry debtors and trade deposits whose credit risk is negligible.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

Notes to the Financial Statements (continued)

for the year ended 31 December 2020

18 Trade and Other Receivables (continued)

2020

Aging brackets (days)	**30-90**	**>90**	**>120**	**Total**
Average expected credit loss % as per age analysis	4.7%	15.2%	22.1%	
Company - loss allowance	329	83	1,554	**1,966**
Group - loss allowance	516	112	1,621	**2,249**
2019				
Average expected credit loss %	0.7%	6.0%	20.1%	
Company - loss allowance	80	85	877	**1,042**
Group - loss allowance	101	88	924	**1,113**

The movement in the provision for impairment of trade receivables is as follows:

	CONSOLIDATED		**COMPANY**	
	2020 P'000	**2019 P'000**	**2020 P'000**	**2019 P'000**
Movement of impairment				
Opening balance	**1,113**	1,230	**1,042**	1,235
Charge for the year	**1,507**	465	**1,284**	436
Bad debts written off	**(371)**	(672)	**(360)**	(629)
Closing balance	**2,249**	1,113	**1,966**	1,042

The creation and release of provision for impaired receivables have been included in operating expenses in the statement of comprehensive income.

Amounts charged to the allowance account are generally written-off when there is no expectation of recovering additional cash.

19 Cash and Cash Equivalents

Cash at bank and in hand	**56,693**	52,713	**56,076**	50,324
Short-term bank deposits	**—**	50,425	**—**	50,425
	56,693	103,138	**56,076**	100,749

Short-term bank deposits have an average maturity of not more than 90 days.

Cash and bank overdrafts include the following for the purposes of the cash flow statement.

Cash and cash equivalents	**56,693**	103,138	**56,076**	100,749
Bank overdrafts (note 22)	**—**	—	**—**	—
	56,693	103,138	**56,076**	100,749

Included within the cash and cash equivalent is P28,010,000 held in a USD call account with Absa Bank Limited.

Notes to the Financial Statements (continued)

for the year ended 31 December 2020

20 Stated Capital

	CONSOLIDATED		COMPANY	
	2020 P'000	**2019 P'000**	**2020 P'000**	**2019 P'000**
185,000,000 ordinary shares of no par value issued and fully paid:				
At the end of the year	**18,500**	18,500	**18,500**	18,500

21 Deferred Tax

Deferred tax assets/(liabilities)				
Beginning of the year	**(579)**	3,227	**(863)**	2,816
Derecognition of prio year tax asset	**(284)**	—	**—**	—
Income statement credit (charge) - note 8	**8,982**	(3,806)	**8,982**	(3,679)
End of the year	**8,119**	(579)	**8,119**	(863)
Comprising:				
Deferred tax assets	**8,119**	—	**8,119**	—
Deferred tax liabilities	**—**	(579)	**—**	(863)
	8,119	(579)	**8,119**	(863)
The deferred tax arises from:				
- Accelerated tax depreciation on property, plant, equipment and software, lease rights	**261**	2,202	**261**	2,280
- Right of use assets	**13,009**	16,261	**13,009**	16,261
- Operating equipment	**1,699**	2,112	**1,699**	2,112
- Lease liabilities	**(17,140)**	(19,790)	**(17,140)**	(19,790)
- Unrealised exchange loss	**—**	(212)	**—**	—
- Bad debts provision	**—**	6	**—**	—
-Tax losses recognised	**(5,948)**	—	**(5,948)**	—
	(8,119)	579	**(8,119)**	863
The analysis of deferred tax assets and deferred tax liabilities is as follows:				
Deferred tax liabilities	**—**	579	**—**	863
Deferred tax assets	**(8,119)**	—	**(8,119)**	—
Deferred tax assets - net	**(8,119)**	579	**(8,119)**	863

Based on the Group's projected profitability, the Directors have assessed that sufficient profits will be generated to utilise the timing differences.

Notes to the Financial Statements (continued)

for the year ended 31 December 2020

22 Borrowings

	CONSOLIDATED		COMPANY	
	2020 P'000	**2019 P'000**	**2020 P'000**	**2019 P'000**
Non-current				
Absa Bank of Botswana Limited loan	**237,500**	243,500	**237,500**	243,500
Current				
Absa Bank of Botswana Limited loan	**16,428**	11,734	**16,428**	11,734
The carrying amount and fair value of the non-current borrowings is as follows:				
Bank borrowings	**237,500**	243,500	**237,500**	243,500

Facility 1: A loan facility for the aquisition of Golfview hotel assets in 2012 was meant to be repayable by 2022 with a monthly instalments of P253,351 at a variable rate of prime less 2% was fully paid by end of the year 2020.

