

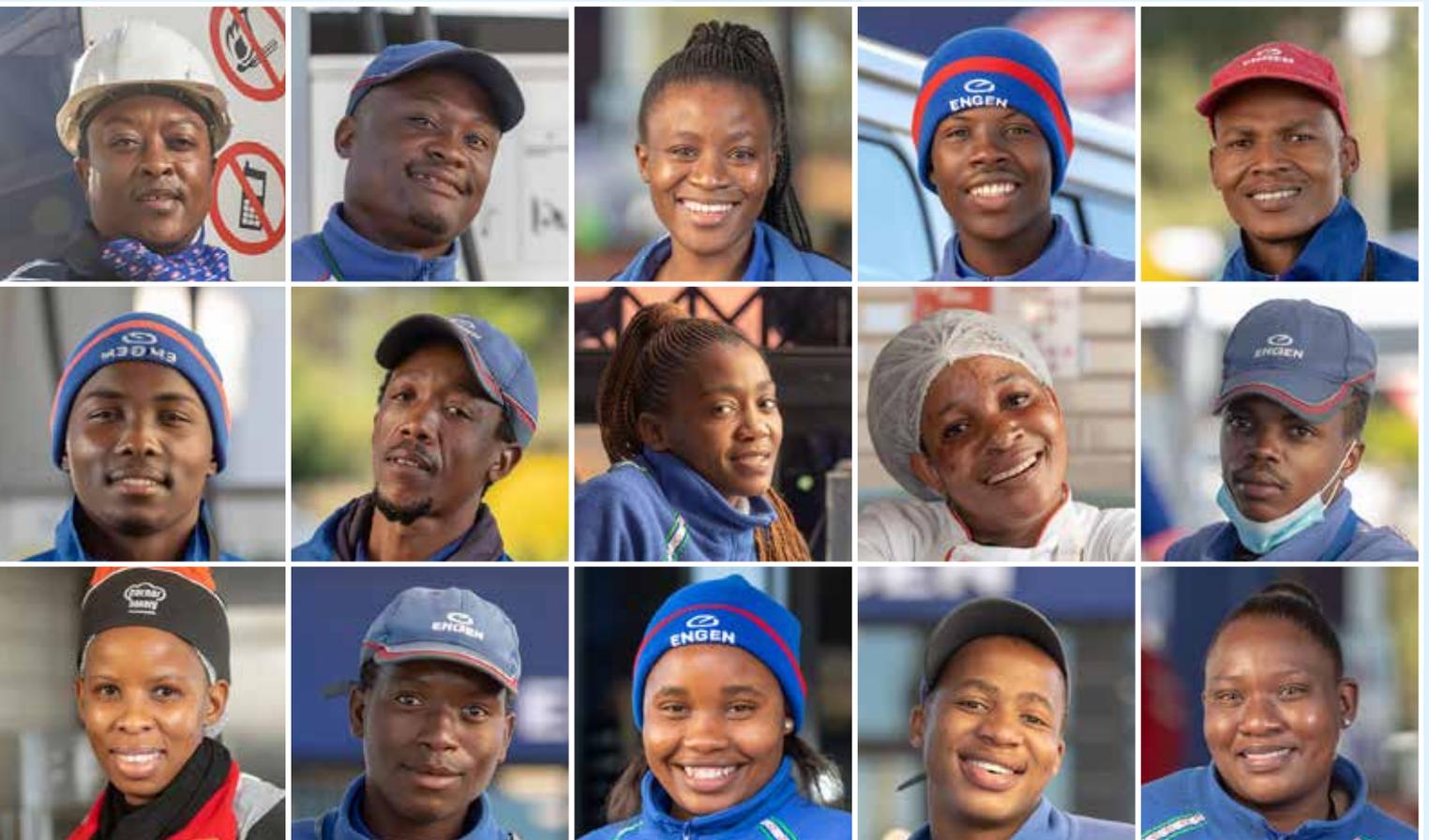
CELEBRATING **OUR** FRONTLINE

# HER OES

INTEGRATED ANNUAL REPORT 2021



# CELEBRATING OUR FRONTLINE HEROES



**While some were able to work from home during the worst of the pandemic, many unsung heroes - the people on the frontline - risked their health and the health of their families to keep the country going.**

**Our Frontline Heroes** bravely continued to serve on the forecourts or our service stations and in our Quickshops, providing friendly, fast and efficient service to our customers and keeping the economy going. Many other heroes worked tirelessly behind the scenes, ensuring that the country's fuel needs were met. We all owe them a deep debt of gratitude and appreciation of their brave efforts and tireless commitment.

We believe that the theme of this Integrated Report, **“Celebrating Our Frontline Heroes”** not only speaks to the dedication of our employees in the face of the pandemic, but also to their contribution towards the Company's outstanding financial performance for the year. It is also important to note that despite the challenging and sometimes dangerous working conditions, no retrenchments were recorded at any of our service stations.

# CELEBRATING OUR FRONTLINE HEROES

**The Covid 19 pandemic has made us realise that human beings are more resilient than they think. Therefore, our annual report pays tribute to our frontline workers as a way of celebrating their bravery and courage during one of the most difficult seasons we have faced yet as a business. We look forward to the future inspired by the fact that in spite of the challenges we faced this season, our gains far outweigh our losses and together, we are stronger.**





## INTEGRATED

ANNUAL REPORT | 2021

# ABOUT THIS REPORT

**Thank you** for reading Engen Botswana Limited's Integrated Report for the year ended 31 December 2021. As a company, we endorse the principles of transparency and accountability, and are committed to reporting on our performance and prospects in a meaningful manner.

# WELCOME TO OUR 2021 INTEGRATED REPORT

This is our second Integrated Report, and it presents how Engen Botswana Limited creates value for shareholders and providers of all forms of capital. We have adopted King III code of corporate governance. We are aspiring to ultimately move onto King IV.

In line with Botswana Stock Exchange (BSE) guidelines on Environmental, Social and Governance (ESG) Reporting, Engen published a report to society on ESG matters in December 2021.

**Download a copy here:**  
<https://www.engen.co.za/downloads/engenBotswana>



As a member of the global Petronas Group, we have always aspired to the application of best practice corporate governance protocols. We have adopted King III code of corporate governance. We are aspiring to ultimately move onto King IV.

It further considers specific corporate governance developments in relation to effective governing bodies, increased compliance requirements, new governance structures, emerging risks and opportunities from new technologies and new reporting and disclosure requirements, such as Integrated Reporting.



### What is Integrated Reporting?

An Integrated Report aims to be a concise communication about how an organisation's performance, strategy, governance, and prospects lead to the creation of value over the short, medium and long term.

The International Integrated Reporting Council (IIRC) is a global coalition of regulators, investors, companies, standard setters, the accounting profession, academia and NGOs. The IIRC embodies the shared, common interest of a global coalition of parties in the adoption of Integrated Reporting on an international basis as a means to improve communication about value creation, advance the evolution of corporate reporting,

and make a lasting contribution to financial stability and sustainable development.

The IIRC's mission is to establish integrated reporting and thinking within mainstream business practice as the norm in the public and private sectors. The coalition promotes communication about value creation, preservation and erosion as the next step in the evolution of corporate reporting.

#### Purpose

The IIRC's purpose is to promote prosperity for all and to protect our planet.

#### Mission

The IIRC's mission is to establish integrated reporting and thinking within mainstream business practice as the norm in the public and private sectors.

#### Vision

The IIRC's vision is a world in which capital allocation and corporate behaviour are aligned to the wider goals of financial stability and sustainable development through the cycle of integrated reporting and thinking.

The coalition comprises entities drawn from broad global communities, including business and other reporting entities; providers of financial capital; policy makers, regulators and exchanges; the accounting profession; reporting framework developers and standard setters; civil society; and academia.

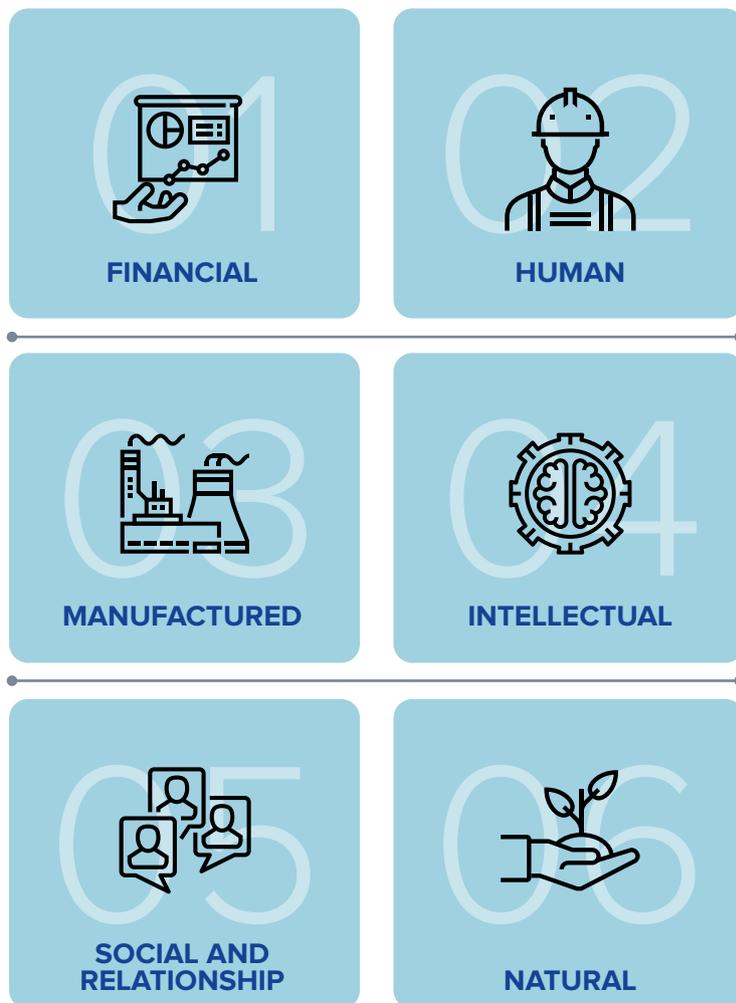
Our 2021 Integrated Report seeks to provide a holistic overview of Engen Botswana Limited’s key developments, market challenges, our strategies and initiatives as well as our approach to risk and governance for the 12-month period 1 January to 31 December 2021.

In addition, we also offer relevant historical information in order to contextualise the key issues discussed. Given that this is our first Integrated Report, we trust that the reader will bear with us as we all become more conversant with the framework.

### NAVIGATION ICONS

The following navigation icons are used to link our Capitals and Strategic Priorities to Material Matters, Key Risks and Mitigation and Business Review.

### OUR CAPITALS



## 6 Elements of Integrated Reporting

### REPORTING FRAMEWORK

Our report is based on the standards and outline as presented in the International Integrated Reporting Framework. The focus is on Engen's value chain and how we manage the process of value creation across the six sustainability capitals as guided by the framework.

The activities of Engen Botswana Limited are covered in the report, including all operations in which we have direct control and are able to implement our policies, practices and standards. We report fully on key sustainability performance indicators regardless of percentage share ownership. Deviations from this reporting boundary are clearly stated.



The IIRC’s Framework’s objectives can be summarised as follows:

Objectives	Engen’s response
<ul style="list-style-type: none"> <li>To improve the quality of information available to providers of financial capital to enable a more efficient and productive allocation of capital</li> </ul>	<p>We commit to enhance the level of reporting in our Integrated Annual Report through additional disclosure notes and with cognisance to latest trends in worldwide Corporate Governance. Our governance standards are set by King III against which we measure ourselves as detailed in the Corporate Governance Report on page 76.</p>
<ul style="list-style-type: none"> <li>To promote a more cohesive and efficient approach to corporate reporting that draws on different reporting strands and communicates the full range of factors that materially affect the ability of the organisation to create value over time</li> </ul>	<p>Material matters to the Company are listed in this report. Refer to the Managing Director’s report on page 38 which captures the material aspects of our business and highlights the factors and risks affecting our ability to generate returns for our Shareholders.</p>
<ul style="list-style-type: none"> <li>To enhance accountability and stewardship for the broad base of capitals (financial, manufactured, intellectual, human, social and relationship, and natural) and promote understanding of their interdependencies</li> </ul>	<p>Our business model on page 17 illustrates how the Company optimises the various forms of capital and caters for future developments, while prioritising our environment and the communities in which we operate.</p>
<ul style="list-style-type: none"> <li>To support integrated thinking, decision-making and actions that focus on the creation of value over the short, medium and long term</li> </ul>	<p>The Company has a clear Strategic Plan (page 49) to ensure its overall objectives are identified and implemented in order to maximise shareholder value and enhance outcomes for all relevant stakeholders.</p>
<ul style="list-style-type: none"> <li>To explain to Shareholders how an organisation creates value over time</li> </ul>	<p>Value creation is demonstrated both in terms of profitability and in terms of capital growth in the share price.</p>

## MATERIAL MATTERS

Our report is relevant for stakeholders with an interest in our performance and prospects against our Statement of Purpose: ***A Progressive Energy and Solutions Partner, Enriching Lives for a Sustainable Future.***

The information provided in our Integrated Report focuses on issues, opportunities and challenges that impact materially on Engen Botswana in ensuring a sustainable future, while consistently delivering value and enriching the lives of our stakeholders. We apply the principle of materiality in assessing what information should be included in the Report.

## ASSURANCE

Our financial statements are audited by an independent firm of auditors, Ernst & Young, Botswana, while the development of our non-financial reports is supported by robust internal process and good governance practices.

Our Board Audit Risk and Compliance Committee provides internal assurance annually to the Engen Limited Board on the execution of the combined assurance plan. The Group's financial, operating, compliance and risk management controls are assessed by the Group's internal audit function, which is overseen by the Board Audit Risk and Compliance Committee.

Ernst & Young, Botswana have audited the Company's annual financial statements, which were prepared in terms of the International Financial Reporting Standards (IFRS). The Key Financial Indicators for 2021 and 2020 of the Statement of Profit and Loss and Statement of Financial Position are set out on pages 116 and 117 respectively.

As this is our second Integrated report, reasonable independent assurance on selected sustainability information is not included in the 2021 Engen Botswana Integrated Report.

## FORWARD LOOKING STATEMENTS

This report contains certain forward-looking statements which discuss future expectations concerning the dispositions of assets or financial conditions or provide other forward-looking information into 2021. These forward-looking statements are not predictions or guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond our control and may cause actual results to differ materially from those expressed in the statements contained in this report. Readers are cautioned not to put undue reliance on the forward-looking statements.

## BOARD APPROVAL

The Engen Botswana Limited Board is responsible for ensuring the integrity of the Integrated Report. In the Board's opinion, this report addresses all material issues, and presents a balanced and fair account of Engen's performance.

### COVID-19 UPDATE

**When it was first discovered in late 2019 in Wuhan, China, not many believed that COVID-19 would spread across the world, completely changing the way we all live our lives.**

We now realise that the pandemic has drastically challenged humanity to re-examine the inequities of the pre-pandemic social and financial systems and to lay the foundations for a durable, just, and sustainable global economy. The last year has seen Botswana challenged as never before, with periodic lockdowns, extreme social distancing and movement restrictions impact every facet of our lives and livelihoods.

The COVID-19 pandemic and national lockdowns have had a severe impact on the economies of the countries in which Engen operates and the effects will be felt for some time to come. As Engen,

our objective is to do as much as we can to support the nation in its fight against the virus.

Like most corporate entities, Engen Marketing had to invoke its Business Continuity Plan, and hastened to review it to introduce and implement preventative measures against the disease. Such measures included:

- Encouraging regular hand washing with soap and water, and application of hand sanitisers. Sanitisers were bought and issued to all employees.
- Provision of masks to all employees as well as to the retail sites.
- Introduction of working arrangements allowed for proper social distancing. Most employees were required to work from home, alternating on a weekly basis.
- Ensuring that no employee travels to work via public transport by hiring dedicated transport for those without vehicles.

- Updating the Business Continuity Plan to include provisions and changes brought about by introduction of new health protocols.
- Continuous sharing of health education alerts with all employees, and collaboration with Engen HSEQ Centre of Excellence on all technical issues regarding the disease.
- Ensuring that BTOs travelling to RSA to load product follow stipulated COVID-19 containment measures, in order to reduce chances of spread of the disease.

There was a significant reduction in the number of COVID-19 cases in 2021 in Botswana due to the protocols that were in place for most of the year. The vaccine roll out also assisted with the management of the virus. The lifting of the State of Public Emergency on 1 October 2021 resulted in greater movement of the public and increased the demand of petroleum products.



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CELEBRATING  
OUR FRONTLINE  
HEROES





**ENGEN**

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# **OVERVIEW OF ENGEN**

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## ORGANISATION & BUSINESS MODEL

### Forms of Capital

The Integrated Reporting Framework (IIRC) identifies the various forms of capital that together represent accumulations of value that are the foundations of an organisation's value creation, and the Integrated Report seeks to report holistically on these multiple capitals.

### INTERRELATIONSHIP BETWEEN VARIOUS FORMS OF CAPITAL



## OUR BUSINESS MODEL

**Our business model is designed to enable the Company to achieve its objectives through recognising the various Material matters and the interdependencies of the various forms of capital.**

### WHO WE ARE & WHAT WE DO

Engen is Botswana's premium petroleum brand, the customer focused market leader, optimising all forms of capital potential to deliver innovative petroleum products, satisfying retail convenience offerings and exceptional service. As part of a global Group, we leverage our parent companies Petronas & Engen's intellectual capital and extensive investments in R&D to deliver world-class petroleum products.

The day-to-day logistics and distribution network of the Company necessitates a culture that prioritises Health, Safety and Environment. In line with the PETRONAS corporate culture, our committed workforce strongly collaborates with our business partners and stakeholders to ensure that we maintain our proud record of consistent innovation and exceptional service standards. Our 'customer first' mindset drives us to create and deliver a seamless customer service experience so that we consistently deliver our brand promise: 'With us you are Number One'.

## WHO WE ARE & WHAT WE DO

Engen is Botswana's fastest growing brand\* and "coolest" petroleum brand\*\*; an industry trendsetter and customer focused market leader that harnesses human potential to deliver innovative petroleum products, exciting retail convenience offerings and digitally enabled solutions.

We leverage our parent company PETRONAS' intellectual capital and extensive investments in R&D to deliver world-class petroleum products.



### RETAIL

We operate 60 service stations across Botswana as at the end of 2020, marketing superior petroleum products and offering unique convenience at over 38 Quickshops and through various prestigious partner brands. By developing innovative digital solutions we create a seamless refuel and convenience experience for our customers.

The scale of operations, facilities and manpower involved in the day-to-day manufacturing, logistics and distribution network of the Company necessitates a culture that prioritises Health, Safety and Environment.

Our passionate workforce draws on the legacy of those employees in whose footsteps they tread, to strongly collaborate with our business partners and stakeholders to ensure that we maintain our proud record of consistent innovation.

Our continuous service journey anchored on our 'customer first' mindset drives us to create and deliver a seamless customer service experience so that we consistently deliver our brand promise 'With us you are Number One'.