Security - First and Second Covering Mortgage Bonds over Lots Rem 930, 931 and 21367 in Francistown for P31,079,000

Facility 2: A loan facility with a limit of P300 million to aquire properties from Letlole La Rona with the first drawdown of P251 million made in June 2019, second drawdown of P9 million in February 2020 and the balance of P40 million intended for hotel refurbishments not yet drawn. All transaction fees were expensed at drawdown. The loan is repayable by 2029, with a 12 month moratorium on capital payments on the first year (2019), which then increases over the period of the loan.Interest rate - variable interest rate based on the profitability of the company, varying from Prime plus 1.75% to Prime plus 0.25%. The capital balance outstanding as at 31 December 2020 is P252.5 million (2019: P248.8 million).

Security - Covering Mortgage Bonds P15,921,203 of remaining Lots 930 in Francistown and remaining Extent of Lot 931 Francistown and Lot 21367 Francistown, Tribal lot 141 in Maun for P31,200,000, Lot 50719 in Gaborone for P84,000,000, Lot 634 in Francistown for P72,800,000, Lot 1169 in Gaborone for P76,700,000 and Lot 19267 in Selebi-Phikwe for P9,000,000.
- Cession of material damage policies covering the properties listed above.
- Unlimited suretyship by Cresta Marakanelo Limited.

The banking overdraft facility available to the Company as at year end was P10,000,000 which had not been utilised by the Group.

The bank overdraft bears interest at prime plus 0.5%. The prime rate at 31 December 2020 was 5.25% (2019: 6.25%).

- The bank has issued guarantees in favour of Botswana Power Corporation and Bostwana Government amounting to P154,000 as security for the supply of power on credit to the Company.

Notes to the Financial Statements (continued)

for the year ended 31 December 2020

23 Trade and Other Payables

	CONSOLIDATED		COMPANY	
	2020 P'000	**2019 P'000**	**2020 P'000**	**2019 P'000**
Trade payables	**11,881**	15,179	**11,510**	14,736
Amount due to related parties (note 29)	**668**	3,379	**620**	3,490
Other accrued expenses	**5,298**	2,505	**2,026**	2,227
VAT payable	**4,415**	1,046	**4,279**	822
Payroll accruals (note 23.1)	**4,014**	4,238	**3,494**	3,550
Other payables	**2,984**	13,202	**5,778**	12,573
	29,260	39,549	**27,707**	37,397

The average credit period on purchased goods and services is 30 days. The Group has financial risk policies in place to ensure that all payables are paid within the credit time-frame. The carrying amount of the trade and other payables approximate the fair value due to their short term nature.

The amount due to the related party relates to quarter 4 transactions and is due in the first quarter of the following financial year.

23.1 Payroll Accruals

Balance at beginning of the year	**4,238**	3,928	**3,550**	3,446
Accrued during the year	**1,485**	3,149	**1,372**	2,401
Payments made during the year	**(1,709)**	(2,839)	**(1,428)**	(2,297)
Balance at end of the year	**4,014**	4,238	**3,494**	3,550

25 Contract Liabilities

Arising from customer loyalty programme (i)	**2,201**	2,359	**2,182**	2,327
Amounts received in advance of provision of services and sale of goods (ii)	**5,886**	10,329	**5,462**	9,449
	8,087	12,688	**7,644**	11,776

(i) A contract liability arises in respect of the Group's customer loyalty programme as these points provide a benefit to customers that they would not receive without buying a Cresta Loyalty Card and using it to book for accommodation. This accommodation booking entitles the customer to loyalty points and the promise to provide loyalty points to the customer is therefore a separate performance obligation. A contract liability is recognised for revenue relating to the loyalty points at the time of the initial sales transaction.

(ii) In certain instances, customers are required to pay for a portion of the services and goods in advance to secure a booking. In such instances the amounts received at this point by the Group are recognised as contract liabilities until the services are provided to the customers.

Notes to the Financial Statements (continued)

for the year ended 31 December 2020

26 Operating Lease Arrangements

The Group as a lessor

Operating leases, in which the Group is the lessor, relate to property owned by the Group with lease terms of between 3 to 5 years, with extension option. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

The unguaranteed residual values do not represent a significant risk for the Group, as they relate to property which is located in a location with a constant increase in value over the years. The Group did not identify any indications that this situation will change.

Maturity analysis of operating lease payments:

	CONSOLIDATED		COMPANY	
	2020 P'000	**2019 P'000**	**2020 P'000**	**2019 P'000**
Year 1	**2,088**	1,829	**2,088**	1,829
Year 2	**1,948**	1,363	**1,948**	1,363
Year 3	**988**	1,361	**988**	1,361
Year 4	**528**	556	**528**	556
Year 5	**26**	408	**26**	408
Year 6 and onwards	**—**	26	**—**	26
Total	**5,578**	5,541	**5,578**	5,541
The following tables presents amounts reported in profit or loss				
Gross expected rent income	**1,829**	967	**1,829**	967
Less lease concessions	**(316)**	—	**(316)**	—
Net lease income on operating leases	**1,513**	967	**1,513**	967

As set out above net property rental income earned during the year was P1,513,211 and is included in other revenue. All the properties held have committed tenants for the next 2 to 5 years years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period. As a result of COVID-19, some tenants terminated their leases, while some were given discounts during the year.

At the reporting date the, the Group has contracted with tenants for the following future minimum lease payments

	CONSOLIDATED		COMPANY	
	2020 P'000	**2019 P'000**	**2020 P'000**	**2019 P'000**
Within one year	**2,088**	1,829	**2,088**	1,829
Two to five years	**3,490**	3,687	**3,490**	3,687
After five yeas	**—**	26	**—**	26
	5,578	5,541	**5,578**	5,541

Notes to the Financial Statements (continued)

for the year ended 31 December 2020

27 Operating Leases

Five of the previously leased properties were acquired in June 2019 and February 2020. Refer to Note 13.

The Group as a lessee

	CONSOLIDATED		COMPANY	
	2020 P'000	**2019 P'000**	**2020 P'000**	**2019 P'000**
Minimum lease payments under operating leases recognised as an expense in the year	**349**	16,937	**349**	16,937
Sub-lease payments received	**(58)**	(246)	**(58)**	(246)

28 Cash Generated from Operations

Operating (loss)/profit	**(35,252)**	51,012	**(34,587)**	50,805
Adjustments:				
- Depreciation	**36,228**	31,299	**35,835**	30,725
- Operating equipment usage and write off	**3,131**	3,209	**2,937**	3,078
- Amortisation of intangible assets	**1,010**	1,040	**1,001**	1,003
- Right of use depreciation	**16,960**	18,095	**14,151**	14,439
- Movement in contract liabilities	**(4,601)**	2,280	**(4,132)**	2,256
- Lease discounts and deferral	**(3,674)**	—	**(1,669)**	—
- Exchange loss on remeasured liability	**3,225**	1,181	**—**	—
- Derecognised deferred tax asset	**133**	—	**—**	—
- Gain on disposal of plant and equipment	**(47)**	(500)	**(47)**	(500)
	17,113	107,616	**13,489**	101,807
Changes in working capital:				
- Inventories	**456**	316	**473**	242
- Trade and other receivables	**2,541**	662	**1,551**	1,556
- Trade and other payables	**(10,289)**	871	**(9,690)**	2,027
Cash generated from operations	**9,821**	109,465	**5,824**	105,633
Taxation paid				
Opening balance	**5,282**	1,421	**5,079**	1,653
Charge for the year	**—**	(3,192)	**—**	(3,192)
Closing balance	**214**	(5,282)	**214**	(5,079)
Taxation refund/(paid)	**5,068**	(7,053)	**4,865**	(6,618)

Notes to the Financial Statements (continued)

for the year ended 31 December 2020

29 Related Party Transactions

Related companies are companies under common control, directors or ownership. The following are related parties: Botswana Development Corporation Limited ("BDC") - Shareholder with 26% interest. Cresta Holdings Proprietary Limited - Management company and shareholder with 24% interest. Letlole La Rona Limited ("LLR") and Botswana Hotel Development Company (Proprietary) Limited ("BHDC") - 100% subsidiaries of BDC and used to be landlords to Cresta Marakanelo Limited. Cresta Marakanelo Limited acquired properties from the landlords LLR and BHDC June in 2019, with the last property from LLR being transferred in February 2020. Cresta Holdings Proprietary Limited is part of the Masawara Holdings Group, which owns Cresta Lodge Harare Hotel and Cresta Hotels in Johannesburg, South Africa. Cresta Golfview Hotel Limited, Zambia is a wholly owned subsidiary of Cresta Marakanelo Limited.

	CONSOLIDATED		COMPANY	
	2020 P'000	**2019 P'000**	**2020 P'000**	**2019 P'000**
i) Purchase of services				
Management services - fees				
- Management fees - Cresta Holdings Proprietary Limited	**6,062**	11,767	**5,778**	11,098
- Profit bonus - Cresta Holdings Proprietary Limited	**—**	9,237	**—**	9,278
The Group Managing Director and Group Chief Financial Officer are employees of Cresta Holdings Proprietary Limited who are seconded to the Group in accordance with a management contract.				
Rent paid				
- Letlole La Rona Limited	**349**	15,618	**349**	15,618
- Botswana Hotel Development Company Proprietary Limited	**—**	1,296	**—**	1,296
ii) Year-end balances arising from sales/purchases of services:				
Amount due from related parties				
- Cresta Golfview Hotel Limited Zambia (note 18)	**—**	—	**4**	50
- Masawara Holdings (note 18)	**12**	12	**12**	12
	12	12	**16**	62
Amount due to related parties				
- Cresta Lodge - Harare (note 23)	**14**	70	**14**	70
- Cresta Holdings Proprietary Limited (note 23)	**396**	3,309	**349**	3,419
- Cresta Hotels - Johannesburg (note 23)	**257**	—	**257**	—
	668	3,379	**620**	3,490
iii) Directors' fees and costs				
- Costs	**18**	87	**18**	87
- Fees	**630**	590	**630**	590
	648	677	**648**	677