### COMMERCIAL

As a proud partner to a broad section of Botswana industry, our fully integrated commercial business focuses on the sales and marketing of bulk petroleum products, including: Diesel, Gasoline, Kerosene.



### LUBRICANTS

We offer premium lubricant products in Botswana based on PETRONAS' Fluid Technology Solutions, including: Automotive, Industrial and Marine. These cater for consumers and commercial customers. Alongside quality Engen lubricants, we also market various PETRONAS lubricants and functional fluids.



## STATEMENT OF PURPOSE

A Progressive Energy and Solutions Partner,  
 Enriching Lives for a Sustainable Future.



### Progressive

We are a dynamic Southern African brand that is passionate about progress and places customers at the heart of all the things that we do.



### Energy

We provide a range of energy solutions for our customers' Energy requirements with the ambition to add renewables to our customer offering.



### Solutions Partner

We are a provider of products and services, delivering innovative Solutions to be a trusted Partner that delivers value.



### Enriching Lives

We are committed to Enriching the Lives of all our stakeholders and to help society to reach its full potential for a prosperous future.



### Sustainable Future

We create a Sustainable Future by protecting value across Human, Social, Manufacturing, Intellectual, Natural, and Financial capitals.

## SHARED VALUES



SHARED VALUES



OWNERSHIP



TEAMWORK



PERFORMANCE



EMPOWERED



INTEGRITY

## CULTURAL BELIEFS



RESULTS MATTER



OWN IT!



FOCUSED EXECUTION



NURTURE TRUST



SHARED SUCCESS



TELL ME

# OUR PRESENCE



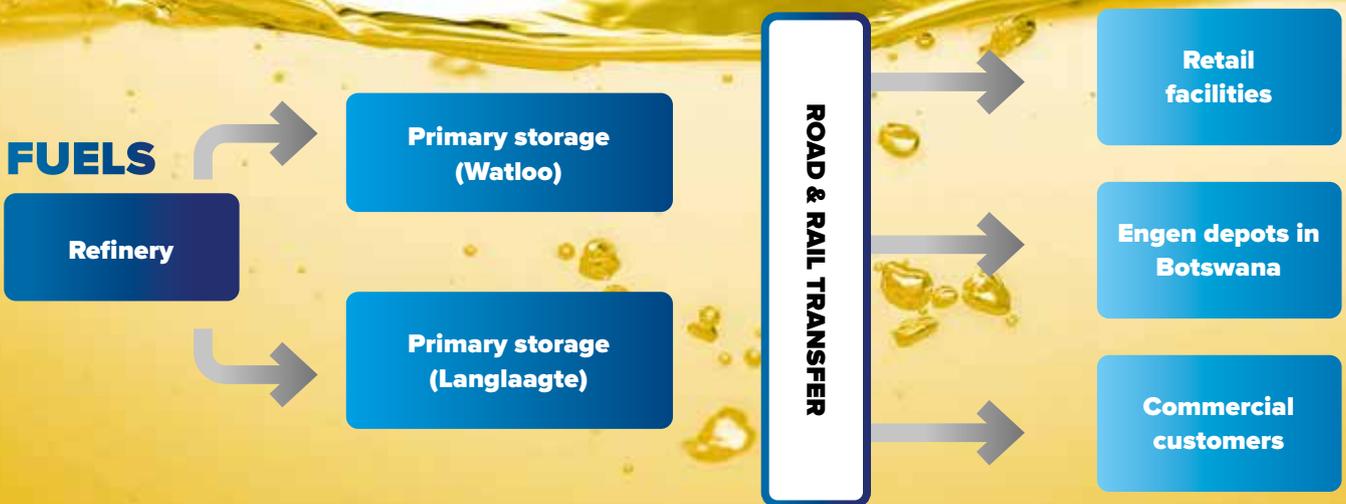


**Engen Botswana Limited is the only oil company listed on the Botswana Stock Exchange. Our citizen empowerment and inclusivity is demonstrated by our broad-based shareholding, with over 784 Batswana holding 30% of our equity.**

Our majority shareholder, Petroleum Investment Holding Limited, Mauritius, holds 70% of equity, and it in turn is 100% owned by Engen Limited, based in South Africa. As a result, we have access to relevant infrastructure in South Africa and around the region. This ensures improved availability and quality.

## OUR VALUE CHAIN

At the heart of our value proposition lies our integrated value chain. We seek to continually improve our logistics and sales and marketing, to ensure we operate safely, responsibly, reliably and efficiently. While the value chain would appear to be relatively straightforward, it is in fact a highly complex process that demands constant monitoring, risk assessment and contingency planning.



## LUBRICANTS

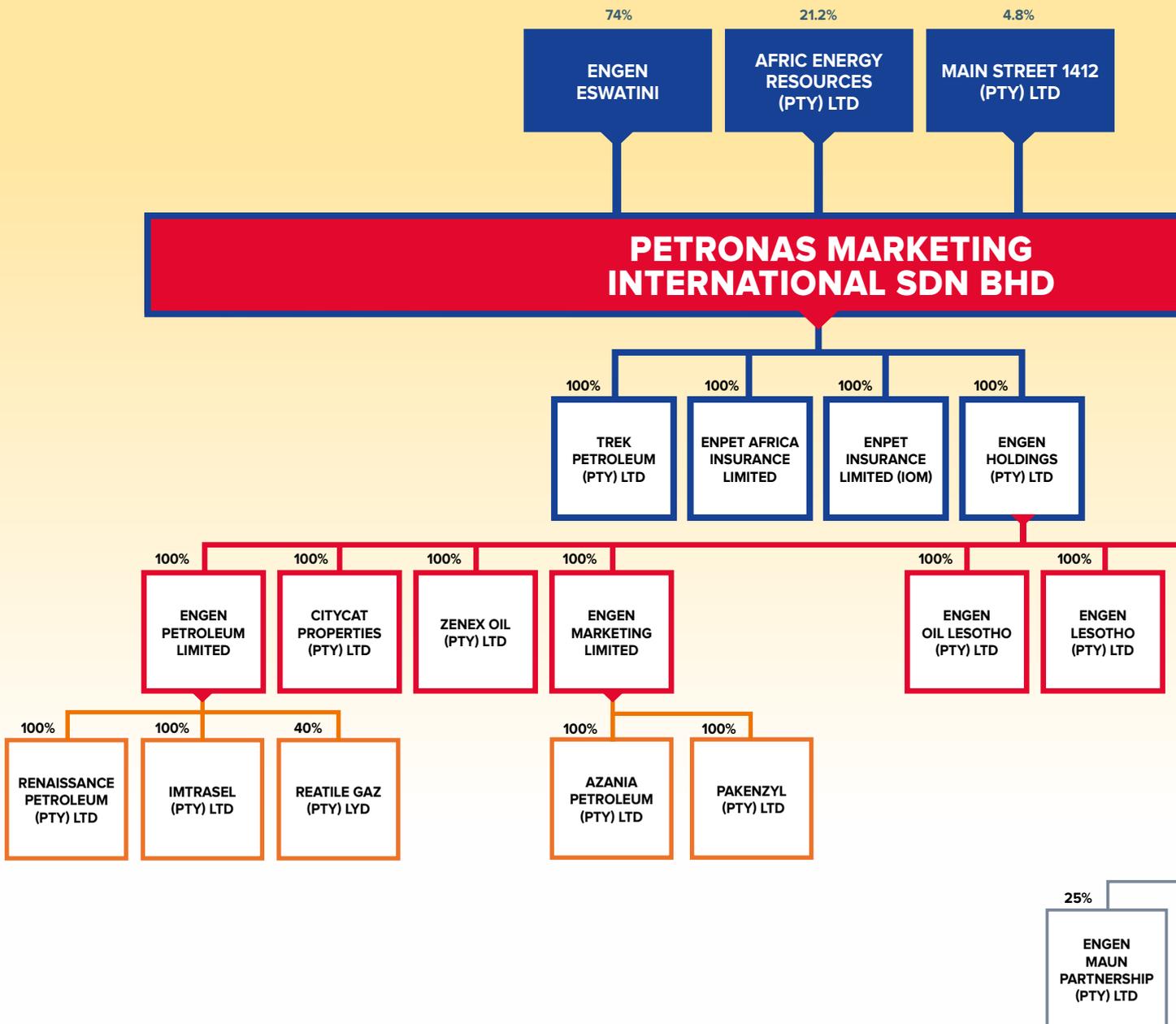


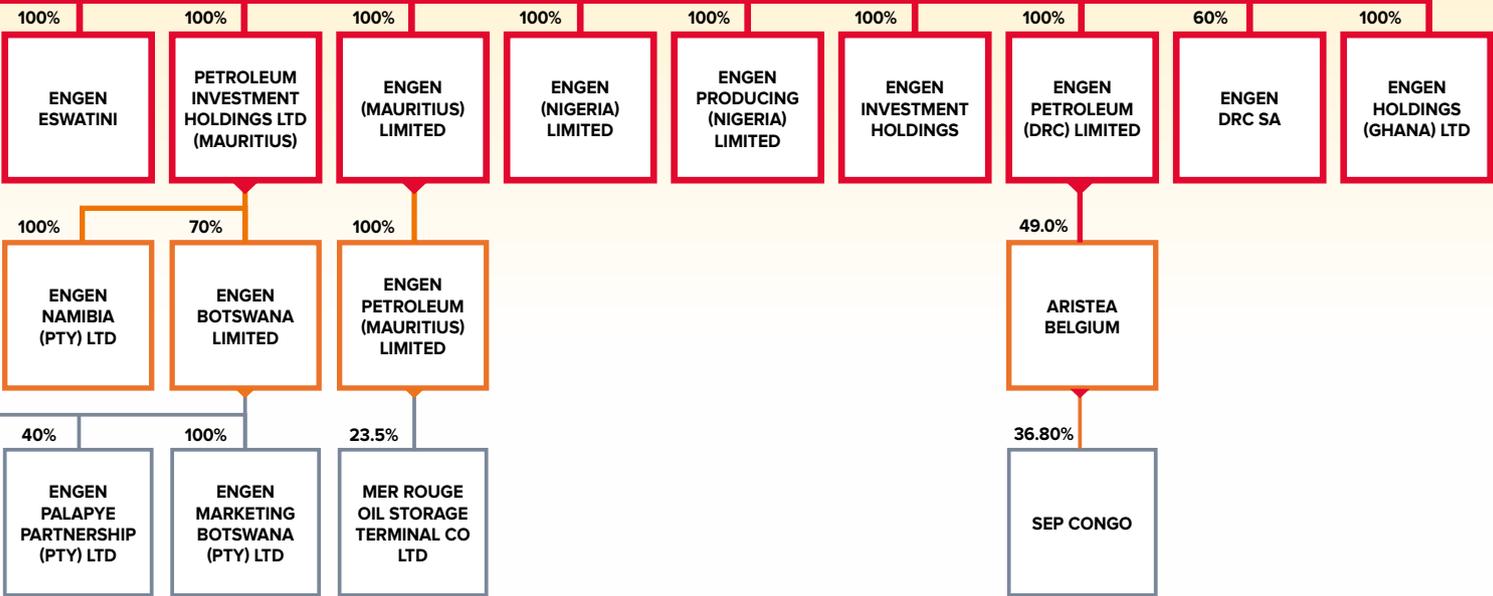
## WHAT WE OFFER

### ENGEN BOTSWANA CORE BUSINESS SEGMENTS: PRODUCTS and SERVICES

RETAIL	COMMERCIAL	LUBRICANTS
<p>Marketing fuels, convenience and providing a one-stop customer experience at 66 service stations, 43 Quickshops and numerous fast food partners across Botswana</p>	<p>Fully integrated business focusing on sales and marketing of bulk petroleum products, lubricants and chemicals in Botswana</p>	<p>Undertakes all sales and marketing functions of Engen and PETRONAS lubricant products in Botswana</p>
<p><b><u>FUEL</u></b></p> <ul style="list-style-type: none"> <li>Engen Primax Unleaded 93/95</li> <li>Engen Dynamic Diesel 50ppm</li> </ul> <p><b><u>NON-FUEL</u></b></p> <ul style="list-style-type: none"> <li>Quickshop</li> <li>Quick service restaurants</li> <li>Banking ATMs</li> <li>Car Wash</li> <li>Truckstop</li> </ul>	<p><b><u>PRODUCTS</u></b></p> <ul style="list-style-type: none"> <li>Engen Dynamic Diesel</li> <li>Engen Primax Unleaded</li> <li>Heavy Fuel Oil</li> <li>Illuminating Kerosene</li> </ul> <p><b><u>INDUSTRIES SERVED:</u></b></p> <ul style="list-style-type: none"> <li>Agriculture</li> <li>Construction</li> <li>Fleet</li> <li>Manufacturing</li> <li>Mining</li> </ul>	<p><b><u>KEY STRATEGIC BRANDS</u></b></p> <ul style="list-style-type: none"> <li>PETRONAS Syntium</li> <li>Engen Xtreme</li> <li>Engen Dieselube</li> </ul> <p><b><u>AUTOMOTIVE MOTOR OILS</u></b></p> <ul style="list-style-type: none"> <li>Fully &amp; Semi Synthetic</li> <li>Mineral</li> </ul> <p><b><u>COMMERCIAL VEHICLE OILS</u></b></p> <ul style="list-style-type: none"> <li>Heavy duty diesel engine oil</li> </ul> <p><b><u>AUTOMOTIVE FUNCTIONAL FLUIDS</u></b></p> <ul style="list-style-type: none"> <li>Auto Transmission and Gear</li> <li>Greases</li> <li>Radiator Coolant</li> <li>Brake Fluid</li> </ul> <p><b><u>INDUSTRIAL LUBES &amp; FLUIDS</u></b></p> <ul style="list-style-type: none"> <li>Hydraulic</li> <li>Compressor</li> <li>Turbine</li> <li>Agriculture</li> <li>Marine</li> <li>Metal Working</li> <li>Industrial Gear</li> </ul>

# GROUP CORPORATE STRUCTURE AND LINKAGE





## ORGANISATIONAL STRUCTURE

Engen Botswana is majority owned by Engen Holdings Limited and is a proud member of the PETRONAS Group. PETRONAS is a Fortune 500 company and our majority shareholder. PETRONAS is a fully integrated oil and gas company operating in approximately 70 countries across the globe, employing more than 50 000 people.

As well as drawing on the skills of their human capital, business capabilities and competencies, our relationship with PETRONAS, the 60th largest company in the world, enables us to leverage their research and advanced technology. This is evident in our Primax brand of gasoline, which uses the same technology used to develop the fuel to power the seven times World Championship-winning Mercedes AMG PETRONAS Formula One team.

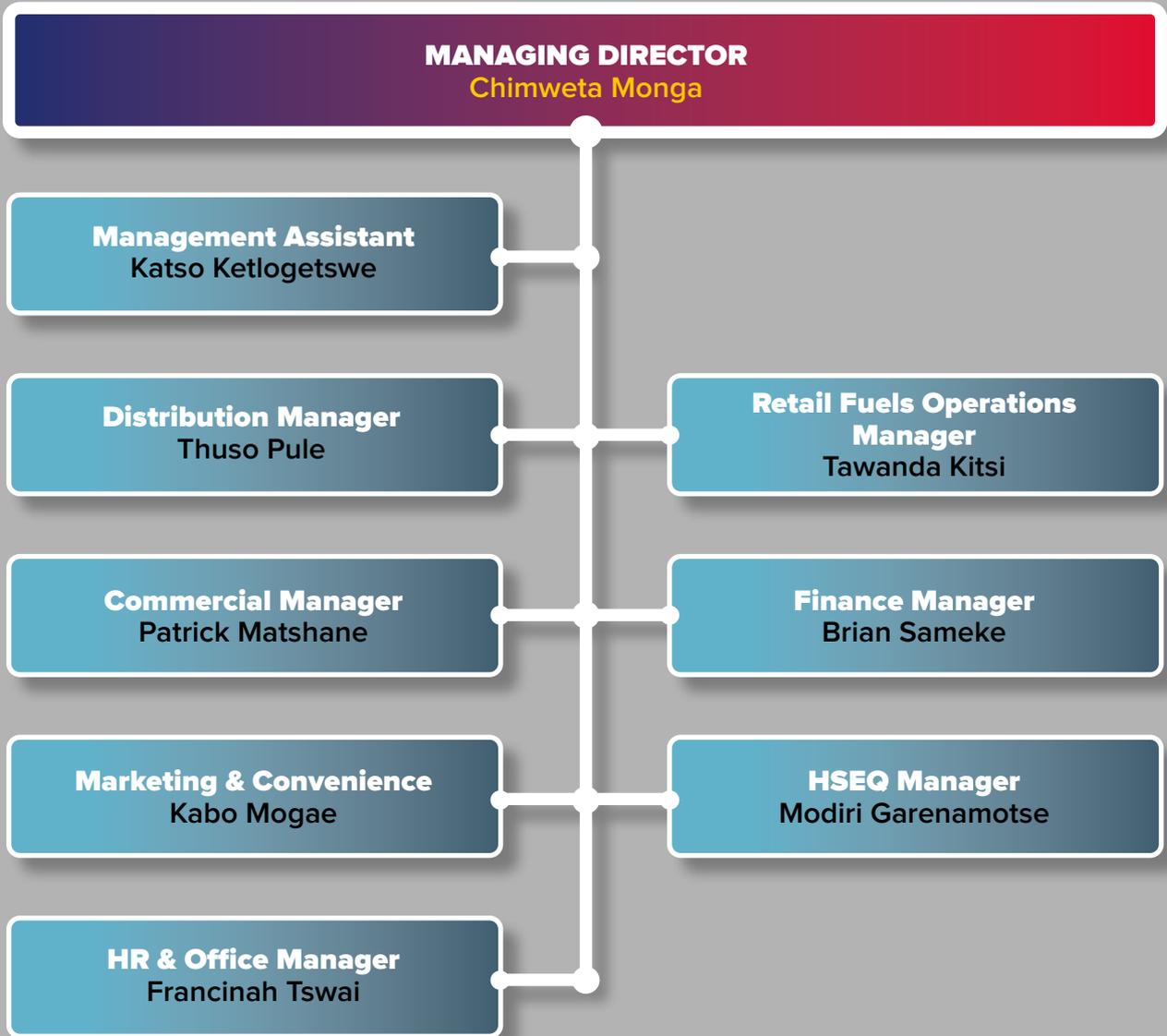
We also market products on behalf of PETRONAS Lubricants International (PLI), the global lubricants manufacturing and marketing arm of PETRONAS. PLI drives technology as a winning differentiator in responding to the

needs of both the automotive and industrial lubricants markets, and continues to invest in world-class technology, infrastructure and talent.

PETRONAS also provides the technical expertise responsible for designing, developing and delivering the fuel, fluid and lubricant technology solutions that have powered the Mercedes AMG PETRONAS Formula One team to the 2014, 2015, 2016, 2017, 2018, 2019 and 2020 World Driver and Constructor Championships.

This technical partnership ensures that the products we as Engen offer our customers, have withstood the ultimate Formula One testing ground.