Notes to the Financial Statements (continued)

for the year ended 31 December 2020

29 Related Party Transactions (continued)

	CONSOLIDATED		COMPANY	
	2020 P'000	2019 P'000	2020 P'000	2019 P'000
iv) Key management compensation				
Key management for the Company includes the Group Operations Manager, Group ICT Manager and Group Human Resource Manager, and for the Group, includes compensation paid to Cresta Golfview Hotel Limited Zambia key management. The compensation paid or payable to key management for employee services is shown below:				
Salaries and other short-term employee benefits	**5,434**	5,011	**4,199**	3,065
Termination benefits	**460**	895	**207**	694

30 Contingent Liabilities

During 2003, the Botswana Unified Revenue Service ("BURS") investigated the company with a view to recover withholding tax in respect of management fees paid from 1988 to 2002. The total management fees paid in the period was P32,931,362 and withholding tax due thereon is P4,002,090 plus penalty interest at 2% per month from date of assessment.

In 2011, the High Court of the Republic of Botswana ruled in favour of the Company by way of settlement of P323,770 to BURS, which the Company paid to BURS during 2015. However, the Attorney General's Chambers acting on behalf of BURS, has lodged an appeal against the High Court decision. The outcome of this matter is not yet reliably known. The directors are satisfied, based on legal opinion obtained, that no provision for the potential liability is required.

31 Commitments

	CONSOLIDATED		COMPANY	
	2020 P'000	2019 P'000	2020 P'000	2019 P'000
a) Capital commitments				
Not yet contracted:				
Furniture and Fittings	**4,273**	65,292	**4,273**	65,507
The furniture and fittings will be financed through internal resources.				
Contracted:				
As at the end of 31 December contracted capital commitments which are financed through internal resources were:	**1,023**	260	**1,023**	260

Notes to the Financial Statements (continued)

for the year ended 31 December 2020

32 Segmental Information

While strategic decision making rights vests with the Board of Cresta Marakanelo Limited, operational and managerial responsibility vests with Executive Management, which includes the Managing Director, Chief Finacial Officer, Group Operations Manager, Group ICT Manager and Group Human Resources Manager. For the purpose of presenting segmental information, Executive management has been identified as the Chief Decision Maker as defined in IFRS 8 (Operating segments), based on the location and theme of the hotels and type of guests served. Revenue for all the segments is derived from a broad and diversified customer base, with no single customer accounting for more than 10% of Group's revenues. The major sources of revenue are various Botswana Government departments and parastatals, as well as non-governmental organisations and corporate entities.

The main reporting segments reviewed by the Chief Operating Decision Maker are:

Cresta Urban Oasis
The hotels under this Gateway operate in major cities in Botswana and Zambia primarily targeting business travellers. These properties are located close to the city centre and have lush gardens offering a more serene environment. The facilities available include meeting and conference rooms, wireless internet access and high-end restaurants, thereby meeting all business travellers' needs. The hotels under this Gateway are Cresta Lodge Gaborone, Cresta Marang Gardens and Cresta Golfview, Zambia.

Cresta Urban Heartbeat
Similar to Cresta Urban Oasis, the hotels in the Cresta Urban Heartbeat brand cater for business travellers as they are located in the city centres of the major cities (Gaborone and Francistown). These hotels offer a cosmopolitan setting with simple rooms and high quality restaurants ideal for business meals. Hotels under this Gateway are Cresta President Hotel and Cresta Thapama Hotel.

Cresta African Roots
These hotels offer modern and affordable accommodation, emphasising on value and comfort. They are located in the smaller cities within Botswana and have access to the surrounding areas. Hotels under this Gateway include Cresta Riley's Hotel, Cresta Bosele Hotel, Cresta Jwaneng Hotel, Cresta Mahalpye Hotel and Cresta Botsalo Hotel.

Cresta African fingerprint
Two Hotels, Mowana Resort and Spa and Cresta Maun Resort, are classified within this brand, and they are a signature destination offering a unique travel experience to guests. These Gateway's hotels has a high rating and offers guests a travel experience, which includes safaris and other activities in addition to top class hotel rooms and restaurants.

Control unit
Control unit is the head office which manages the entire operation of 12 hotels.

The Chief Operating Decision Maker reviews performance of each segment based on operating profit achieved, total assets employed and net assets employed.

Notes to the Financial Statements (continued)

for the year ended 31 December 2020

32 Segmental Information (continued)

	Cresta Urban Oasis P'000	Cresta Urban Heartbeat P'000	Cresta African Roots P'000	Cresta African Fingerprint P'000	Control Unit P'000	Combined P'000
CONSOLIDATED YEAR ENDED 31 DECEMBER 2020						
Revenue	50,419	47,005	66,094	37,600	1,487	202,605
Accommodation revenue	27,610	28,912	40,262	21,342	145	118,271
Food revenue	17,402	12,914	19,601	11,038	—	60,955
Bar revenue	2,747	2,655	4,395	2,764	—	12,562
Other revenue	2,659	2,524	1,835	2,456	1,342	10,816
Cost of sales	(37,709)	(26,120)	(47,122)	(31,632)	(7,847)	(150,430)
Gross profit/(loss)	12,710	20,885	18,972	5,968	(6,360)	52,175
Sales and distribution costs	(900)	(644)	(1,081)	(949)	(2,381)	(5,955)
Administration and operating expenses	(26,461)	(25,105)	(30,792)	(26,884)	13,180	(96,062)
Government wage subsidy	—	—	—	—	14,590	14,590
Operating profit/(loss)	**(14,651)**	**(4,864)**	**(12,901)**	**(21,865)**	**19,029**	**(35,252)**
Finance income	—	—	—	—	1,080	1,080
Finance expense	(3,666)	(27)	(2,938)	(2,568)	(19,738)	(28,938)
Impairment of goodwill	(4,332)	—	—	—	—	(4,332)
Impairment other	(4,559)	—	—	—	—	(4,559)
Reportable segment profit/(loss) before tax	**(27,209)**	**(4,891)**	**(15,839)**	**(24,433)**	**371**	**(72,001)**
Income tax expense						8,982
Net profit after tax						**(63,019)**
Total assets	123,268	147,213	87,768	117,707	61,889	537,844
Total liabilities	26,620	4,177	39,164	35,758	268,719	374,438
Capital expenditure	1,302	650	12,984	2,947	223	18,106
Depreciation	6,990	9,968	8,096	10,853	322	36,228
Amortisation	126	48	241	84	511	1,010

Notes to the Financial Statements (continued)

for the year ended 31 December 2020

32 Segmental Information (continued)

	Cresta Urban Oasis P'000	Cresta Urban Heartbeat P'000	Cresta African Roots P'000	Cresta African Fingerprint P'000	Control Unit P'000	Combined P'000
COMPANY YEAR ENDED 31 DECEMBER 2020						
Revenue	40,942	47,005	66,094	37,601	1,487	193,128
Accommodation revenue	24,232	28,912	40,262	21,342	145	114,893
Food revenue	12,632	12,914	19,601	11,038	—	56,185
Bar revenue	2,004	2,655	4,395	2,765	—	11,819
Other revenue	2,074	2,524	1,835	2,456	1,342	10,231
Cost of sales	(30,178)	(26,120)	(47,122)	(31,632)	(7,847)	(142,899)
Gross profit/(loss)	10,764	20,885	18,972	5,969	(6,360)	50,229
Sales and distribution costs	(789)	(644)	(1,081)	(949)	(2,381)	(5,844)
Administration and operating expenses	(23,962)	(25,105)	(30,792)	(26,883)	13,180	(93,562)
Government wage subsidy	—	—	—	—	14,590	14,590
Operating profit/(loss)	**(13,987)**	**(4,864)**	**(12,901)**	**(21,864)**	**19,029**	**(34,587)**
Finance income	—	—	—	—	1,080	1,080
Finance expense	(1,323)	(27)	(2,938)	(2,568)	(19,737)	(26,593)
Impairment of investment in subsidiary					(10,572)	(10,572)
Reportable segment profit/(loss) before tax	**(15,310)**	**(4,891)**	**(15,839)**	**(24,432)**	**(10,200)**	**(70,672)**
Income tax expense						8,982
Net profit after tax						**(61,690)**
Total assets	121,714	147,213	87,768	117,707	61,889	536,290
Total liabilities	19,369	4,177	39,164	35,758	268,719	367,187
Capital expenditure	1,229	650	12,984	2,947	223	18,033
Depreciation	6,598	9,968	8,096	10,853	321	35,835
Amortisation	118	48	241	84	510	1,001

Notes to the Financial Statements (continued)

for the year ended 31 December 2020

32 Segmental Information (continued)

	Cresta Urban Oasis P'000	Cresta Urban Heartbeat P'000	Cresta African Roots P'000	Cresta African Fingerprint P'000	Control Unit P'000	Combined P'000
CONSOLIDATED YEAR ENDED 31 DECEMBER 2019						
Revenue	104,076	77,807	112,241	101,516	1,279	396,920
Accommodation revenue	57,722	48,846	63,612	54,542	(388)	224,335
Food revenue	34,729	22,116	37,264	27,826	—	121,936
Bar revenue	7,168	4,879	8,887	7,091	—	28,025
Other revenue	4,456	1,966	2,478	12,057	1,667	22,624
Cost of sales	(61,251)	(41,462)	(63,058)	(48,162)	(22,173)	(236,105)
Gross profit/(loss)	42,825	36,345	49,183	53,354	(20,894)	160,815
Other income	—	—	—	—	—	—
Sales and distribution costs	(1,411)	(643)	(1,086)	(1,665)	(5,095)	(9,900)
Administration and operating expenses	(33,309)	(25,763)	(35,354)	(33,457)	27,980	(99,903)
Operating profit/(loss)	**8,105**	**9,939**	**12,743**	**18,233**	**1,992**	**51,012**
Finance income	—	—	—	—	739	739
Finance expense	(1,623)	(24)	(3,715)	(2,726)	(13,028)	(21,116)
Reportable segment profit before tax	**6,482**	**9,915**	**9,028**	**15,507**	**(10,297)**	**30,635**
Income tax expense						(6,997)
Net profit after tax						**23,638**
Total assets	134,836	155,592	89,418	133,476	121,414	634,736
Total liabilities	36,362	4,987	49,212	40,998	275,820	407,379
Capital expenditure	80,041	152,998	33,605	7,426	452	274,521
Depreciation	5,904	6,988	7,111	11,016	279	31,299
Amortisation	132	59	285	160	404	1,040