## MANAGEMENT STRUCTURE





## CORPORATE CULTURE

The many changes in the working environment brought about by the COVID-19 pandemic have required us to adapt the way we work and our strategies to support our employees.

Through Project Refocus, we have focused the team on becoming more autonomous to support an increasingly agile and mobile workforce and to operate our business safely and efficiently. We have focused on our Employee Value Proposition and recognise the importance of attracting and retaining highly engaged and high-performing employees and leadership teams.

Our strategy is to ensure that our people are supported with the right skills, experience, training and mentorship. As such, our focus continues to take a holistic approach on being an inclusive organisation, building and retaining critical skills and developing our leadership capabilities. This creates an environment which inspires and motivates all our employees to perform at their best. Our human capital development strategy recognises that Engen employees need to be high performing, innovative and motivated.

Our adoption of the PETRONAS Cultural Beliefs drives a culture of ongoing feedback. This has increased employee engagement and continues to support a culture of accountability. The PETRONAS Cultural Beliefs are aligned to our core values with the priority of ethical values set by our leaders across the organisation.



**PETRONAS**

### Results Matter

**I stretch my limits to deliver superior results**

### Own it!

**I own the results and don't blame others**

### Nurture Trust

**Always keep my promise and build mutual trust**

### Tell Me

**I seek, give and act positively on feedback**

### Shared Success

**I collaborate for the greater good of PETRONAS**

## OUR HUMAN CAPITAL STRATEGY

Our Human Capital Strategy drives inclusiveness, innovation, performance excellence and sets the direction for our talent development success. The strategy ensures that passion, talent, skill, knowledge and experience are central to driving the sustainability and growth of our business. To support our strategic objectives, key performance targets and growth areas, effective management and deployment of our people, are core to our HR strategy.



### CSR

Engen is committed to supporting the communities within which it operates. When considering contributions, proposals are assessed based on the following principles:

- **Value Creation:** CSI initiatives that create value for all parties concerned, for stakeholders, partners, NGO/NPO's, Government, other collaborators

and society at large

- **Sustainable Impact:** Initiatives that have the potential to solve societal issues with long term solutions in mind
- **Innovation:** Innovative solutions to societal issues
- **Effective Partnership & Collaboration:** Engagement and collaboration with stakeholders to achieve common solutions in addressing the causes of social issues.

### Nayang Association

During the year under review, Engen Botswana, in partnership with the Nayang Association launched the Shoe Drive sponsorship to donate school shoes to the value of P57 780 to children at Bana Ba Keletso Childcare school in Molepolole and La Modimo Charity in Sese. In all, 321 school going children benefited from the partnership.

CELEBRATING  
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**HEROES**





**ENGEN**

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## LEADERSHIP STATEMENTS

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“ *I am extremely pleased to report that the Company achieved remarkable results for the 2021 financial year, with financial performance outstripping all previous records.* ”

**Shabani Ndzingo**  
Chairman



## **CHAIRMAN'S STATEMENT**

On behalf of the Board of  
Directors, it is my pleasure to  
present the Engen Botswana Ltd  
2021 Integrated Report.



### Business Environment

*Although the worst of the COVID-19 pandemic appears to have passed, at the time of writing, the global economy faces an uncertain future as the Russian invasion of Ukraine is set to destabilise the security of global commodity supplies. The availability and pricing of oil, gas, wheat and many other essential commodities face an uncertain future, with global energy and food security in the balance.*

We are proud to have taken the step, in line with our commitment to enhanced governance in accordance with King III™ principles, to align our annual reporting to the new International Integrated Reporting Council (IIRC) standards. The report presents a holistic overview of Engen Botswana’s strategic framework for long-term value creation and provides a concise review of how our performance and governance over the past year are delivering on this strategy.

I am extremely pleased to report that the Company achieved remarkable results for the 2021 financial year, with financial performance outstripping all previous records. The financial highlights are discussed in detail elsewhere in this report but suffice to say that Engen Botswana Ltd has had an exceptionally successful year, despite the numerous challenges we faced as a company and as a country.

The robust global recovery in 2021 which was driven by strong consumer spending and some uptake in investment — with trade in goods surpassing pre-pandemic levels — marked the highest growth rate in more than four decades. However, in January 2022 the IMF World Economic Outlook (WEO) estimated that global growth was expected to weaken from 5.9% in 2021 to 4.4% in 2022, largely reflecting anticipated declines in the economies of the United States and China. A revised assumption reflecting the withdrawal of monetary accommodation and continued supply shortages resulted in a 1.2% downward revision for the United States, while the impact of pandemic-induced disruptions related to the zero-tolerance COVID-19 policy in China produced a 0.8% downgrade in estimates of Chinese growth for 2022. However, the war in Ukraine has led to further downgrading of expectations for the global economy. In April 2022, revised estimates anticipate that economic damage from the conflict will

contribute to a substantial slowdown in global growth in 2022 and significantly add to inflation. Fuel and food prices have increased rapidly, hitting vulnerable populations in low-income countries hardest. As a result, global growth is projected to slow to 3.6% in 2022 and 2023, 0.8% lower than projected in January.

War-induced commodity price increases and broadening price pressures have led to 2022 inflation projections of 5.7% in advanced economies and 8.7% in emerging market and developing economies — 1.8% and 2.8% higher than projected last January. To prevent further economic fragmentation, maintain global liquidity, manage debt distress, respond to the humanitarian crisis, tackle climate change, and end the pandemic, nations will need to engage in unparalleled multilateral efforts.

With the highly transmissible Omicron variant and its sub-variants unleashing new waves of infections, the human and economic costs of the pandemic are projected to continue to increase. Liu Zhenmin, Under-Secretary-General of the United Nations Department of Economic and Social Affairs notes that “without a coordinated and sustained global approach to contain COVID-19 that includes universal access to vaccines, the pandemic will continue to pose the greatest risk to an inclusive and sustainable recovery of the world economy”.

*Despite the dark clouds on the horizon, we can look back on 2021 as the year that saw Engen Botswana significantly recover from the devastating impact of COVID-19 that we experienced in 2020. However, with no clear end of the pandemic in sight, the timeline for full economic recovery remains unclear..*

Crude Oil prices fluctuated considerably during 2021, with the price of a barrel of WTI Crude costing \$47.62 at the beginning of January, \$74.88 a barrel at the end of December – an overall increase of 57% – and a high of \$83.36 a barrel being recorded in October 2021. Post the reporting period, oil prices have soared in the wake of Russia's invasion of Ukraine, and a WTI Crude Oil price of \$119.65 a barrel was recorded on 8th March 2022. While the conflict continues, the unpredictability of oil prices is set to persist, with European importers finding themselves under increasing pressure to radically reduce their dependence on Russian oil and gas.

As at the end of April 2022, in continuing efforts to apply pressure on Russia, the EU confirmed plans to tighten sanctions, with Germany saying it was willing to support an immediate embargo on Russian oil. On the demand side, US manufacturing activity grew at its slowest pace since July 2020, and China's factory activity contracted

for a second straight month to its lowest level since February 2020 amid renewed coronavirus-induced lockdowns.

The Botswana economy responded to the relaxation of movement restriction and associated pandemic control mechanisms, experiencing strong, broad-based growth in the first three quarters of 2021 characterised by a significant increase in government spending and borrowing, along with rising inflation. GDP increased by 13.5% over the same period of 2020, well above the government's 9.7% projection. This growth was driven largely by recovery in the diamond sector, with significant increases in both mining and trading volumes. The non-mining sectors of the economy, excluding public administration, grew by 8.1% over the same period in the previous year, indicating strong, multi-sectoral recovery, although tourism, hospitality and agriculture showed declines.

In December 2021, annual inflation increased to 8.7%, up from 8.4% in September and from 2.2% in December 2020 on the back of increases in utility prices, VAT, BHC rentals and four fuel price adjustments that took place during the year. The main driver of increased inflation is the significant increase in international oil prices, a trend that is set to continue in the medium term. Following another upward adjustment in fuel prices in December 2021, inflation is

expected to reach double digits in Q1 2022, reaching its highest levels since the first half of 2009. Headline inflation for the whole of 2022 is forecast to decline gradually during the year but will remain above the 6% upper limit of the Bank of Botswana's objective range.

International sanctions levied against Russia and surging commodity prices are expected to appreciably depress global economic growth. As a result, the International Energy Agency (IEA), in its March 2022 Oil Market Report, has downgraded its forecast for world oil demand by 1.3 million barrels per day for the second half of 2022, anticipating an average of 950 kb/d slower growth for the year. Total demand is now projected at 99.7 mb/d in 2022, an increase of 2.1 mb/d from 2021.

The prospect of large-scale disruptions to Russian oil production threatens the creation of a global oil supply shock. The IEA estimates that 3 mb/d of Russian oil output could be shut in from April, as sanctions take hold and buyers shun exports. In the short term, OPEC+ is expected to stick to its agreement to increase supply by moderate monthly amounts. Only Saudi Arabia and the UAE hold substantial spare capacity that could immediately help to offset a Russian shortfall.

OECD total industry stocks were drawn down by 22.1 mb in January. At 2 621 mb, inventories were 335.6 mb below the 2017-2021 average and at their lowest level since April

2014. Industry stocks covered 57.2 days of forward demand, down by 13.6 days from a year earlier. Preliminary data for the US, Europe and Japan indicate that industry stocks decreased by a further 29.8 mb in February. The unpredictability of the trajectory of the war in Ukraine suggests that industry stocks will come under continued pressure.

### Industry Developments

The Government adjusted fuel prices five times during the year under review, resulting in increases of approximately 45%. These increases, coupled with a VAT adjustment from 12% to 14% in April 2021, contributed to inflation ending the year at 8.7%.

In 2020 Engen Botswana had built up a substantial over recovery and all obligations to slate over/under recoveries were paid off, with the Company ending the financial year in a slate-neutral position. However, there were challenges to the slate payment in 2021, with an under-recovery of P241.5m as at 31st December 2021. Although the Company received P98 million in January 2022, P294.8 million was outstanding at the end of March 2022.

Despite all industry players in the Botswana market voicing their opposition to Botswana Oil Ltd.'s application to supply 50% of Botswana's fuel requirements, the Botswana Energy Regulatory Authority (BERA) regulator approved

the importation of 25% of industry requirements. This decision has been taken on review to the high court, and a final verdict on the application is awaited

### Our Commitment to Good Governance

Engen Botswana strives to uphold the highest standards of accountability and transparency through a deep-rooted culture of respect, efficiency, ethical thought, and action. We adopt a values-driven approach to everything we do, seeking to create trust through ethical leadership and a commonly accepted and lived set of values. Our governance framework embodies ethical values, good corporate governance, and risk management practices that are in line with our strategic business goals. We have a skilled and knowledgeable Board with an appropriate mix of experience, expertise and strategic perspective which has maintained its focus on fostering high standards of corporate governance and will continue to do so in the future.

### Passionate about Progress

Engen is a dynamic Botswana brand that places customers at the heart of our business. In pursuit of growth, our Statement of Purpose will guide our efforts to strengthen our existing portfolio and to future-proof the organisation beyond fuel with the ambition to add renewables to our customer offering.

### Engen's Statement of Purpose – A Progressive Energy and Solutions Partner, Enriching Lives for a Sustainable Future

- replaces our vision and mission statements. This new single statement is our unified rallying call to drive action towards a higher purpose, succinctly expressing why we do what we do. It encapsulates our future business focus and the impact we wish to have as a company.

We remain passionately committed to improving the quality of life for all our stakeholders while creating and protecting value across the six sustainability capitals. This will ensure that the benefits we create can be sustained over the longer term, measured in terms of shareholder value creation, societal progress and environmental sustainability.

Our Statement of Purpose will guide our efforts to strengthen our existing portfolio and to future-proof the organisation. Ultimately, our objectives will be realised when our stakeholders see us not merely as a provider of products and services but recognise us as a trusted partner that creates value, delivers products that customers need, and provides opportunities to our employees to develop their careers while growing with the company. We believe we can play a critical role in moving society forward, facilitating economic growth, creating jobs and economic value.

### Contributing to the Community

At Engen we define achievement not just within the narrow confines of business growth and financial returns, but also in how we enrich the lives of the people in the communities in which we operate.

**We continue to be committed to our corporate social responsibilities, ensuring that Engen's efforts deliver impactful value that is sustainable.**

The year under review saw Engen Botswana join with the Nayang Association to launch the Shoe Drive sponsorship. School shoes to the value of P57 780 were donated to over 320 children at Bana Ba Keletso Childcare school in Molepolole and La Modimo Charity in Sese.

Engen Botswana continues to stand ready to continue providing necessary support in the fight against the worst effects of the pandemic on the community and the greater economy.

#### SCHOOL SHOES

**P57 780**

in value, donated to over **320 children** at Bana Ba Keletso Childcare school in Molepolole and La Modimo Charity in Sese

### Awards

Due to the pandemic, in 2021 there were none of the regular industry events, and consequently no presentation of awards.

### Looking Ahead

At the time of writing, we find ourselves still negotiating the continued effects of the worst pandemic in over a century, while at the same time watching a major conflict develop in Ukraine, the potential outcomes of which are unknown, but will likely have unprecedented impact on inflation

as well as on global food and energy security. As a result, the year ahead is expected to be mostly uncharted and fraught with numerous challenges.

We will have to continue to adapt to these volatile circumstances and find innovative approaches to countering the ongoing national and global

economic slowdown. The long-term impact of the pandemic and the aftershocks of the destabilisation of Eastern Europe will redefine markets and result in structural shifts, particularly in the energy sector. Engen must remain agile if we are to survive and thrive in an uncertain future.

Engen continues to put in place strategies that will serve us well to strengthen performance, build resilience and enable us to grow in the marketplace. We believe that there is still considerable growth potential in the local market and will continue to invest in an expanded business footprint and retail presence across the country.

We continuously seek to achieve sustainable results and to improve our operating performance, with an emphasis on health, safety, security, the environment, our ethics and core beliefs. Engen Botswana Ltd prides itself in being an employer of choice, attracting and retaining highly qualified and motivated employees who are encouraged to maximise their potential while taking the Company forward.

### *Appreciation*

I would like to extend my sincere thanks to the employees and the management team of Engen Botswana Ltd for their hard work and dedication that contributed to the best financial results in the Company's history. Engen's impressive safety, environmental, operational and financial performance outlined in this report indicates that the Company is staffed by the right people, with skills and mindset to successfully deliver on the Company's strategic objectives. Together we will ensure that Engen Botswana Ltd will overcome the present difficulties and continue to command its place in the market and show a satisfactory return for its shareholders going forward.

On behalf of the Engen Botswana Limited Board, I extend sincere appreciation to BERA and all the other government ministries and agencies who have an interest in our business for their continuous support and guidance.

I take this opportunity to thank my fellow Board members for their guidance throughout the year. We believe that with their continued support and direction, Engen Botswana Ltd will persevere through the many challenges that lie ahead.

I also extend my thanks to our investors, partners and all stakeholders for their loyalty and patronage. Finally, I wish to thank our customers and all our shareholders for their continued support of Engen. **With us you are Number One!**

In closing, I wish to extend my sincerest condolences to the Monga family on the untimely passing of our Managing Director, Chimweta Monga. He will be sorely missed.



**Shabani Ndzinge**  
Chairman



## MANAGING DIRECTOR'S STATEMENT

Engen Botswana showed its resilience and rebounded in 2021 with its best financial performance since the inception of the Company, recording a profit after tax of P260.9 million against P98.0 million in the previous year.

**Brian Sameke**

Acting Managing Director

### Areas of excellence

We are pleased to report that the Company's recovery from the impact of the COVID-19 pandemic has exceeded our expectations. After the considerable difficulties of 2020, Engen Botswana showed its resilience and rebounded in 2021 with its best financial performance since the inception of the Company, recording a profit after tax of P260.9 million against P98.0 million in the previous year. While we experienced a few COVID-19 infections in the workforce, none of these were particularly serious, and any absences were taken care of by our continuity plan. We believe that this is a testament to our caution and the meticulous safety measures we applied to combat the pandemic.

Engen Botswana took full advantage of the gradual re-opening of the economy in 2021, successfully re-establishing commercial supply contracts as the construction, logistics and mining sectors returned to full operation. The retail side of the business benefitted from the resurgence of travel as the COVID-19 restrictions were eased and people resumed normal movement patterns throughout the country.

Operations continued uninterrupted with no reported accidents and only one incident of significance during the financial year.

Our supply capability during the year was excellent in the face of the of COVID-19 restrictions and constraints. Despite the serious fire at the Engen Durban refinery in December, no shortages of fuel supplies were experienced

by Engen locally due to the effectiveness of our comprehensive business continuity planning.

The year saw Engen Botswana continue to outperform all sub-Saharan Petronas subsidiaries in terms of the Net Promoter Score and once again returned a very favourable NPS.

### Sustainability HSE



### Human resources

During the year the economy began to open up as the impact of the pandemic on business activity decreased, and the Company continued to benefit from the sustainable operating model, "Project Refocus", which had been implemented in the previous year. We reported no serious incidents, and no deaths were recorded during the year under review. The staff compliment remained unchanged at 48 - no new positions were created, and no employees left the Company. We are happy to note that despite the challenging trading conditions, no retrenchments were recorded at any of our service stations.

### OUR PEOPLE



In the wake of lessons learned during the pandemic, and through strategies to support our employees in a constantly evolving work environment, our focus continues to leverage on

technology and analytics to support the development of an agile and mobile workforce. In order to operate our business safely and efficiently, Engen employees need to be high performing, innovative and motivated. Our focus remains on growth and sustainability, and to ensure that our people are supported with the right skills, experience, training and mentorship in pursuance of their personal development and our human capital strategy objectives.

We continue to adopt a holistic approach to being an inclusive organisation, building and retaining critical skills and developing our leadership capabilities to foster an environment which inspires and motivates all our employees to perform at their best.

### PETRONAS CULTURAL BELIEFS

The PETRONAS Cultural Beliefs are aligned to our core values with the priority on the ethical values set by the leadership across the organisation. Our adoption of the PETRONAS Cultural Beliefs drives a culture of ongoing feedback which has increased employee engagement and continues to support a culture of accountability. We have focused on our Employee Value Proposition and recognise the importance of attracting and retaining highly engaged and high-performing employees and leadership teams.

### LEARNING AND DEVELOPMENT

The Company has an integrated Talent Management programme which provides training and development interventions that endeavour to up-skill and multi-skill the workforce to allow for opportunities for growth and progress within the Company. The programme seeks to provide a well-structured and prepared leadership pipeline within Engen Botswana. The Company continues to recover training costs from the Human Resources Development Fund for skills development through short-term training. Engen endeavours to close skills gaps and keep employees up-to-date with the latest market trends in their respective areas of operation. New employees are trained on operational and systems requirements to improve their productivity and quality of service.

### COMPENSATION AND BENEFITS

During the year under review, Engen Marketing Botswana once again participated in the annual Mercer Total Remuneration Survey (TRS) and continues to incorporate the results of the survey into our remuneration strategy to ensure we remain competitive in Botswana's dynamic labour market. This is crucial to remaining competitive within the industry and in the market in order to retain key talent. Engen strives to offer not just monetary, but also value-adding benefits, to its employees.

## Environmental Health and Safety

### OUR SAFETY PERFORMANCE

There were 2 armed robberies at Engen service stations during the year under review compared to five in the previous year, though thankfully, neither of these resulted in injury to service station personnel or members of the public. One of the incidents involved the blowing up of an ATM at the Bokaa service station. We continue to consult with our partners in devising countermeasures and improving our preparedness.

### HSE Assurance

HSE assurance at the worksite is conducted regularly to assess compliance to all health, safety and environment requirements. This first line of assurance acts as an early detection mechanism to prevent incidents before they occur.

We continue to emphasise the importance of HSE compliance by our contractors. Assurance assessments based on a structured assurance plan for contractors are conducted periodically to ensure we safeguard our operations and interests against any regulatory non-compliance and prevent any unwanted occurrences.

During the year under review, all Engen storage depots and retail service stations were audited by identified focal personnel. The audit findings are analysed to identify any potential weaknesses and their underlying causal factors, providing a holistic approach to gap closure coupled with sustained implementation. Findings from the management review are used as input to identify HSE strategic objectives and new HSE focus areas.



2

incidents were registered



2

armed robbery incidents

## Appreciation

It remains for me to extend my thanks to the management and staff of Engen Marketing Botswana for their unrelenting pursuit of excellence through the trying circumstances that have prevailed. I would also like to acknowledge our partners, the service station owners, and our contractors for their continued support as we strive for even greater heights going forward.

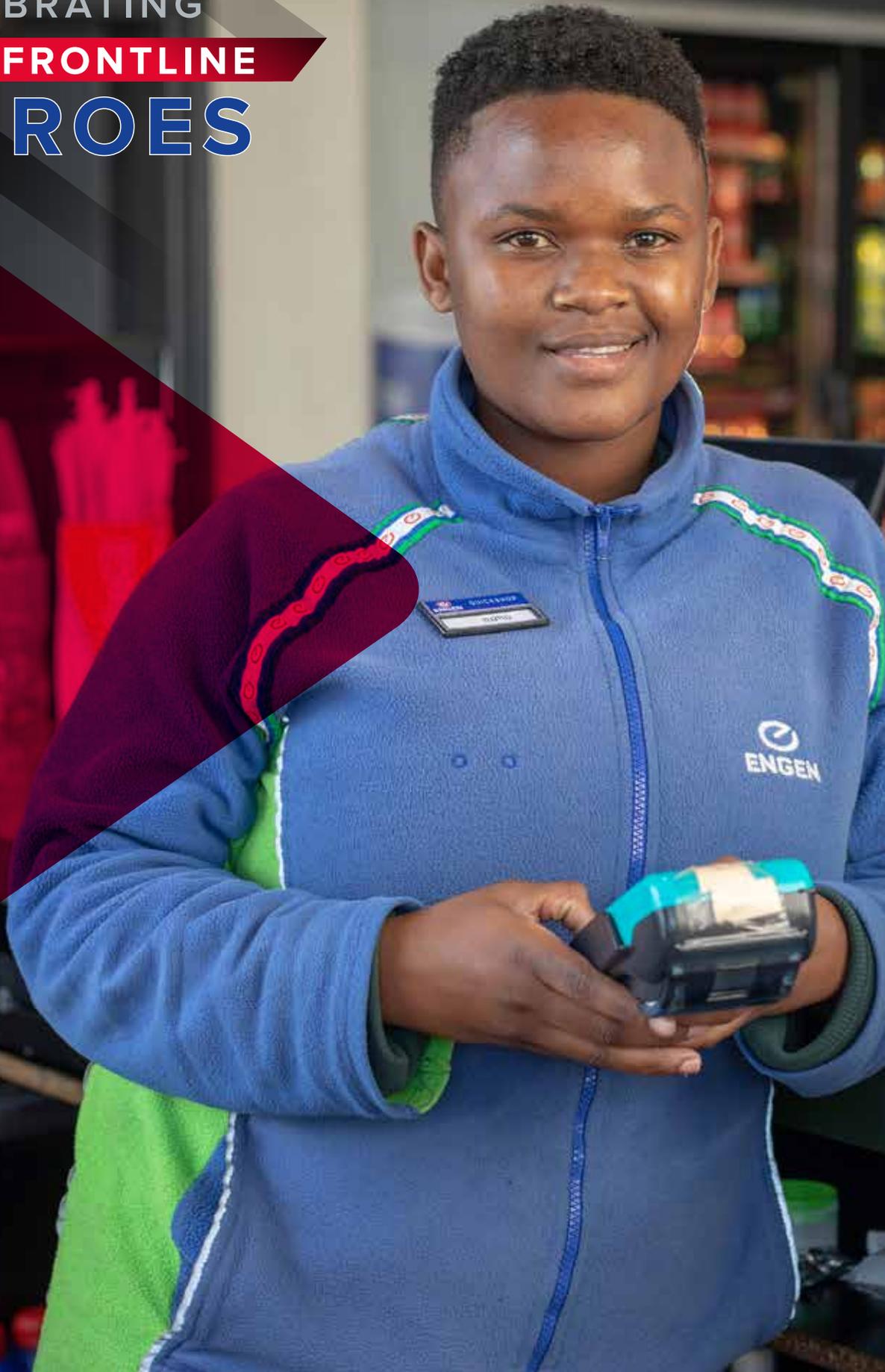
I also express my appreciation to the Board of Directors for the guidance they have provided that has safely piloted the Company through the stormy waters we have navigated.

I would also like to take this opportunity to bid a sad farewell to our late Managing Director, Chimweta C Monga, who passed away suddenly on 5 April 2022.

2022. He will be sorely missed. May his soul rest in peace, and may his family be comforted by his memory.

Brian Sameke  
Acting Managing Director

CELEBRATING  
**OUR FRONTLINE**  
**HEROES**



Cold Drinks



**ENGEN**

## INTEGRATED

ANNUAL REPORT | 2021

## 2021 HIGHLIGHTS

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Engen Botswana Limited delivered a robust set of financial results and were the best in the history of the company. The COVID-19 pandemic affected operations for most of the year, however, the company was able to turn around its performance significantly after the lifting of the State of Public Emergency on 1 October 2021.

There was a significant increase in global crude oil prices towards the end of the financial year as the demand for goods and services increased worldwide. These conditions contributed positively to margins and the financial position of the company.

# 3

## LEADERSHIP STATEMENTS

### BUSINESS HIGHLIGHTS

#### RETAIL



**224m Million**

(vs 202m from the previous year)  
litres of fuel sold. **10.6%** increase



**6**

Service  
Stations built



**4**

new Quick Shops at  
December 2021

#### PEOPLE



**48**

number of employed

#### COMMERCIAL



**109.9 Million**

(vs 103.9m from previous year)  
litres of fuel sold in Botswana.

**5.8%** increase in volume

#### LUBRICANTS



**2.3 Million Litres**

(vs 2.2m) - Lubes sold in Botswana

**8.3%** increase



## FINANCIAL HIGHLIGHTS

### SALES VOLUMES

**334 Million**

litres in 2021; 307 million litres in 2020

### REVENUE

**P2.7 Billion**

in 2021; P2.3 billion in 2020

### OPERATING PROFIT

**P260.9 Million**

in 2021; P98 million in 2020

### TOTAL ASSETS

**P1.25 Billion**

in 2021; P941 Million in 2020

### ROACE

**27.2%**

in 2021; 25.5% in 2020

### DEBT EQUITY RATIO

**0 %**

in 2021; 0% in 2020

CELEBRATING  
**OUR FRONTLINE**  
**HEROES**





## INTEGRATED ANNUAL REPORT | 2021

# STRATEGIC REVIEW

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### OUR VALUE CREATING BUSINESS MODEL

Our business model is designed to create a sustainable future whilst enriching the lives of our stakeholders. We do this through the effective management of our resources and relationships in order to deliver optimal outcomes. While our business model has been successful at creating sustainable value, we are acutely aware of the highly-competitive nature of the markets in which we operate, and the impact that regulatory and technological changes can have on our competitiveness. Accordingly, our business model is built to allow us to respond rapidly to changes in our operating environment.



### COMMERCIAL

#### CAPITAL RESOURCES



**FINANCIAL CAPITAL** relates to the source of our capital derived from operations and equity.

- Net Profit: P260.9 million
- Value Retention: P233 million



**HUMAN CAPITAL** is represented by our people, their knowledge, skills and experiences.

- Number of employees: 48
- 0 work-related fatalities



**INTELLECTUAL CAPITAL** refers to intellectual assets such as our brand and franchise value, research and development, innovation capacity, reputation, as well as strategic partnerships.

- Engen range of fuels
- Engen/PETRONAS range of lubricants



**SOCIAL AND RELATIONSHIP CAPITAL** reflects the strong relationships which we have with all our stakeholders who have contributed towards fuelling our growth.

- Dealers: > 60
- Business partners/suppliers/contractors/
- Vendors: > 125



**NATURAL CAPITAL** refers to the electricity, fuel, water and other natural resources required to deliver our products and services to our customers.

### VALUE CREATION PROCESS

#### STRATEGIC PRIORITIES



RETAIL



COMMERCIAL

<b>GSC</b>	GROW & STRENGTHEN THE CORE	<b>SO</b>	STEPPING OUT
<b>DDCS</b>	DRIVE DOWN COST TO SERVE	<b>OAVC</b>	OPTIMISE ACROSS THE VALUE CHAIN



LUBRICANTS

### GOVERNANCE

## OUTPUT

### MATERIAL MATTERS

- HEALTH SAFETY AND ENVIRONMENT
- CUSTOMER EXPERIENCE
- PERFORMANCE MANAGEMENT
- HUMAN CAPITAL
- SOCIAL AND RELATIONSHIP CAPITAL
- GOVERNANCE & BUSINESS ETHICS

### OUR RISKS

- LEGAL AND REGULATORY
- VALUE CHAIN
- CYBERSECURITY AND DIGITAL STRATEGY
- HEALTH SAFETY AND ENVIRONMENT
- OPERATIONS
- STRATEGIC

### PERFORMANCE

#### REVENUE

**P2.7 Billion**

#### NET PROFIT

**P260.9 Million**

#### RETURN ON AVERAGE CAPITAL EMPLOYED

**27.2%**

#### BOTSWANA VOLUME GROWTH

**+9%**

#### ON TIME IN FULL

**80%**

### VALUE CREATED FOR STAKEHOLDERS

#### INVESTORS

- Consistent return on investment
- P163 276 000 in dividends paid to shareholders

#### CUSTOMERS

- Fuel customers with our quality petroleum products
- Ensure reliable and security of supply to our customers
- Provide services and convenience at our Engen stations
- 334 million litres of fuel sold
- On Time, In Full = 80%
- Customer (Retail) NPS improved by 75%

#### DEALERS, CONTRACTORS/SUPPLIERS AND B2B

- Develop local businesses and provide spin-off employment
- Provide long-term partnerships for sustainable growth
- Cultivate capabilities of our business

#### EMPLOYEES

- Create rewarding employment
- Provide opportunities for progression and development
- Provide equal opportunities and career progression
- P16.2 million paid for salaries and benefits
- 47% female representation

#### AUTHORITIES

- Compliance with regulatory requirements
- P100.5 million Taxes paid to Government
- Indirect fuel taxes and levies

#### COMMUNITIES

- Provide local economic opportunities through employment, business partnerships and entrepreneurship
- Provide socio-economic upliftment through CSR P57 800

## ENGEN STRATEGIC PRIORITIES

### Retail

- Grow and optimise the convenience, fast food and APO
- Grow NPIs
- Diversify our portfolio
- Increase non-fuels revenue



### Commercial

- Optimise growth in selected sectors
- Relationship Management
- Credit management
- Customer NPS



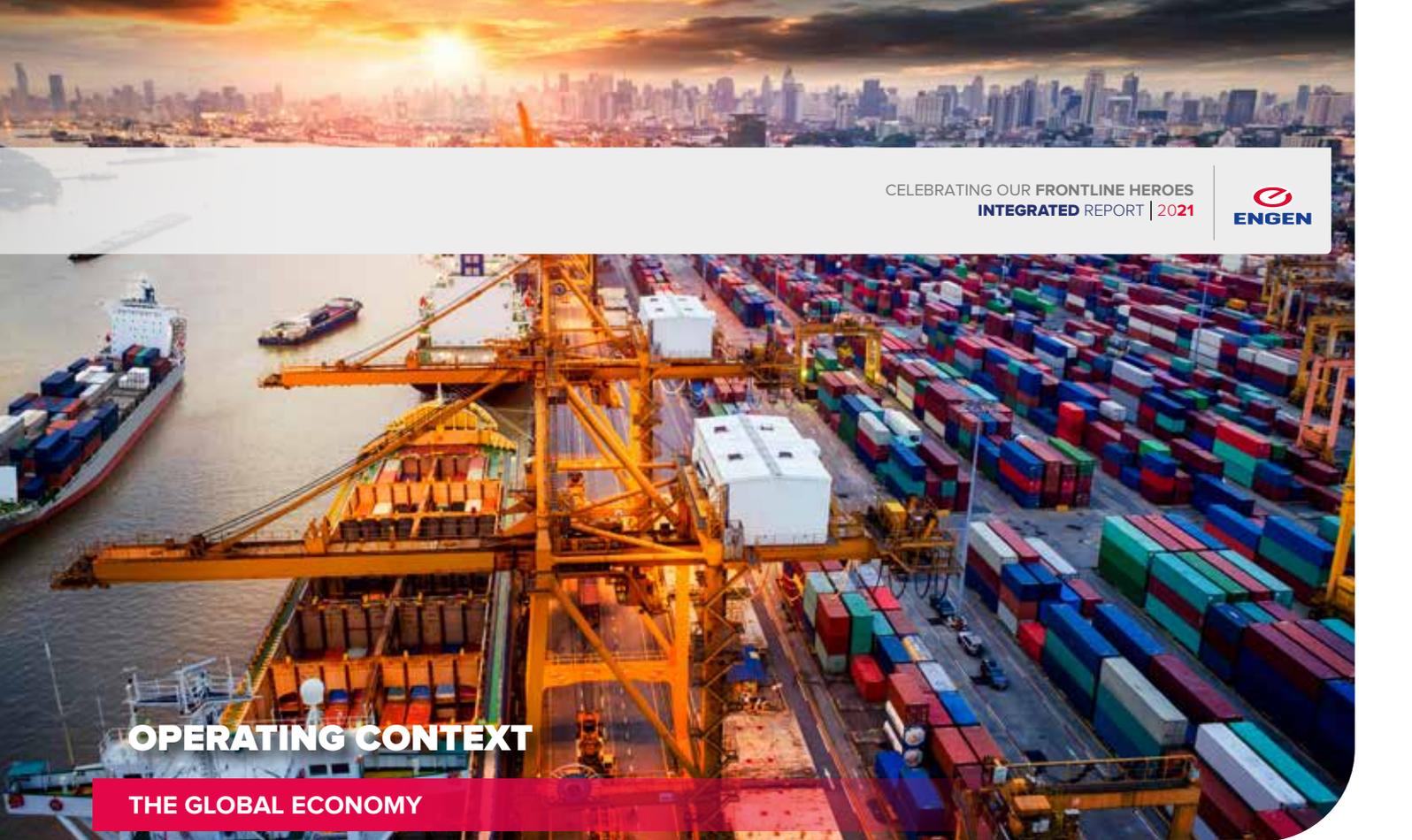
### Lubricants

- Growth in distributors and retail
- Collaboration with Commercial Marketing and promotions: retail, distributors and mining
- Leverage on premium margins for lubricants



Key to the strategy's success will be our ability to increase free cash flows by at least 50% and to grow the contribution of non-fuel income to 30% of total revenue over the next five years.

The Company strives towards zero emissions, zero accidents and zero governance lapses going forward.



## OPERATING CONTEXT

### THE GLOBAL ECONOMY

**At the time of publishing this report, the global economy is entering a chapter of extraordinary uncertainty amid the Russian invasion of Ukraine and the unprecedented economic sanctions, disruption of supply chains, uncertain energy supply, rising inflation and threats to world peace that have resulted from Russia's unilateral military adventure. Far-reaching new developments are occurring almost daily, and as a result, the following overview of the economic outlook is presented with caution.**

According to the World Bank, the global recovery is set to “decelerate markedly amid continued COVID-19 flare-ups, diminished policy support, and lingering supply bottlenecks”. In contrast to that in advanced economies, output in emerging market and developing economies (EMDEs) will remain substantially below the pre-pandemic trend over the forecast horizon.

Several downside risks cloud the global outlook, including simultaneous Omicron-driven economic disruptions, the possibility of de-anchored inflation expectations, financial stress in a context of record-high debt levels and uncertain global security

considerations. If some countries eventually require debt restructuring, this will be more difficult to achieve than in the past. Climate change and political instability may increase commodity price volatility, creating challenges for the EMDEs that rely heavily on commodity exports and highlighting the need for asset diversification. Social tensions may heighten as a result of the increase inter-country and intra-country inequality caused by the pandemic. The World Bank believes that these challenges underscore the importance of strengthened global cooperation to foster rapid and equitable vaccine distribution, proactive measures to enhance debt sustainability in the poorest

countries, redoubled efforts to tackle climate change and within-country inequality, along with an emphasis on growth-enhancing policy interventions to promote green, resilient, and inclusive development.

#### *Global Outlook.*

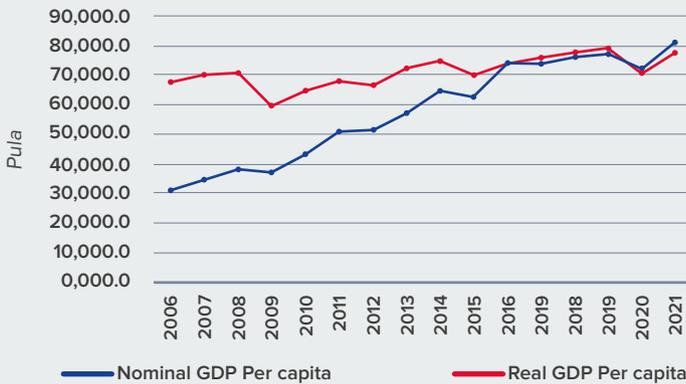
After rebounding to an estimated 5.5% in 2021, the World Bank expects global growth to decelerate markedly to 4.1% in 2022. The near-term outlook for global growth is somewhat weaker, and for global inflation notably higher, than previously envisioned, owing to pandemic resurgence, higher food and energy prices, and more pernicious supply disruptions, particularly in the light of the Ukraine crisis.

### BWP/ZAR/USD: JAN - DEC 2021



Source: Bank of Botswana average - monthly exchange Rates

### NOMINAL AND REAL GDP PER CAPITA (PULA)



Source: Statistics Botswana

### BRENT CRUDE OIL PRICES



Source: The GlobalEconomy.com, World Bank

EMDE policy makers also face the challenges of heightened inflationary pressures, spill-overs from prospective advanced-economy monetary tightening, and constrained fiscal space. Over the longer term, EMDEs will need to buttress growth by pursuing decisive policy actions, including reforms that mitigate vulnerabilities to commodity shocks, reduce income and gender inequality, and enhance preparedness for health- and climate-related crises.