Notes to the Financial Statements (continued)

for the year ended 31 December 2020

32 Segmental Information (continued)

	Cresta Urban Oasis P'000	Cresta Urban Heartbeat P'000	Cresta African Roots P'000	Cresta African Fingerprint P'000	Control Unit P'000	Combined P'000
COMPANY YEAR ENDED 31 DECEMBER 2019						
Revenue	81,892	77,807	112,241	101,516	1,280	374,735
Accommodation revenue	48,796	48,846	63,612	54,542	(388)	215,409
Food revenue	24,464	22,166	37,264	27,826	—	111,670
Bar revenue	5,165	4,879	8,887	7,091	—	26,021
Other revenue	3,467	1,966	2,478	12,057	1,667	21,635
Cost of sales	(44,295)	(41,462)	(63,058)	(48,162)	(22,173)	(219,149)
Gross profit/(loss)	37,597	36,345	49,183	53,354	(20,892)	155,586
Sales and distribution costs	(876)	(643)	(1,086)	(1,665)	(5,095)	(9,364)
Administration and operating expenses	(28,819)	(25,763)	(35,354)	(33,457)	27,976	(95,417)
Operating profit/(loss)	**7,902**	**9,939**	**12,743**	**18,233**	**1,989**	**50,805**
Finance income	—	—	—	—	739	739
Finance expense	(1,420)	24	(3,715)	(2,726)	(13,028)	(20,913)
Reportable segment profit/(loss) before tax	**6,482**	**9,915**	**9,029**	**15,507**	**(10,300)**	**30,631**
Income tax expense						(6,871)
Net profit after tax						**23,760**
Total assets	126,212	155,592	89,418	133,476	121,320	626,018
Total liabilities	23,827	4,987	49,212	40,998	276,200	395,225
Capital expenditure	79,741	152,998	33,605	7,426	452	274,221
Depreciation	5,330	6,988	7,111	11,016	279	30,725
Amortisation	132	59	285	160	367	1,003

Notes to the Financial Statements (continued)

for the year ended 31 December 2020

33 Events after the Reporting Period

In December 2020, Cresta Marakanelo Limited ("CML") entered into conditional agreements with Phakalane Estates Proprietary Limited, Nectar Holdings Proprietary Limited and Real Time Services Proprietary Limited, for CML to lease Phakalane Golf Estate Hotel & Convention Centre ("Phakalane Hotel") and acquire certain hotel furniture, fittings and equipment for a consideration of P10,727,200. Subsequent to the year end, certain conditions precedent in the lease Agreement were not concluded hence the agreements therefore lapsed.

Other than matters discussed above, the Board and Management are not aware of any material events that have occurred subsequent to the end of the reporting period that requires adjustments and or disclosure in the financial statements.

34 Going Concern and the impact of COVID-19

For the financial year 2020, the Group and Company incurred a net loss of P63 million (2019: profit P24 million) and P62 million (2019: profit P24 million) respectively, as a result of disruptions caused by the COVID-19 pandemic on the travel and hospitality industry. The disruptions are expected to continue in varying degrees for the foreseeable future. It is not clear when the current operating restrictions will return to 'normal' pre-pandemic levels. The material uncertainties regarding the recovery of the occupancy levels and the resultant impact on liquidity, as well as the successful negotiation of additional funding, should this be required, cast significant doubt on the Group's ability to continue as a going concern.

As soon as the business started experiencing cancellations due to COVID-19 in March 2020, Management was pro-active in reducing the operating leverage of the business. The following are highlights of the key actions taken:

- Management engaged with all key suppliers and landlords to agree on more favourable terms to preserve cash in the business;
- All non-critical and post lockdown capital expenditure was put on hold;
- All discretionary expenditure was put on hold;"
- Significant reduction was made in marketing expenditure with a bias towards digital media;
- All guests especially the tour groups, were encouraged to postpone their trips to 2021 rather than outright cancellations; and
- A staff recruitment freeze was implemented.