#### COVID-19 and Global Income Inequality

The COVID-19 pandemic has raised global income inequality, partly reversing the decline that was achieved over the previous two decades. Preliminary evidence suggests that the pandemic has also caused within-country income inequality to rise somewhat in EMDEs because of particularly severe job and income losses among lower-income population groups. Over the medium and long term, rising inflation, especially food price inflation, as well as pandemic-related disruptions to education may further raise within-country inequality. Within-country inequality remains particularly high in EMDE regions that account for about two-thirds of the global extreme poor. To steer the global recovery onto a more equitable development path, a comprehensive package of policies is needed. A rapid global rollout of vaccination and redoubled productivity-

enhancing reforms can help lower between-country inequality. Support targeted at vulnerable populations and measures to broaden access to education, health care, digital services and infrastructure, as well as an emphasis on supportive fiscal measures, can help lower within-country inequality. Assistance from the global community is essential to expedite a return to a green, resilient, and inclusive recovery.

### Botswana



The Botswana economy experienced growth recovery in the first three quarters of 2021 as the country continued to emerge from the ravages of the COVID-19 pandemic. Global economic activity remained susceptible to the impact of the pandemic and the measures imposed by different jurisdictions to manage the spread of the disease. The Omicron variant identified in the fourth quarter of 2021 resulted in many Western countries imposing travel restrictions on Southern

African countries where it was generally, and perhaps erroneously, believed that this strain originated. The travel ban had a devastating impact on tourist activity in Botswana and other SADC countries, further delaying the recovery of the sector.

On a more positive note, during the latter part of the year, Botswana was recognised by the World Health Organisation as one of a few African countries to have achieved relative success in the vaccination of its

population. As at 31st December 2021, 48 % of the population had either been fully or partially vaccinated, and this trend has continued post the reporting period.

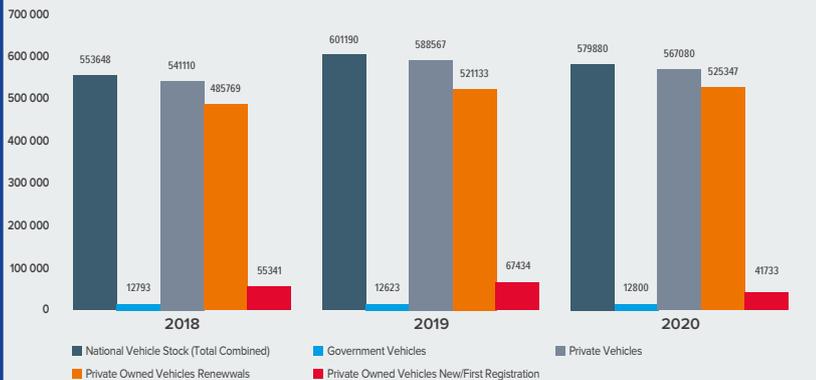
National accounts statistics for the first three quarters of 2021 show that GDP was 13.5% higher than during the same period in 2020. This suggests that the year-on-year numbers at the end of 2021 would be higher than previously forecast by the MFED and the IMF at 9.7% and 8.7% respectively.

### AVERAGE PRICE OF PETROL IN BOTSWANA INCREASED IN 2021



Source: BERA and Own Data

### NATIONAL VEHICLE STOCK & NEW VEHICLE LICENCES



Vehicles statistics for 2021 not available at the time of printing

The momentum of economic growth was largely driven by the recovery of the diamond trading and mining sectors which registered year on year growth rates of 80.6% and 15.6% respectively. Non mining and diamond sector output also registered 8.1% growth with the exception of agriculture,

accommodation, and food services which registered negative growth in 2021.

The Bank of Botswana decided to maintain its accommodative monetary policy throughout 2021 by keeping the Bank repo rate at 3.75% in order to provide support

to the local economy as the country emerged from the COVID-19 pandemic.

Inflation continued to exceed the Bank of Botswana target range of 3-6% and reached a high of 8.2% during the course of 2021. The increase in annual inflation reflects upward adjustments in utility prices, VAT, fuel prices and BHC rentals. The question is whether there is going to be a monetary policy response by adjusting the repo rate upwards to counteract the rise in inflation.

#### Economic Outlook

It is expected that the global economy will continue to open up in early 2022 with many countries expected to ease inter-country travel restrictions. While the economic output is expected to continue on a growth trajectory, the growth rate for Botswana is expected to be lower in 2022 than in 2021 because it will be starting off from a much higher base.

#### Industry Issues

The year under review presented the industry with a number of challenges, including increased COVID-19 infection rates especially during the middle of 2021, which resulted in up to 40 fatalities per day. Other challenges emanated from government disease control measures including:

- Restricted movement between zones
- A curfew resulting in the loss of eight hours' trading per day

- Barriers to cross-border travel due to high COVID-19 testing costs
- Diminished purchasing power due to the economic impact of COVID-19 on many businesses
- A reduced inflow of visitors from foreign countries
- Work from home arrangements
- School closures.

These constraints all impacted on the consumption of petroleum products and associated convenience products.

Crude oil prices rose steadily during the period under review resulting in significant inventory revaluation gains during 2021.

Botswana Oil Ltd submitted a further application to supply 50% of Botswana's fuel requirements and while the industry opposed this application, the regulator approved the importation of 25% of industry requirements. The industry took this decision on review to the high court as provided for in the BERA Act, and an inter party hearing is expected to take place in early 2022.



## RISKS AND MATERIALITY



**Our Risk Governance Framework is built around a strong risk policy and risk management strategy.**

### OUR APPROACH

Engen is committed to ensure effective risk management in pursuit of our strategic and business objectives. Risk management is embedded into key decision-making processes and day-to-day activities.

Engen adopts PRM (PETRONAS Resilience Model) to effectively manage risks in a comprehensive and systemic manner.

PRM includes the following modules:

- Risk Assessment in Decision Making (RADM)
- Risk in Strategic Planning (RiSP)
- Country Report (CR) & Country Risk Report (CRR)
- Partner & Partnership Risk Management (PPRM)
- Integrated Crisis Management (iCMP)
- Business Continuity Management (BCM)
- Risk Appetite
- Risk Quantification

Our Enterprise Risk Management (ERM) department uses the BarnOwl System to document risk management activities which are to; identify, assess, treat, monitor and report on risks and emerging risks.

Crisis Management and Business Continuity Management activities are maintained in the INTERISK system.

Enterprise Risk Management is intended to ensure resilience of the organisation through effective mitigation of the impacts of the ever-changing business risks associated with value creation processes in the local and global economy.

Our goal is to protect People, Environment, Assets and Reputation (PEAR) and to create value through our business and support activities. This requires us to objectively manage risk exposure in all areas of the value chain.

To achieve this, we have made all the necessary resources available to key people. These include the development of key systems and processes, training of key personnel, and companywide communication to ensure that Enterprise Risk Management is continuously improved and institutionalised across the organisation.

The Engen Botswana Limited Board oversees our ERM process. The Board Audit Committee (BAC) ensures that Engen complies with the relevant standards and industry norms, and that they are applied effectively across our business to achieve an acceptable risk profile for the company.

**OUR RISK GOVERNANCE FRAMEWORK**

Our risk profile is a critical element of our business strategy. Through our policy framework, we establish the organisational risk appetite and tolerance limits. Our risk governance system revolves around the following six elements:

1. Governance.
2. Context Setting.
3. Risk Assessment.
4. Risk Treatment.
5. Risk Monitoring and Review.
6. Continual Improvement.

Our key risks are monitored through a well established and entrenched risk management system and process.

Significant effort goes into continuously fine-tuning the system to fit our business model, and link with other systems of governance.

We also manage compliance with the risk reporting requirements, and capture lessons learned from risk experiences and practices, as well as from the outcomes of assurance activities.

**OUR GOAL IS TO PROTECT PEOPLE, ENVIRONMENT, ASSETS AND REPUTATION AND TO CREATE VALUE THROUGH OUR BUSINESS AND SUPPORT ACTIVITIES.**



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## **INTEGRATED**

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# **PERFORMANCE REVIEW**

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## SUMMARY OF PERFORMANCE HIGHLIGHTS

Revenue increased by 16% mainly due to the easing of Covid-19 travel restrictions such as inter-zonal travel permits and border restrictions. The lifting of the many Covid-19 protocols on the termination of the State of Public Emergency on 1 October 2021 increased the demand for Petroleum products significantly. There were four price adjustments, and an industry margin adjustment which was effected in October 2021 for price-controlled products. Non-price-controlled products were subject to market related price adjustments.

**27.5%**

Decline in finance income  
from P10.2 million to  
P7.4 million

**166%**

increase in net profit  
after tax from P98.0 million  
to P260.9 million.

**THE  
GROUP**

exercised good margin  
management and cost  
control throughout the  
year.

### HIGHLIGHTS

Attributable  
earnings per share:

**163.3**

thebe per share

Retail sales channel  
performance:

**13%**

Gross Margin  
increase

Commercial  
performance:

**51%**

decrease

Retail and convenience  
network performance:

**6**

service stations were  
streamed with convenience  
shops.

**3**

under construction

Consolidated  
convenience income:

**5.6%**

decline in Convenience  
Income

# ENGEN

## RETAIL

### *Sites with Cleaner Fuels*

As at the end of December 2021, advanced fuels were available at service stations around the country:

Brand name:	Diesel 50ppm	Unleaded Petrol 93	Unleaded Petrol 95
Botswana:	36 South + 30 North = 66	33 South + 29 North = 62	36 South + 21 North = 57



**41**  
**service stations**

recorded a combined  
volume growth of 13,689KL  
(10%) in 2021

**27%**  
**volume growth**

experienced by Engen  
Commerce Park in 2021



### Retail Performance

While 18 service stations recorded a combined volume decline of -8,682KL (-14%) in 2021 compared to prior year, 41 service stations recorded a combined volume growth of 13,689KL (10%) over the same period. The biggest contributor was Engen Commerce Park with a volume growth of 27%, which along with the other successful filling stations benefitted from the Win Cash promotion that ran from December 2020 to February 2021 as well as the Fuel your Life Promotion that ran from May 2021 to July 2021.

Performance for the year under review was affected by COVID-19 restrictions imposed by the government. Interzonal movement of people was highly restricted with movement permits not being issued during the public holidays in April, May and July. Border closures for non-cargo traffic and curfews imposed at the beginning of the year also affected volume performance.

The tourism sector was significantly affected by the reduction in arrivals of tourists by air and land. Tourism is the second biggest revenue earner for the economy and tourist areas like Maun and Kasane have been greatly impacted because of reduced movement and tourist activities.

The Government started easing COVID-19 restrictions from September 2021, ending the nationwide curfew that had been implemented since June 15th. International flights began operating at all major airports in the country, and several land border posts, including the crossings to South Africa, Namibia and Zambia. The year under review was also affected by the following economic factors that impacted on diminished household expenditure on goods and services:

- The Government adjusted fuel prices five times during the year under review, resulting in increases of approximately 45%



- VAT adjustment from 12% to 14% in April 2021
- Average inflation rate of approximately 8.5%.

It is anticipated that the industry will recover in 2022 because of Government's relaxation of COVID-19 restrictions.

The network saw six new service stations commence streaming during the year under review. Engen Molapo (Tati River South), Engen Metsimothabe, Engen Tsholofelo, Engen Tulsa, Engen Fourways (both Mogoditshane) and Engen Matsila (Thamaga) streamed during the first quarter of 2021.

The retail department ran the Win Cash competition that started in the fourth quarter of 2020 and ended in February 2021. The department also ran the 'Fuel your Life' campaign which ran from 1st May 2021 to 31st July 2021. The promotions were well received in the market and contributed to positive volume performance. The department also launched the National Sales Promotion that will run from the fourth quarter of 2021 and end in the first quarter of 2022.

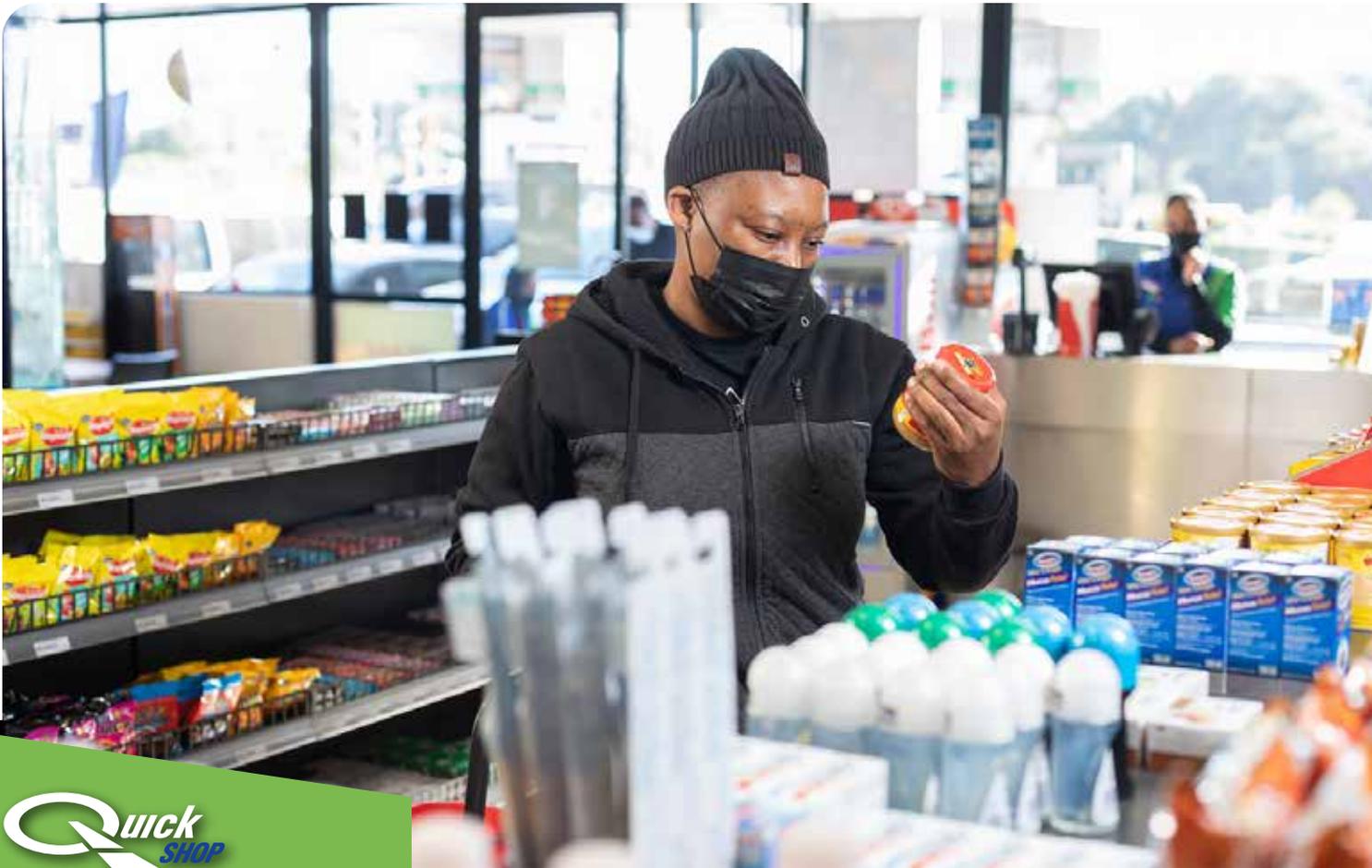
#### *Business Activity*

- Engen Molapo (Tati River South) streamed in January 2021
- Engen Metsimothabe streamed in February 2021
- Engen Tsholofelo streamed in March 2021
- Engen Tulsa streamed in April 2021
- Engen Fourways streamed in September 2021
- Engen Matsila streamed in October 2021
- Engen Gaborone West is still under construction and the site is expected to stream in Q2 of 2022
- Construction of Engen Lobatse 2 (Puskas) is expected to commence in April 2022
- Construction of Engen Tati Siding is expected to commence in May 2022

- Construction of Engen Kanye 2 is expected to commence in Q2 of 2022
- The department ran the "Fuel your Life" promotion from 1st May 2021 till 31st July 2021. Once a month during the promotion, customers stood a chance to win the first prize of BWP 15 000.00 cash, 2nd prize, a 50' TV and 3rd prize, a Smartphone if they spent a minimum of P250 on all grades of fuels (petrol, diesel and paraffin) in the forecourt or made a minimum purchase of P50 in the Quickshop, including Corner Bakery offerings and Lubricants.
- The department launched the National Sales Promotion that commenced in Q4 of 2021 and will end in Q1 of 2022.

#### *Credit Management*

The department continues to manage credit prudently while at the same time ensuring that sites remain wet and reducing organisational exposure to risk, especially in the light of COVID-19 challenges. The department manages retail stocks from the top of tanks for maximum tank utilisation and efficiency in making deliveries. This strategy was however adversely affected by challenges posed by COVID-19 restrictions which caused delays in turnaround times for trucks at border gates in the beginning of the year. Fuel deliveries continue to be affected by border delays as a result of the mandatory COVID-19 testing requirements.



### Convenience

Convenience income recorded an overall increase of 31% compared to same period of the prior year on the back of relaxed COVID-19 restrictions that saw limited re-opening of the entertainment industry, reduced limitations on operating hours and increased movement of people.

### Quickshop Income

Quickshop income was below plan this year due to restrictions on operating hours and reduced footfall. The reopening of the entertainment industry and many other industries in the value chain and the free movement of people between regions has greatly improved Quickshop sales against prior year, with income increasing by 29%. Sites along the A1, Mmamashia, Bokaa, Lobatse,

Palapye and Diaboroga improved as a result of free movement along Botswana's main North-South artery. Sites located at borders and in Maun, Kazungula and Charleshill remained affected because of the sharp decrease in tourists coming into Botswana from South Africa, Namibia, Zambia and Zimbabwe.



### *Fast Food Income*

Fast food income was above prior year by 34%. Fast-food outlets such as Wimpy Western Bypass and Orapa that had been significantly impacted by restrictions on trading hours and movement of people, increased against prior year post the end of the SOE. In addition, Corner Bakery outlets have also greatly improved due to the reopening of the entertainment industry.

### *APO Income*

APO income performed above prior year but below plan. Standard Chartered Express Banking Centre was officially launched in June 2021 and Engen also acquired a Stanbic ATM in Tlokweng in August. Overall Supplier Income was on par with prior year.

### *OTHER CONVENIENCE INITIATIVES*

The Convenience department explored a number of other alternative business initiatives during the period under review. These include a deal with Alpha Direct

Insurance to sell instant insurance products through Quickshops which was rolled out at 15 service stations in the third quarter of 2021, and the keen interest shown in the products suggest potential to grow sales and expand to more listed sites.

Expanded fast food offerings in the form of three new Corner Bakery outlets are planned for newly streamed sites at Engen Molapo, Engen Metsimothabe and Engen Tsholofelo. Due to various factors, the rollout date for these sites has been moved to April 2022.