As part of the Directors' consideration of continuously managing the on-going changing impacts of COVID-19, the appropriateness of adopting the going concern basis in preparing the financial statements and consideration of future funding requirements, a range of scenarios have been considered. The assumptions modelled in the scenarios are based on the estimated potential impact of COVID-19 restrictions and regulations, along with our proposed responses over the course of the next 15 months. These include a range of estimated impacts primarily based on length of time various levels of restrictions are in place and the severity of the consequent impact of those restrictions. The range of scenarios includes a scenario of an 18% reduced occupancy compared to 2019 as the best case scenario, to a base case scenario which has a further 16% decrease in occupancy compared to the best case scenario, to an extreme scenario of continued low occupancy throughout the 2021 financial year, which results in a further 14% decrease in occupancy compared to the base case. The length of the liquidity period, in relation to each outcome, depends on those actions which the Group chooses to take (e.g. the extent to which cash expenditure is reduced) and the Directors expect the negotiations relating to additional financing to be successful.

Notes to the Financial Statements (continued)

for the year ended 31 December 2020

34 Going Concern and the impact of COVID-19 (continued)

In addition, the following assumptions and considerations have been made by the Directors in preparing the cash flow forecasts;

- That the downturn in business would not be for a period exceeding 12 months from date of approval of the financial statements;
- That there will be continued disruptions to the travel and hospitality industry, particularly for the foreign tourist sector during 2021, with foreign tourism picking up in 2022;
- No further extended country lockdowns;
- Improved food and bar revenue following the easing of alcohol restrictions and some level of increase in the level of conferencing;
- Cost containment and cash preservation measures continue and that salary reductions are re-instituted as approved by the Board; and
- In the worst-case scenario, the current conditions with limited conferencing prevail to March 2022.

The Group is currently in negotiations for an additional working capital facility to provide additional headroom. To date the Group has had adequate resources to meet its loan repayment commitments and its trading liabilities as they fall due. The Directors are satisfied that the Company has sufficient liquidity to withstand adjustments to the base case forecast, as well as the downside scenarios and continue to trade as a going concern for a period of at least 12 months from the date of approval of these financial statements and accordingly, the financial statements have been prepared on the going concern basis.

Shareholder Information

for the year ended 31 December 2020

TOP 10 SHAREHOLDERS

	SHARES HELD	% HOLDING
BOTSWANA DEVELOPMENT CORPORATION LIMITED	50,283,958	27.18%
CRESTA HOLDINGS PROPRIETARY LIMITED	46,179,583	24.96%
BOTSWANA INSURANCE COMPANY LIMITED	24,299,400	13.13%
LHG MALTA HOLDING LIMITED	15,759,850	8.52%
MOTOR VEHICLE ACCIDENT FUND	9,250,010	5.00%
FNB NOMS BW (PTY) LTD RE: AG BPOPF EQUITY	8,294,479	4.48%
MASAWARA HOSPITALITY MAURITIUS LIMITED	3,680,000	1.99%
ALLAN GRAY: DEBSWANA PENSION FUND	2,190,117	1.18%
FNB NOMS BW (PTY) LTD RE: BPOPF EQUITY PORTFOLIO C	1,994,551	1.08%
MORULA RE DEBSWANA PENSION FUND	1,000,743	0.54%

PUBLIC AND NON-PUBLIC SHAREHOLDERS

	NUMBER OF SHAREHOLDERS	HELD SHARES	% HOLDING
NON-PUBLIC SHAREHOLDERS			
Shareholder holding more than 10%, Associates and Treasury Shares	5	128,507,997	69.46%
Directors	2	211,996	0.12%
PUBLIC SHAREHOLDERS	3,040	56,280,007	30.42%
TOTAL	**3,047**	**185,000,000**	**100.00%**

SHAREHOLDER SPREAD

	NUMBER OF SHAREHOLDERS	HELD SHARES	% HOLDING
1 – 10 000 shares	2,775	4,295,428	2.32%
10 001 – 100 000 shares	237	6,604,891	3.57%
100 001 – 1 000 000 shares	24	7,101,934	3.84%
1 000 001 shares and above	11	166,997,747	90.27%
TOTAL	**3,047**	**185,000,000**	**100.00%**

AGM Notice

Notice of Annual General Meeting

Notice is hereby given that the 2020 Annual General Meeting of members will be held on Tuesday, 29 June 2021 at 0900hrs via Webinar, to transact the following business:

1. To receive, consider and adopt the audited annual financial statements for the year ended 31 December 2020 together with the directors' and auditors' reports thereon.
2. To approve the remuneration of the external auditors, Deloitte for the year ended 31 December 2020.
3. To approve the appointment of Deloitte & Touche as external auditors for the year ending 31 December 2021 and to authorize the Board of Directors to determine their remuneration.
4. To approve the Remuneration report for the year ended 31 December 2020.
5. To approve the Directors' remuneration for the year ended 31 December 2020.
6. To re-elect **Mr. Osborne Majuru** who retires by rotation pursuant to section 20.10.1 of the Constitution of the Company, and who, being eligible, offers himself for re-election as a Director. Mr Majuru is a Chartered Accountant (Z) with an Accounting (Honours) Degree from the University of Zimbabwe. Mr Majuru has more than 20 years senior management experience including as Financial Director for Anglogold Ashanti in Zimbabwe, Tanzania and Isle of Man; Chief Executive Officer for Cresta Group of Hotels and Zuva Petroleum (Pvt) Limited. In 2019 Mr Majuru was appointed Chief Executive Officer in charge of the Cresta Hotels Cluster for the Masawara Group. Prior to this, he was the Group Chief Financial Officer and thereafter the Group Chief Strategy Officer for Masawara Zimbabwe (Pvt) Limited.
7. To re-elect **Ms. Tshepidi Ondoko** who retires by rotation pursuant to section 20.10.1 of the Constitution of the Company, and who, being eligible, offers herself for re-election as a Director. Ms. Ondoko holds a BA Degree in Economics and Political Science from Swathmore College and an MBA in Finance and International Business from Columbia University Business School. Ms. Moremong-Ondoko has a career spanning 20 years in financial services in both private equity and investment banking. She has worked for various institutions in Africa and Europe, including Aureos Capital, Goldman Sachs and Rand Merchant Bank. Ms. Ondoko is currently the Head of Client Coverage for the rest of Africa for Rand Merchant Bank.
8. To transact any other business that may be transacted at an Annual General Meeting.

Any member entitled to attend and vote is entitled to appoint a proxy or proxies to attend, speak, and vote in his/her stead, and such proxy need not be a member of the Company. The instrument appointing such a proxy along with the shareholder's request for the link to attend the Webinar must be sent to Phillip Mothoteng by email at **pmothoteng@cresta.co.bw** not less that 48 hours before the meeting.

A copy of this proxy form is available for download at **www.crestamarakanelo.com** or is available via email from **pmothoteng@cresta.co.bw.**

By Order of the Board
Phillip Mothoteng
Company Secretary
27 May 2021

Proxy Form

(Please complete in block letters)

I/We*.....

Of .....

Being a member of Cresta Marakanelo Limited, hereby appoint (see note 1):

1. ..... or failing him/her

2. ..... or failing him/her

3. The Chairman of the meeting, as my/our proxy to act for me/us at the Annual General Meeting which will be held for the purpose of considering, and if deemed fit, passing with or without modification, the resolutions to be proposed thereat and at each adjournment thereof, and to vote for or against resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our name in accordance with the following instructions (see note 2):

	NUMBER OF ORDINARY SHARES		
	FOR	AGAINST	ABSTAIN
Ordinary Resolution Number 1			
Ordinary Resolution Number 2			
Ordinary Resolution Number 3			
Ordinary Resolution Number 4			
Ordinary Resolution Number 5			
Ordinary Resolution Number 6			
Ordinary Resolution Number 7			

Signed: ……..on this……. day of …..... 2021

COMPANY STAMP

Please read the notes on the following page.

Proxy Form (continued)

Proxy Form Notes

1. A shareholder may insert the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the Chairman of the Annual General Meeting". The person whose name appears first on the form of proxy and whose name has not been deleted will be entitled to act as proxy to the exclusion of those whose names follow.
2. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the shareholder in the appropriate space provided. Failure to comply herewith will be deemed to authorize the proxy to vote at the Annual General Meeting as he/she deems fit in respect of the shareholder's votes exercisable thereat, but where the proxy is the Chairman, failure to comply will be deemed to authorize the proxy to vote in favor of the resolution. A shareholder or his/her proxy is obliged to use all the votes exercisable by the shareholder or by his/her proxy.
3. Forms of proxy must be lodged at or posted to the Company Secretary at P/Bag 00272, Plot 74538 Marula House, Prime Plaza, New CBD, Gaborone; or emailed to the Company Secretary not later than 48 hours before the time fixed for holding the meeting.
4. The Chairman of the Annual General Meeting may reject or accept any form of proxy not completed and/or received other than in accordance with these notes provided that he/she is satisfied as to the manner in which the shareholder concerned wishes to vote.
5. An instrument of proxy shall be valid for the Annual General Meeting as well as for any adjournment thereof, unless the contrary is stated thereon.
6. A vote given in accordance with the terms of a proxy shall be valid, notwithstanding the previous death or insanity of the shareholder, or revocation of the proxy, or of the authority under which the proxy was executed, or the transfer of the ordinary shares in respect of which the proxy is given, provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company not less than one hour before the commencement of the Annual General Meeting or adjourned Annual General Meeting at which the proxy is to be used.
7. The authority of a person signing the form of proxy under a power of attorney or on behalf of a company must be attached to the form of proxy, unless the authority or full power of attorney has already been registered by the Company or the Transfer Secretaries.
8. Where ordinary shares are held jointly, all joint shareholders must sign.
9. A minor must be assisted by his/her guardian, unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company.

CRESTA MARAKANELO LIMITED
2nd Floor, Marula House, Prime Plaza, New CBD, Gaborone, Botswana

Phone: +267 391 2222

Fax: +267 397 4321

Website: www.crestamarakanelo.com

CRESTA
MARAKANELO LIMITED