Engen entered into discussions with Orange Botswana during the second quarter of 2019 for the establishment of Money Market outlets at selected service stations. All regulatory issues have been finalised and the initiative has been scheduled for rollout during the 2022 financial year once SAP system upgrades have been conducted.

A 5-year supplier trade agreement was signed with EasiGas in November 2021 and deployment of cages began in December 2021 at selected sites in Thamaga, Bokaa, Kgatleng, Kanye and Phaphane, with sales set to begin in the first quarter of 2022.

### *Marketing*

This year had many challenges due to COVID-19 which continued to hamper marketing efforts. Some exciting campaigns were run at new and existing sites, however the main focus during this period was to engage with customers mainly on the Engen Facebook page.

	Quickshop	Corner Bakery/ Fast Food	Q/S Lubes
<b>Convenience</b>	<ul style="list-style-type: none"> <li>• Every day Quick deals March-June, Aug-Sept</li> </ul>	<ul style="list-style-type: none"> <li>• Price Busters promotion day Pie Specials - June-July</li> </ul>	Supply lubes and improve visibility in the Quickshops
	Site openings	Activation	Big Win
<b>Retail</b>	<p>To create awareness for our newly streamed sites we posted content on our Facebook page regarding our newly opened sites :</p> <ul style="list-style-type: none"> <li>• Metsimothabe</li> <li>• Molepolole west Mogoditshane Tulsa</li> <li>• Tsholofelo Site</li> <li>• Molapo(Tati river South)</li> <li>• Mogoditshane Fourways</li> </ul>	<ul style="list-style-type: none"> <li>• Activations were halted due to COVID-19 cases that were escalating at the beginning of Q3 2021.</li> <li>• Site-specific activations were conducted at Engen Lobatse and Mmopane at the end of Q3</li> <li>• Site-specific activations were conducted at the following sites: <ul style="list-style-type: none"> <li>- Engen Tulsa</li> <li>- Engen Fourways</li> <li>- Engen Truck Inn</li> <li>- Engen Tsholofelo</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Fuel your Life promotion started in May and will end in July. It was available country wide. Customers fuel with P250 or spend P50 in Shop to win P15,000 (1st Prize), 50 inch TV (2nd prize) and A31 Samsung smartphone (3rd prize) monthly.</li> <li>• The last draw was conducted on 10th September at Engen Tulsa.</li> <li>• Win a truck Promotion aka Matshelonyana started on 17th Dec 2021 and will end on 4th March 2022. The promotion is available countrywide. Customers need to fuel with P200 or spend P50 in-shop to win 1 of 3 KIA K2700 1Tonne trucks.</li> <li>• The last draw will be held on 5th March 2022.</li> </ul>
<b>Commercial</b>	<p><b>Lubes</b></p> <ul style="list-style-type: none"> <li>• We continue to run education posts on various Lubricant products available through our distributors</li> <li>• The New Petronas Tutela oils were launched on our Facebook page on the 15th September 2021.</li> <li>• Motovac Festive Giveaway – Engen sponsored P5,000 worth of fuel vouchers. The Giveaway started in December and will end in January 2022.</li> </ul>		



### Diesel Performance.

Diesel volume contribution played significant role in achieving the planned target of the year:

- A 19% growth above plan mainly due to key accounts reaching their peak
- Diesel distributors back on track and able to recover lost sales from the economic downturn due to COVID-19 in 2021.
- Higher fuel prices in Zambia and South Africa in the last quarter of the year
- 52% above prior year sales due to:
  - o A reduction in government movement restrictions on logistics business companies
  - o Maturity of both new accounts and old construction projects.

### Lubricants Performance

The high cost of lubricants to Engen Botswana was an obstacle to growth for much of the year and hampered competitive pricing of products.

- 2021 performance achieved growth of 6% above plan.
- Although planned performance for lubes was achieved, there were pricing challenges from some wholesale distributors.
- Lubricants margins deteriorated due to regular cost increases during the year.

### Kerosene Performance

Most remote villages and major villages now have an electricity connection, significantly reducing demand for kerosene. The outreach to consumers includes the use of scratch cards allowing consumers to buy electricity from street vendors anywhere.

### Property

There is currently one service station that is under construction during the period under review. Engen Gaborone West is 85% complete and is expected to stream in May 2022. A number of carry over projects from 2021 which had been delayed due to COVID-19 include Engen Lobatse 2 – Puskas, Engen Tati Siding and Engen Kanye 2, which are expected to stream in August, September and November 2022 respectively.

A photograph of a worker in a blue sweater with red and white trim, operating a large industrial machine in a factory. The machine has a large spool of dark material. The background is a blurred industrial environment. A large red diagonal shape is overlaid on the left side of the image.

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## **LEADERSHIP**

Board of Directors	<b>70</b>
Management Team	<b>74</b>

## BOARD OF DIRECTORS

Directors of Engen Botswana Limited continued to focus on ensuring the business mandate was delivered Aupon, providing strategic direction at every turn.



**Shabani Ndzinge**

**Chairman**

*Independent Non-Executive Director*

BA, (Dar Es Salaam), MS, (Delaware), PhD (Kent)

Shabani is an experienced leader, administrator and academic, with over 30 years of work experience. In 2011, he was appointed Deputy Vice Chancellor of Botswana International University of Science and Technology (BIUST), where he oversaw finance and administration. He executed a similar role at the University of Botswana and previously headed the Business Faculty at the same institution. Shabani is a member of several boards, including the Botswana Accountancy College, the Institute of Development Management, Bryte Risk Services Botswana and TA Sebube (Proprietary) Limited.

He is a former board member of the Botswana Development Corporation, the University of Botswana and BIUST.



**Stephen Williams**

**Member**

**Non-Executive Director**

BA (Hons) Philosophy of Leadership, BA Economics and Industrial Psychology, Post Graduate Diploma in Industrial Relations, (University of Natal), Diploma in Strategic Transformation (University of Stellenbosch, Business School)

Stephen was appointed to the board of Engen Petroleum Limited in December 2008 and is a member of the Remuneration Committee. He served as the Chairman of the board of South African Oil Refinery (Pty) Ltd, a base oil refinery in Durban owned jointly by Engen, Total and Chevron. He has worked in the downstream oil industry for over 35 years, initially with the then Mobil Oil in 1984, and more recently as GM of Engen Africa Middle East for PLI.



**Heather Morrison**

**Member**

**Non-Executive Director**

BCom (Hons) (University of Natal), BCom (UCT). Registered Chartered Accountant (SAICA)

Heather has served on the boards of Engen Petroleum Zambia Limited, Engen Rwanda Limited (as Chairperson); Engen Namibia (Pty) Ltd, where she chaired the Audit Committee; Engen International Holdings Limited; and is a member of the Board Audit Committee. She began her career at Ernst & Young in Cape Town in 1999 and joined Engen Petroleum Limited in 2005. She was appointed Planning, Performance and Reporting Manager (Finance Division) in 2017.



**Chimweta Monga**

**Managing Director**

**Executive Director**

MBA (University of Lincolnshire and Humberside - UK), Bachelor of Accounting and Finance (Zambia)

Chimweta studied Accounting and Finance at the University of Zambia and worked briefly as a computer programmer before joining first Citibank and then Caltex. He was rapidly promoted to Managing Director of Caltex Zambia before joining Chevron as a Regional Manager for Commercial Business in Chevron's associated companies based in South Africa. Chimweta has over 30 years of experience in the oil industry in Southern Africa and was appointed Managing Director of Engen Botswana Limited in 2012.

**Leonard Makwinja****Member**

*Independent Non-Executive Director*  
BSc Hons (Cardiff), MBA (London)

Leonard has been an Independent Non-Executive Director of Engen Botswana Limited since August 2016 and is a member of the Remuneration Committee. He has had an illustrious career in the mining field spanning over 30-years, with the past 15-years spent in management positions. He has been the General Manager of Orapa and Letlhakane Mines, and was the Deputy Managing Director at Debswana Diamond Company (Pty) Ltd. from 2005 to 2007.

He has served several directorships in listed and non-listed entities, including Chairman of Morupule Colliery, Chairman of Botswana Telecommunications Corporation Limited (2006 to 2014), Director of Botswana Telecommunications Corporation Limited, and Non-Executive Director in African Banking Corporation. He served as Executive Director of Six Plus One Consulting (Pty) Ltd. He serves as the Chief Executive Officer of Botswana Railways.

**Anthony Siwawa****Member**

*Independent Non-Executive Director*  
BSc (Hons) Comp. Sc. (Aston, UK) ACCA (UK), MBA Chicago Booth

Anthony has extensive experience in developing and formulating business strategy, economics and finance and is a sought-after speaker throughout Africa and the United States. He has worked in private equity, venture capital, investment banking and corporate finance and management consulting, and has developed a thorough understanding of the Southern African region. He is the founder and Managing Director of private equity fund manager VPB (Proprietary) Limited and founded corporate finance company AMS Capital.

He is a former member of the boards of the African Venture Capital and Private Equity Association AVCA and the Southern African Venture Capital and Private Equity association (SAVCA). He is the Chairman of the Remuneration Committee and a member of the Board Audit Committee.

**Frederik Kotze****Member**

*Non-Executive Director*  
BA (Hons) Business Science, MBA (Stellenbosch)

Frederik has been a director of three Petronas subsidiaries in Malaysia, namely Petronas Ethylene Malaysia, Petronas Polyethylene Malaysia, and Petronas Polypropylene Malaysia. He joined Engen Petroleum in 1993 as a retail pricing executive and has served in various capacities throughout the group. He is currently the Head of the International Business Division and is a member of the Remuneration Committee of the board of Engen Botswana Limited.



**Brian Sameke**

**Finance Manager**

*Executive Director*

B Compt (Hons) (UNISA), CA (Z),  
CA (SA), FCA (Botswana), MBA Heriot  
Watt (Scotland)

Brian was appointed as the Finance Manager of Engen Botswana Limited in November 2011 and is a member of the Engen Botswana Management Committee. He was appointed as an Executive Director on 1 November 2021. He started his career at Ernst & Young and progressed through the ranks to become an audit manager. He has previous experience of leading a financial team in the retail industry. He is also the Chairman of the Engen Botswana Retirement Fund.



**Francois Mintoor**

**Board Secretary**

BComm (Acc), HDip Taxation (UNISA),  
MBL (UNISA), Chartered Secretary  
Southern Africa (CGISA) MDP  
(Stellenbosch)

Francois joined Engen in 2009 and has extensive experience in finance and audit (both internal and external audit), completing his BComm (Acc) and Articles with the Auditor General of South Africa (AGSA). He is a Board member and Chairman of the Board Audit and Risk Committee of the South African Heart Association (NPC). He is also a Trustee of the Engen Retirement Fund and part of the Governance and Audit Committee. He is also the Chairman of the UNISA Cape Town Alumni Chapter. Extensive corporate governance experience, being the Board secretary on numerous companies within the Engen Group.

## MANAGEMENT TEAM

**At Engen we pride ourselves in bringing Botswana's captains of industry who hold the wisdom, credentials and passion to lead our people to drive both results and innovation.**

With backgrounds derived from a variety of different corporate cultures and experiences, our strong leaders and champions of the Engen Botswana Limited brand are committed towards ensuring that each and every customer experience transcends the level of excellence even they may expect.

**Engen Botswana expresses their heartfelt condolences to the Monga family for the untimely passing of its former Managing Director, Mr Chimweta Monga. May his soul rest in peace**



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**1 Brian Sameke**  
Acting Managing Director

**2 Patrick Matshane**  
Commercial Manager

**3 Francinah Tswai**  
Human Capital Manager

**4 Thuso Pule**  
Distribution Manager

**5 Tawanda Kitsi**  
Retail Manager

**6 Modiri Garenamotse**  
HSEQ Manager

**7 Kabo Mogae**  
Marketing and Convenience Manager

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# **GOVERNANCE & REMUNERATION**

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King III Compliance Review	<b>80</b>

## OUR APPROACH

**The Directors believe that effective corporate governance is an essential requirement for the successful realisation of Engen Botswana's business objectives. The Board is committed to the principles of openness, integrity and the highest of ethical standards, standing in fulfilment of Engen Botswana's corporate responsibilities.**

The Group is committed to the highest standards of corporate governance and is implementing the King III with the intention of implementing applicable principles of King IV by the end of 2022. We have been able to implement some of the recommendations already as we comply with all international accounting regulations and the Engen Group standard best practices in corporate governance, while being sensitive to country context.

Engen also has its own code of ethics, which substantially complies with the recommendations in the King IV Report and continues to review areas requiring further attention. The following information is provided to give our stakeholders a better appreciation of Engen Botswana's current procedures to ensure a high standard of corporate governance. The 2021 audit once again provided excellent results, without any contraventions or points for review, a result of which we can be proud.

## BOARD AND COMMITTEE STRUCTURE

The Engen Botswana Board comprises six Non-Executive Directors, and two Executive Directors, and meets at least four times per year. Dr Shabani Ndzinge is the Chairman of the Board. All Non-Executive Directors have a wide range of skills and significant commercial and operational experience, enabling them to bring independent judgment to Board deliberations and decisions. The Directors have access to the advice and services of the Company Secretary and are entitled, at the Company's expense, to seek independent professional advice regarding the business. Mr Matthews passed away in September 2020 and was duly removed as a director in the same month, and his position

has not yet been filled, resulting in a total of seven Non-Executive Directors serving for the remainder of the year.

The Management Committee is chaired by Chimweta Monga, the Managing Director, and includes all Group divisional managers. The Management Committee meets at least eleven times a year and deals with all operational, business and strategic development issues of the Group not specifically reserved for the Board.

The Audit Committee comprised four Non-Executive Directors. The Audit Committee is being chaired by Ms Morrision on an interim basis until the appointment of the chairperson is finalised and meets at least twice a year. The Audit Committee is regulated by specific terms of reference, which include the reviewing of the effectiveness of the Company's internal controls, the monitoring and approval of accounting policies, corporate governance matters, and financial reporting. The Audit Committee receives reports from the Company's internal and external auditors, who attend its meetings and who have unrestricted access to the Chairman and Audit Committee members. This ensures their independence is in no way impaired.

The Remuneration Committee comprises three Non-Executive Directors and is chaired by Anthony Siwawa. It meets at least twice a year. Its mandate is to regulate policy, approve senior management appointments and compensation, determine remuneration levels of staff, including incentives, and ensure appropriate preparation for Management succession.

### Accountability and Control

The Directors are required by the Companies Act to prepare Annual Financial Statements, which fairly present the financial position of Engen Botswana Ltd at the end of the financial year. The Annual Financial Statements are presented in conformity with the revised Companies Act; the Botswana Stock Exchange (BSE) listing requirements and International Financial Reporting Standards (IFRS16) The Board has put in place a structure with clearly defined lines of responsibility, segregation of duties and delegation of authority.

- Directors
- Sub-committees
- Remuneration
- Ethics
- Board and Committee Structure
- Accountability and Control

### Compliance with Tax Regulations for Payments

The company paid all tax obligations related to income tax, value added tax and withholding taxes by due dates during 2021.

### Compliance with Provisions of Local Law

The company complied with all requirements of local legislation for the 2021 financial year.

### Meeting Attendance

#### Board Meetings 2021

S Ndzinge (Chairman)	5/5
C Monga (Managing Director)	5/5
A Siwawa	5/5
F Kotze	5/5
L Makwinja	5/5
S Williams	4/5
H Morrison	5/5
B Sameke (Appointed 1 November 2021)	1/5

#### Audit Committee Meetings 2021

H Morrison (Acting Chairperson)	4/4
A Siwawa	4/4

#### Remuneration Committee Meetings 2021

A Siwawa (Chairman)	3/3
F Kotze	3/3
L Makwinja	3/3
S Williams	2/3

### Summary Directors Fees

For the Year Ended  
31 December 2021

	Total P
<b>Non-Executive Directors</b>	
S Ndzinge	421,764
A Siwawa	388,994
L Makwinja	352,389
F Kotze	243,905
H Morrison	269,364
S Williams	218,447
<b>Executive Directors</b>	
C Monga	1,616,220
B Sameke	1,105,094
<b>Total</b>	<b>4,616,177</b>

## King III Compliance Review

Engen Botswana Limited adopted King III for the financial year and the results of the review of compliance are noted below:

Area	Ref.	Requirement	Compliance Status	Detailed Comments / Remarks
<b>1. Ethical Leadership and Corporate Citizenship:</b>				
Responsible Leadership; the Board's Responsibilities and Ethical Foundation.	1.1	The board should provide effective leadership based on an ethical foundation.	Applied	The Board has a board charter and appropriate structures and processes in place to ensure that the company's operations are conducted in an ethical manner. The Group's seven values are integrated into the performance management system that is reviewed annually. It is ensured that all Engen employees adhere to the Petronas Code of Conduct of which Ethical behaviour is greatly covered and forms part of the Company's values and culture.
	1.2	The board should ensure that the company is and is seen to be a responsible corporate citizen.	Applied	The Engen Botswana Limited Board continuously discusses the provision for dismantling, decommissioning and rehabilitation of sites and Safety, Health and Environment processes of which a report on that is shared with the Board during all Board meetings. The Directors Report in the Annual Reports provides a comprehensive update on Corporate Social Responsibility Plans and progress within the Company.
	1.3	The board should ensure that the company's ethics are managed effectively.	Applied	Engen Botswana Limited ensures it adheres to the Petronas Code Of Conduct and Business Ethics. The Code covers core values and culture, issues of conflict of interest, financial integrity, fighting corruption and unethical behaviour, disclosure duties, confidentiality obligations, Etc. The Directors Report in the Annual Report discloses the expected use of the Code by the relevant Engen employees.
<b>2. Boards and Directors:</b>				
Roles and Responsibilities of the Board	2.1	The board should act as the focal point for and custodian of corporate governance.	Applied	In accordance with the Engen Botswana Limited Board Charter, the Board has made it its responsibility to act as the focal point for, and custodian of, corporate governance by managing its relationship with management, the shareholders and other stakeholders of the Company along sound corporate governance principles.
	2.2	The board should appreciate that strategy, risk, performance and sustainability are inseparable.	Applied	In assessing the strategy and performance of Engen Botswana Limited, the Board takes reports on sustainable development and risk management, which are managed and assessed mainly by management and the Board Audit Committee and reported during Board meetings conducted.

Area	Ref.	Requirement	Compliance Status	Detailed Comments / Remarks
<b>2. Boards and Directors:</b> [continued]				
<b>Roles and Responsibilities of the Board</b>	2.3	The board should provide effective leadership based on an ethical foundation.	Applied	The Board has a board charter and appropriate structures and processes in place to ensure that the business is conducted in an ethical manner. The Group's seven values are integrated into the performance management system that is reviewed annually. It is ensured that all Engen employees adhere to the Petronas Code of Conduct of which Ethical behaviour is greatly covered and forms part of the Company's values and culture.
	2.4	The board should ensure that the company is and is seen to be a responsible corporate citizen.	Applied	The Engen Botswana Limited Board continuously discusses the provision for dismantling, decommissioning and rehabilitation of sites and Safety, Health and Environment processes of which a report on that is shared with the Board during all Board meetings. The Directors Report in the Annual Reports provides a comprehensive update on Corporate Social Responsibility Plans and progress within the Company.
	2.5	The board should ensure that the company's ethics are managed effectively.	Applied	Engen Botswana Limited ensures it adheres to the Petronas Code Of Conduct and Business Ethics. The Code covers core values and culture, issues of conflict of interest, financial integrity, fighting corruption and unethical behaviour, disclosure duties, confidentiality obligations, Etc. The Directors Report in the Annual Report discloses the expected use of the Code by the Engen Staff members.
	2.6	The board should ensure that the company has an effective and independent audit committee	Applied	Engen Botswana Limited has established the Board Audit Committee. The Board Audit Committee ToR has not yet been approved by the Board as at 14 April 2020. As per the ToR, the Committee shall have a minimum of two (02) meetings in a year of which the Managing Director, representatives from the external auditor, other assurance providers, professional advisors and other Board members may be in attendance at Board Audit Committee meetings, but by invitation only and may not vote. The Committee has two (02) Independent Non-Executive Members and one (01) Non Executive Member.

Area	Ref.	Requirement	Compliance Status	Detailed Comments / Remarks
<b>2. Boards and Directors:</b> [continued]				
Roles and Responsibilities of the Board	2.7	The board should be responsible for the governance of risk.	Applied	In accordance with the Engen Botswana Limited Board Charter, the Board is responsible for the Governance of Risk. The company has a comprehensive risk register which is continuously updated by the Managing Director and shared with the Board. Risk Management is periodically discussed with the Board during the Board meetings held.
	2.8	The board should be responsible for information technology (IT) governance.	Applied	The Board has stated in its Charter the governance of Information Technology as one of its responsibilities. The establishment of appropriate IT policies, framework and strategy is done at Group level but having the Board as the Decision point.
	2.9	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	Applied	The Managing Director ensures that an update on the applicable Laws and Regulations is shared with the Board and a Dashboard Report on the Compliance with the Laws and Regulations is shared / presented during Board Meetings conducted.
	2.10	The board should ensure that there is an effective risk-based internal audit.	Applied	Internal Audit is conducted at Group Level by the Group Internal Audit team that is based in Cape Town. The Engen subsidiaries (Engen Botswana Limited included) is regularly audited at Group level of which process / control efficiency is reviewed and a report is shared with the subsidiaries.
	2.11	The board should appreciate that stakeholders' perceptions affect the company's reputation.	Applied	The Board receives regular presentations on Corporate Social Investment and Stakeholder Engagements / Partnerships.

Area	Ref.	Requirement	Compliance Status	Detailed Comments / Remarks
<b>2. Boards and Directors:</b> [continued]				
<b>Roles and Responsibilities of the Board</b>	2.12	The board should ensure the integrity of the company's integrated report.	Not Applied	<p>The company has not developed an Integrated Report during the prior financial reporting periods.</p> <p><b>Note:</b> The Annual Report which provides a broad and comprehensive view of the Engen Botswana Limited's operational, financial and non-financial status is formally reviewed and approved by the Board upon the recommendation of the Board Audit Committee. The Annual Report is then shared with the Botswana Stock Exchange and published as public information.</p>
	2.13	The board should report on the effectiveness of the company's system of internal controls.	Applied	Internal Audit provides a written assessment on the design, implementation and effectiveness of the company's system of internal financial controls on an annual basis. Based on the results of this assessment, the Board Audit committee is able to form an opinion on whether the internal financial controls form a sound basis for the preparation of reliable financial statements.
	2.14	The board and its directors should act in the best interests of the company.	Applied	The Board comprises of an appropriate mix of skills, enabling it to interrogate all aspects of the company's operations and provide the required leadership. A Policy on Dealings has been implemented of which Directors are required to comply with the provisions made within the policy that covers dealings in relation to securities and dealing conducted during prohibited periods.
	2.15	The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed.	Applied	<p>The liquidity of the company is continuously monitored by Management and the Board Audit Committee. Cash flow is monitored by the Finance Manager on a regular basis. The company also assesses the "going concern" status of the at the financial year end.</p> <p>The Board Audit Committee is frequently updated by the Auditors as well as Finance Manager on the potential risks that would likely affect the going concern of the company. The potential financial risks and performance / conduct of the Finance Team is presented and shared with the Board. The Board will consider such procedures or other turnaround mechanisms in the event that such circumstances arise.</p>

Area	Ref.	Requirement	Compliance Status	Detailed Comments / Remarks
<b>2. Boards and Directors:</b> [continued]				
<b>Roles and Responsibilities of the Board</b>	2.16	The board should elect a chairman of the board who is an independent non-executive director. The CEO of the company should not also fulfil the role of chairman of the board.	Applied	The Board of Engen Botswana Limited has appointed Mr. Shabani Ndzingo who is an Independent Non Executive Director of the Board to the role of Chairman of the Board of Directors of Engen Botswana Limited. The Board has appointed Mr.Chimweta Monga as the Managing Director of Engen Botswana Limited. Accordingly, the role and the functions of the Chairperson and the Managing Director / CEO is seperated.
	2.17	The board should appoint the CEO and establish a framework for the delegation of authority	Applied	The Board has Appointed Mr.Chimweta C. Monga as the Managing Director (MD) who is accountable to the Board on the implementation of strategies, objectives and decisions of the Board within the framework of the delegated authorities, values and policies of the Company. A "Delegation of Authority" Manual has been implemented within the Company which outlines the detailed responsibilities of the Managing Director in regards to the company's polices and procedures.
<b>Composition of the Board</b>	2.18	The board should comprise a balance of power, with a majority of non-executive directors. The majority of nonexecutive directors should be independent.	Applied	The Board has eight (08) Directors in the Board as at 30 April 2020 comprising of one (01) Executive Director, three (03) Non executive Directors and four (04) Independent Non Executive Directors  The Board considers gender diversity during Board appointments.  The Company does not have a policy on gender diversity.
<b>Board Appointments Process.</b>	2.19	Directors should be appointed through a formal process.	Applied	In accordance with the Board Charter, the Chairman of the Board is responsible for the final authorisation and appointment of new Board candidates. PricewaterhouseCoopers Botswana in the capacity of Company Secretary assists Engen Botswana Limited in the process of appointment of new Directors in-country. Appointed Directors are then given approval forms of which they are required to sign. Renewal of the terms of appointment of one-third of the Board of Directors takes place during the Annual General Meeting ("AGM").

Area	Ref.	Requirement	Compliance Status	Detailed Comments / Remarks
<b>2. Boards and Directors:</b> [continued]				
Director Appointment	2.20	The induction of and ongoing training and development of directors should be conducted through formal processes.	Applied	The Directors Induction Policy of Engen Botswana Limited prescribes the requirement for newly appointed Directors to undergo a comprehensive and formal induction training. The induction program includes briefings on the company and its operations by the Managing Director and the company secretary. Newly appointed directors are also provided with written background information about the company and the duties of Directors. Further, the Induction Policy prescribed the requirement for Director Trainings and is conducted by Engen Botswana Limited as deemed necessary.
Company Secretary	2.21	The board should be assisted by a competent, suitably qualified and experienced company secretary.	Applied	As per the Charter, the Board is responsible for the appointment of a Company Secretary that shall be responsible for Ensuring that relevant laws and rules for the conduct of the affairs of the Board are adhered to and provide guidance to the board on the duties of the directors and good governance, etc. Engen Botswana Limited has appointed PricewaterhouseCoopers Botswana as the Company Secretary, being competent, suitably qualified and experienced.
Performance Assessment	2.22	The evaluation of the board, its committees and the individual directors should be performed every year.	Applied	Engen Botswana Limited has requested PricewaterhouseCoopers Botswana to perform a Board Evaluation during the year 2020. The last Board Evaluation was performed in 2017 as an internal evaluation of a which the Questionnaire was based on King III Code on Corporate Governance. The evaluation was internalised and conducted by the Board Secretary.
Board Committees	2.23	The board should delegate certain functions to well structured committees but without abdicating its own responsibilities.	Applied	As per the Charter, the Board has the authority to delegate certain functions to well-structured committees without abdicating its own responsibilities. Engen currently has two (02) Board Committees comprising of the Board Audit Committee and the Remuneration Committee. The Committees have Terms of Reference that clearly state the roles and responsibilities of each of the Committees and its Members.
Group Boards	2.24	A governance framework should be agreed between the group and its subsidiary boards.	Applied	Engen Botswana has implemented and adopted various policies, processes and procedures of the parent / holding company into the local subsidiary company. Limits of Authority has been implemented during the year 2018 to ensure all departments are aware of their roles and responsibilities in each process carried out. The manual shows delegation in all the company's processes.

Area	Ref.	Requirement	Compliance Status	Detailed Comments / Remarks
<b>2. Boards and Directors:</b> [continued]				
Remuneration of Directors and Senior Executives	2.25	Companies should remunerate directors and executives fairly and responsibly.	Applied	As per the Remuneration Committee Terms of Reference, the Committee is responsible for the deliberation on remuneration activities of which final approval will be done by the Board. Non-executive Directors fee policy has been put in place to assist the Board with regard to remuneration of Non-executive Directors.
	2.26	Companies should disclose the remuneration of each individual director and each prescribed officer.	Not Applied	The remuneration of Executive and Non-executive Directors and of other prescribed officers is not disclosed in the recent Audited Annual Financial Statements and the Annual Report of the company.
	2.27	Shareholders should approve the company's remuneration policy.	Applied	In accordance with standard market practices, Engen Botswana Limited seeks annually approval on its remuneration policy and remuneration for the prior financial year from shareholders at the Annual General Meeting.
<b>3. Audit Committee:</b>				
	3.1	The board should ensure that the company has an effective and independent audit committee.	Applied	Engen Botswana has established the Board Audit Committee. As per the Committee's ToR, the Committee shall have a minimum of two (02) meetings annually and whereby the Managing Director, external statutory auditors and other assurance providers, professional advisors and other Board Members is required to be in attendance at Board Audit Committee meetings subject to invitation only and may not vote on any resolutions set forth.
Membership and Resources of the Audit Committee	3.2	Audit committee members should be suitably skilled and experienced independent non-executive directors.	Applied	The Board Audit Committee consist of three (03) skilled members which comprises of one (01) Executive Directors and two (02) Independent Non Executive Directors as indicated below as at 30 April 2020:  1) H. Morrison (Non -Executive Director) a Planning, Performance and Reporting Manager at Engen Petroleum Limited  2) Anthony Siwawa ( Independent Non- Executive Director) is the founder and Managing Director of Private Equity Fund manager VPB (Proprietary) Limited and founded Corporate Finance company AMS Capital;

Area	Ref.	Requirement	Compliance Status	Detailed Comments / Remarks
<b>3. Audit Committee:</b> [continued]				
Membership and Resources of the Audit Committee	3.3	The audit committee should be chaired by an independent non-executive director.	Applied	The Chairman of the Committee is an Independent Non Executive Director and attends all Annual General Meeting as per the Board Charter.
Responsibilities of the Audit Committee	3.4	The audit committee should oversee integrated reporting	Not Applied	The company has not developed an Integrated Annual Report during the prior financial reporting periods.  <b>Note:</b> The Annual Report of Engen Botswana Limited provides a broad and comprehensive view of the Engen Botswana's operational, financial and non-financial status which is formally reviewed and approved by the Board upon the recommendation of the Board Audit Committee. However, no process has been implemented for the preparation of an Integrated Annual Report for the company in accordance with an applicable Integrated Reporting framework (E.g. International Integrated Reporting Council).
	3.5	The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.	Not Applied	The Board Audit Committee individually monitors the relationship between each internal and external assurance providers and regular reports are given on audit matters during Committee's meetings held. However, no formal combined assurance model has been developed and implemented within the company.
Internal Assurance Providers	3.6	The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function.	Applied	Engen Botswana has established the Board Audit Committee. As per the Committee's ToR, the following responsibilities have been set for the Committee:  1) The Board Audit Committee shall review the expertise, resources and experience of the Company's finance function, and  2) The Board Audit Committee shall also consider and satisfy itself of the suitability of the expertise and experience of the Finance Manager annually.  During the year under review, the Board, via the Board Audit Committee reviewed and satisfied itself of the expertise, resources and experience of the company's finance function to be adequate.
	3.7	The audit committee should be responsible for overseeing of internal audit.	Applied	As per the Board Audit Committee ToR, the committee shall approve the annual Internal Audit Plan in conjunction with the Chief Internal Auditor and make recommendations to the Board for approval. Internal Audit is performed by the parent / holding company at group level.

Area	Ref.	Requirement	Compliance Status	Detailed Comments / Remarks
<b>3. Audit Committee:</b> [continued]				
Internal Assurance Providers	3.8	The audit committee should be an integral component of the risk management process.	Applied	The mission of the Board Audit Committee is to ensure that it has identified and understands the areas of business which, due to their nature or exposure to risk, are critical to its operations and success. With such consideration the departments within Engen Botswana Limited have developed Enterprise Departmental Risk Registers which are shared with the Committee during meetings held for identification and assessment of risks.
External Assurance Providers	3.9	The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process.	Applied	As stated in the Board Audit Committee ToR, the Committee must recommend the External Statutory Auditor for appointment by the Shareholders during the Annual General Meeting held. The Board Audit Committee recommended Ernst and Young (Botswana) as the External Statutory Auditors. An external audit plan presented by Ernst and Young (Botswana) was presented to the Board Audit Committee for recommendation.
Reporting	3.10	The audit committee should report to the board and shareholders on how it has discharged its duties.	Applied	The Board Audit Committee provides regular updates of its activities to the Board during all Board meetings held during the financial year. A summary Directors Report comprising of the financial performed (i.e. annual audited financial statements) is presented in the company's Annual Report and the Chairman of the Board Audit Committee is present at the Annual General Meeting to address stakeholder questions.
<b>4. The Governance of Risk:</b>				
The Board's Responsibility for Risk Governance	4.1	The board should be responsible for the governance of risk.	Applied	In accordance with the Engen Botswana Limited Board Charter, the Board is responsible for the Governance of Risk within the company. Engen Botswana Limited has a comprehensive Enterprise Risk Register which is continuously updated by the Managing Director and Heads of Departments and presented to the Board regularly. Matters pertaining to Enterprise Risk Management is periodically discussed with the Board during the Board meetings held.

Area	Ref.	Requirement	Compliance Status	Detailed Comments / Remarks
<b>4. The Governance of Risk:</b> [continued]				
<b>The Board's Responsibility for Risk Governance</b>	4.2	The board should determine the levels of risk tolerance.	Not Applied	Engen Botswana Limited has an Enterprise Risk Register which is continuously updated by the Managing Director and Heads of Departments and presented to the Board regularly. However, the Risk Register of the company is not indicative of specific Risk Ratings for each of the risks identified. Further, there is currently no Risk Tolerances levels established to determine the acceptable level of risks. The Group Risk Committee is currently in the process implementing risk tolerance / appetite for each of the affiliates of which guidelines / roadmaps relating to what has been shared with the Engen Botswana Limited.
	4.3	The risk committee or audit committee should assist the board in carrying out its risk responsibilities.	Applied	The Board Audit Committee ensures that all Audits have a risk based approach of which Internal Audit identifies potential inherent and operational risks within the audit plan and further the External Statutory Audit effectively addresses the critical / significant risk areas in the business.
<b>Management's Responsibility for Risk Management</b>	4.4	The board should delegate to management the responsibility to design, implement and monitor the risk management plan.	Applied	In accordance with the Engen Botswana Limited Board Charter, the Board is responsible for the Governance of Risk within the company. Engen Botswana Limited has an Enterprise Risk Register which is continuously updated by the Managing Director and Heads of Departments and presented to the Board regularly. Matters pertaining to Enterprise Risk Management is periodically discussed with the Board during the Board meetings held. The Board Audit Committee approves the Internal Audit Plan and considers the level of risk management assurance necessary for inclusion in the plan.
<b>Risk Assessment</b>	4.5	The board should ensure that risk assessments are performed on a continual basis.	Applied	In accordance with the Engen Botswana Limited Board Charter, the Board is responsible for the Governance of Risk within the company. Engen Botswana Limited has an Enterprise Risk Register which is continuously updated by the Managing Director and Heads of Departments and presented to the Board regularly. Matters pertaining to Enterprise Risk Management is periodically discussed with the Board during the Board meetings held.

Area	Ref.	Requirement	Compliance Status	Detailed Comments / Remarks
<b>4. The Governance of Risk:</b> [continued]				
Risk Assessment	4.6	The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.	Applied	The Board implements Risk Management via the Board Audit Committee. The Board approved the Business Continuity Management Policy to ensure any unpredicted risks are managed. Entries Risk Management Frameworks and policies have been developed, with risk tolerance levels. In addition regular visits is conducted with the Affiliate by Engen Group Risk from South Africa.
Risk Response	4.7	The board should ensure that management considers and implements appropriate risk responses.	Applied	The Engen Botswana Limited Enterprise Risk Register has detailed a section of which Action Plans are given by the responsible persons of the risk identified (i.e. Risk Owners).
Risk Monitoring	4.8	The board should ensure continual risk monitoring by management.	Applied	Matters relating to Enterprise Risk Management are standing agenda items on Board Audit Committee meetings. The Managing Director and Executive Management provides detailed reports on strategic and operational risks for the Company. The Enterprise Risk Register is a document continuously being updated as per the Chairman's advise of which updates are given on every Committee and Board meetings held.
Risk Assurance	4.9	The board should receive assurance regarding the effectiveness of the risk management process.	Applied	The Board receives assessment of the effectiveness of the system of internal controls and risk management through Internal Audit Reports shared / presented by the Group's In-house Internal Audit Function based in Cape Town, South Africa.
Risk Disclosure	4.10	The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.	Applied	Potential Risks that affect the Financial performance of the Company are disclosed in the Annual Financial Statements section of the Annual Report. Disclosure of Directors Opinion on the Company's going concern is Highlighted on the Managing Directors Report section of the Annual Report

Area	Ref.	Requirement	Compliance Status	Detailed Comments / Remarks
<b>5. The Governance of Information Technology:</b>				
	5.1	The board should be responsible for information technology (IT) governance.	Applied	The Board has stated in its Charter the governance of Information Technology as one of its responsibilities. The establishment of appropriate IT policies, Framework and Strategy is done at Engen Group level but having the Board as the Decision point.
	5.2	IT should be aligned with the performance and sustainability objectives of the company.	Applied	The Groups IT function and strategy is aligned to the Groups organisational strategy. Engen Botswana Limited's IT requirements and processes are aligned to the Group's central IT business division located in Cape Town, South Africa. The Board Audit Committee holds regular meetings with the Chief of IT to discuss any impending IT related matters. All IT related decisions are aligned to Group IT and systems are integrated and helpdesk assist the Affiliate where needed with IT related issues.
	5.3	The board should delegate to management the responsibility for the implementation of an IT governance framework.	Applied	Governance of Information Technology is done at Group Level of which a framework has been developed and implemented. The Technology Steering Committee and IT Department are responsible for the implementation of all the structures, processes and mechanisms of the IT strategy. The Chief Information Officer has access to and regular interaction on strategic matters with the Engen Botswana Limited Board and executive management. The Chief Information Officer is currently at Group Level who as per the Limits of Authority makes recommendations pertaining to the IT strategy.
	5.4	The board should monitor and evaluate significant IT investments and expenditure.	Applied	IT investments and expenditure are governed in terms of the Limits of authority and major IT projects are monitored continually by management and reports of such investments and expenditure are shared with the Board during Board meetings held.
	5.5	IT should form an integral part of the company's risk management.	Applied	As per the Engen Botswana Limited Enterprise Risk Register, relevant information technology and information related risks are included as part of the operational risks of the company for which action plans have been developed to help mitigate such identified risks.

Area	Ref.	Requirement	Compliance Status	Detailed Comments / Remarks
<b>5. The Governance of Information Technology:</b> [continued]				
	5.6	The board should ensure that information assets are managed effectively.	Applied	Engen Botswana has implemented the Group's policies and procedures that ensure adequate data protection. These policies include the Information Security Policy, Corporate Privacy Policy, Data Backup Policy and Disaster Recovery Plan, etc.
	5.7	A risk committee and audit committee should assist the board in carrying out its IT responsibilities.	Applied	The Risk and Compliance and Audit committee at Board Level assist the Board in carrying out its IT responsibilities. The Risk and Compliance Committee ensures that IT risks are adequately addressed through its risk management and monitoring processes for all of its Affiliates. Additionally, any Internal IT related issues are discussed with the Board through the Board Audit Committee.
<b>6. Compliance with Laws, Rules, Codes and Standards:</b>				
	6.1	The board should ensure that the company complies with applicable laws and considers adherence to nonbinding rules codes and standards.	Applied	The Managing Director ensures that regular updates on applicable Laws and Regulations is shared with the Board and a Dashboard Report on the Compliance with the Laws and Regulations is presented during Board Meetings.
	6.2	The board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business.	Applied	The Board is regularly kept informed of the regulatory compliance status of the Company through a dashboard developed by management. The Managing Director ensures that regular updates on applicable Laws and Regulations is shared with the Board and a Dashboard Report on the Compliance with the Laws and Regulations is presented during Board Meetings.
	6.3	Compliance risk should form an integral part of the company's risk management process.	Applied	Statutory Compliance assessments for Engen Botswana Limited are done at Group Level as per the Management Agreement signed by both parties. All compliance related issues / items are reviewed at Group Level and implemented within Engen Botswana Limited. In addition, the compliance function monitors and reports on compliance at Board level. The Report gives a detailed description of the Legislative requirements, offenses that may arise from the requirement as well as the penalties the Company is likely to face should they not abide by the requirements.

Area	Ref.	Requirement	Compliance Status	Detailed Comments / Remarks
<b>6. Compliance with Laws, Rules, Codes and Standards:</b> [continued]				
	6.4	The board should delegate to management the implementation of an effective compliance framework and processes.	Applied	Statutory Compliance assessments for Engen Botswana Limited are done at Group Level as per the Management Agreement signed by both parties. All compliance related issues / items are reviewed at Group Level and implemented within Engen Botswana Limited. In addition, the compliance function monitors and reports on compliance at Board level. The Report gives a detailed description of the Legislative requirements, offenses that may arise from the requirement as well as the penalties the Company is likely to face should they not abide by the requirements.
<b>7. Internal Audit:</b>				
The Need for and the Role of Internal Audit	7.1	The board should ensure that there is an effective risk based internal audit.	Applied	Internal Audit is conducted by the Group Internal Audit team based in Cape Town, South Africa. The Engen subsidiary companies (Engen Botswana Limited included) is regular audited at group level whereby process / control efficiency is reviewed and a report is shared with the subsidiary companies in accordance with an approved Internal Audit Plan.
The Need for and the Role of Internal Audit	7.2	Internal audit should follow a risk based approach to its plan.	Applied	The Internal Audit plan and approach are informed by the strategy and risks of the Group. The Internal Audit Plan for the company is developed centrally by the parent / holding company's Group Internal Audit (Cape Town, South Africa).
	7.3	Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management.	Applied	Internal Audit is conducted at Group Level by the Group Internal Audit team that is based in Cape Town, South Africa. The Engen subsidiary companies (Engen Botswana Limited included) is regular audited at group level whereby process / control efficiency is reviewed and a report is shared with the subsidiary companies in accordance with an approved Internal Audit Plan.
	7.4	The audit committee should be responsible for overseeing internal audit.	Applied	The Board Audit Committee oversees the engagements with the Group Internal Audit. The Board Audit Committee makes use of co-sourced solutions to supplement in-house skills from time-to-time as and when required. Internal audit reports at Board Audit Committee meetings.

Area	Ref.	Requirement	Compliance Status	Detailed Comments / Remarks
<b>7. Internal Audit:</b> [continued]				
	7.4	The audit committee should be responsible for overseeing internal audit.	Applied	The Board Audit Committee oversees the engagements with the Group Internal Audit. The Board Audit Committee makes use of co-sourced solutions to supplement in-house skills from time-to-time as and when required. Internal audit reports at Board Audit Committee meetings.
<b>Internal Audit's Status in the Company</b>	7.5	Internal audit should be strategically positioned to achieve its objectives.	Applied	The Board Audit Committee satisfies itself that the internal audit process is independent, objective and strategically positioned to achieve its objectives and execute the approved Internal Audit Plan. Internal Audit is conducted by the Group Internal Audit team based in Cape Town, South Africa. The Engen subsidiary companies (Engen Botswana Limited included) is regular audited at group level whereby process / control efficiency is reviewed and a report is shared with the subsidiary companies in accordance with an approved Internal Audit Plan.
<b>8. Governing Stakeholder Relationships:</b>				
	8.1	The board should appreciate that stakeholders' perceptions affect a company's reputation.	Applied	Important stakeholder groups have been identified and include shareholders, employees, customers, suppliers and government bodies. The Board Members receive regular presentations and updates on matters pertaining to Corporate Social Investment and stakeholder engagements / partnerships.
	8.2	The board should delegate to management to proactively deal with stakeholder relationships.	Applied	Engen Botswana has an Engagement Policy drafted to allow for the management of stakeholder relationships. The Engen Botswana Limited Board has delegated to the Managing Director to proactively deal with Stakeholder relationships by ensuring that the Policy properly implemented and operationalised. The company issues a notice on its Annual Report of annual general meetings in appropriate time, allowing for consideration by shareholders.
	8.3	"The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company."	Applied	Through the Stakeholder Engagement Policy, Engen will be guided by the best practice principles (AA1000SES), of which the principle of responsiveness ensures that Stakeholder issues that could have a material impact on Engen and/or the relevant Stakeholder are escalated appropriately within Engen. The Policy goes on to categorize stakeholders into four (04) groups; Authorisers, Partners, Influencers and Associations.

Area	Ref.	Requirement	Compliance Status	Detailed Comments / Remarks
<b>8. Governing Stakeholder Relationships:</b> [continued]				
	8.4	Companies should ensure the equitable treatment of shareholders.	Applied	In line with the Botswana Stock Exchange Listing Requirements, the Board makes every effort to treat all shareholders equally and disclose the earnings per share and the profits attributable to ordinary shareholders. The Annual Reports prepared in prior periods also provides a summary on Economic Value Added to various stakeholders of the Company inclusive of the shareholders.
	8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.	Applied	Engen Botswana Limited as a Listed Company is expected by the Botswana Stock Exchange to submit Interim Reports and Annual Reports inclusive of relevant financial information and other significant information to stakeholders for decision making purposes. These reports are published and publicly available through the Botswana Stock Exchange. The shareholders are also informed of and invited to the Annual General Meetings conducted with adequate notice. The company also releases and publishes special notices and announcements to stakeholders as deemed necessary.

Area	Ref.	Requirement	Compliance Status	Detailed Comments / Remarks
<b>9. Integrated Reporting and Disclosure:</b>				
Transparency and Accountability	9.1	The board should ensure the integrity of the company's integrated report.	Not Applied	The company has not developed an Integrated Annual Report during the prior financial reporting periods.  <b>Note:</b> The company prepares an Annual Report that give a broad view of the Engen Botswana operational, financial and on-financial status is formally reviewed and approved by the board upon the review of the Audit Committee and the external auditors. The Annual Report is then shared with the Botswana Stock Exchange and published for the public to view. The Annual Reports are prepared to be in compliance with the requirements prescribed by the Botswana Stock Exchange and the Companies Act of Botswana.
	9.2	Sustainability reporting and disclosure should be integrated with the company's financial reporting.	Not Applied	The company has not developed an Integrated Annual Report during the prior financial reporting periods.  <b>Note:</b> Information relating to Health and Safety is commented upon on the Annual Report in the Managing Directors report section with updates on incidents occurred during the year that would have impacted Health and Safety of the company. Potential Risks that affect the financial performance of the company is disclosed in the Annual Financial Statements section of the Annual Report. Disclosure of Directors opinion on the company's going concern is Highlighted on the Managing Directors Report section of the Annual Report
	9.3	Sustainability reporting and disclosure should be independently assured.	Not Applied	The company has not developed an Integrated Annual Report during the prior financial reporting periods.  <b>Note:</b> As a way of assuring sustainability a Health, Safety, Environment and Quality ("HSEQ") Report is shared with the Board on an annual basis. The Report feeds on the Health and Environmental disclosures made in the Annual Report. However, reporting data is compiled by management with no independent assurance provided.



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**ENGEN**

## **INTEGRATED**

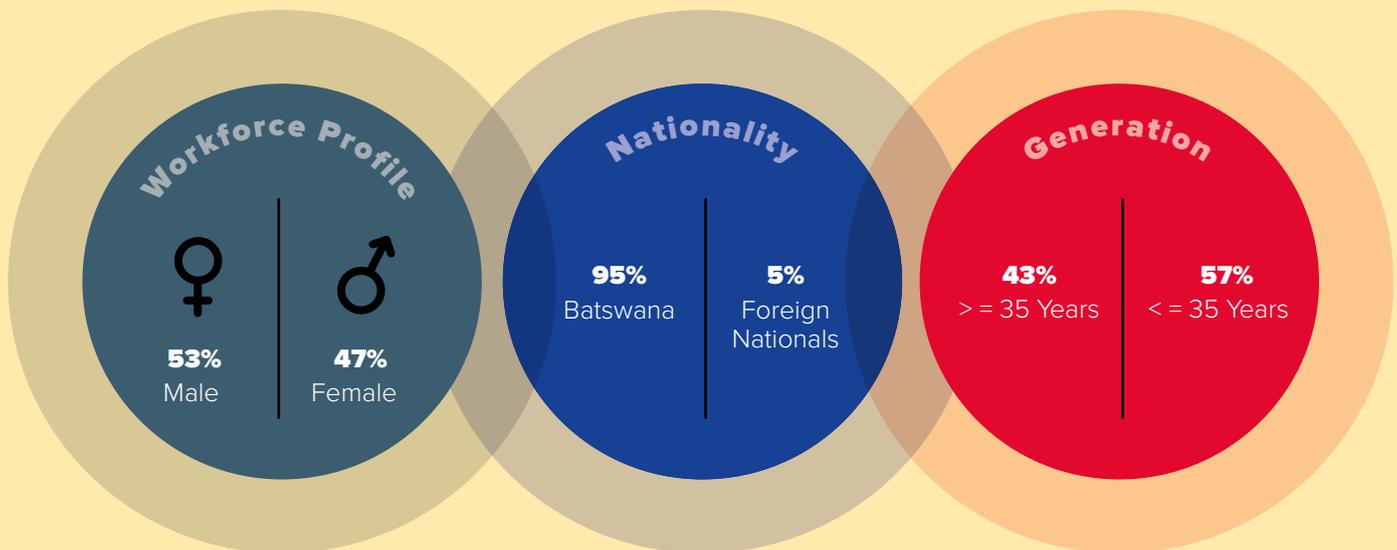
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# **SUSTAINABILITY**

Human Capital	100
Social & Relationship Capital	102
Manufactured Capital	107
Natural Capital	108

## HUMAN CAPITAL

### KEY HIGHLIGHTS:



### OUR PEOPLE

The world of work is changing and our strategies to support our employees are constantly evolving. We have focused the team on becoming broader in the forefront of technology to support an increasingly agile and mobile workforce. To support our growth and sustainability – and to operate our business safely and efficiently – Engen employees need to be high performing, innovative and motivated.

2021 was a challenging year for all our people. The COVID-19 pandemic prompted us to reimagine what it means to work at Engen. As a result of the need to social distance, we reviewed workspace configurations and safety measures across our footprint in close collaboration with our key stakeholders. Many

colleagues had to transition to working from home, often at short notice, while maintaining the safety of our operations. The pandemic also brought practical challenges of lockdowns, forcing the business to operate with a reduced skeletal staff at times. Quarantine measures at land border posts also affected supply and inbound logistics, with truck drivers having to undergo mandatory COVID-19 PCR testing upon entry into the country. Our people in Botswana also had to navigate the complex and ever-changing essential services and interzonal permit system that prevailed for most of the period.

Personal safety is of paramount importance to our business. Our strategy has been forced to evolve to ensure that our people are safe, while being supported with the right skills, experience, training, and mentorship. Our

focus continues to take a holistic approach, building and retaining critical skills and developing our leadership capabilities. This creates an environment which inspires and motivates all our employees to perform at their best.

Our adoption of the PETRONAS Cultural Beliefs drives a culture of ongoing feedback. This has increased employee engagement and continues to support a culture of accountability.

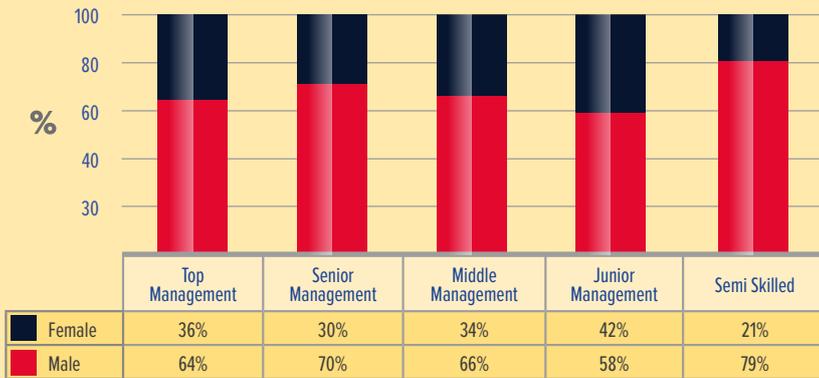
We have focused on our Employee Value Proposition and recognise the importance of attracting and retaining highly engaged and high-performing employees and leadership teams.

The PETRONAS Cultural Beliefs are aligned to our core values with the priority of ethical values set by our leaders across the organisation.

## GENDER DIVERSITY

The gender diversity of the Engen Botswana Limited workforce is quantified as follows:

Gender Split vs. Occupational Level



## SOCIAL & RELATIONSHIP CAPITAL

Engen recognises the value and impact of our business in the sustainability of the social environment in which we operate. For Engen to deliver value, remain fit for the future and generate positive societal impacts while enriching lives, our actions, policies and processes need to be continuously assessed and refined to adapt to changing times and address evolving challenges.

We are therefore committed to operating safely, responsibly and reliably, and aligning our practices with acceptable business norms and industry benchmarks.

Social Sustainability Aspects that are material to us and our stakeholders include:

- Safety and Health
- CSI
- Sponsorship
- Enterprise Development
- Seamless Customer Experience

### SAFETY AND HEALTH

As a leading player in the Botswana petroleum products distribution and marketing segment, Engen is subject to complex health and safety laws and regulations at numerous jurisdictional levels regionally and nationally, including laws relating to human exposure and the use, handling, storage and disposal of hazardous materials. As such, we place the highest priority on the health and safety of our workforce and the protection of our assets, communities, environment and all stakeholders as reflected in the Engen Health, Safety and Environment Policy, which sets out the Company's guiding principles in managing risks and hazards relevant to the business operations.

We oversee the governance of HSE through application of our HSE Management System. Our Executive Committee upholds and drives safety excellence through their leadership values, competencies and behaviours. They are responsible for understanding and mitigating risks as well as maintaining and assuring safeguards for the business. The Executive Committee demonstrates their commitment by leading and integrating HSE aspects into business plans and targets. These plans and targets are then strategically aligned with our HSE Plan and cascaded to all working levels. Through continuous employee engagement, they set clear expectations, targets and

objectives for each employee. Our annual Engen HSE scorecard, comprising key performance indicators, is developed based on historical statistics with the aim of improving our safety performance year-on-year, and ultimately achieving zero incidents.

**WE PLACE THE HIGHEST PRIORITY ON THE HEALTH AND SAFETY OF OUR WORKFORCE AND THE PROTECTION OF OUR ASSETS, COMMUNITIES, ENVIRONMENT AND ALL STAKEHOLDERS**

HSE risks, incidents, performance and issues are deliberated by our Executive Committee on a monthly basis chaired by our MD/ CEO and subsequently reported to the Engen Botswana Limited Board. In addition, HSE management review is conducted as part of benchmarking against the previous year's HSE performance and PETRONAS Group's Operating Units performance as part of learning from others and improvement for the following years' strategic objectives.

In ensuring health and safety improvements, employees' involvement in work-site HSE Committee meetings involves deliberation of site-specific HSE issues, programmes and performance on a monthly basis. The periodic meetings include participation of both employees and management representatives.

## Health, Safety and Environment MANAGEMENT SYSTEM (HSE-MS)

- LEADERSHIP AND COMMITMENT
- POLICY AND STRATEGIC OBJECTIVES
- ORGANISATION, RESPONSIBILITIES AND DOCUMENTATION

- ASSURANCE
- MANAGEMENT REVIEW



- HAZARDS AND EFFECTS MANAGEMENT PROCESS

- PLANS AND PROCEDURES
- IMPLEMENTATION AND MONITORING



## OUR SAFETY PERFORMANCE

In 2020, we continued our journey towards the creation of a generative HSEQ Culture. Initiatives spanning our key focus areas of people and culture, work processes and management systems, in terms of managing safety risks, land transportation, and contractor management, continued.

### **We achieved commendable safety performance in 2021: zero fatality.**

While there remains room for improvement, we continue to place the highest commitment to safeguard our workforce and assets by placing vigorous efforts on strengthening HSE compliance, managing HSE risks and improving HSE monitoring at sites.

## SOCIAL & RELATIONSHIP CAPITAL [Continued]

All incidents were investigated, and all recommended corrective actions were monitored and tracked for closure. In preventing future incidents, increased efforts through checking were conducted on similar operations where reoccurrence of incidents may happen. Lessons learnt from incidents are also shared across the Company, with our contractors and business partners to prevent recurrence.

In Land Transport, Engen teams rolled out Road Transport Safety Operational Guidelines (RTSOG) in Botswana. The RTSOG has become the Engen standard that all transport related matters will meet going forward, including future contractual arrangements for contractors. A Behavioural Observation System (BOS) has been entrenched and that together with coaching from on-board cameras continues to provide us with system tools that assists with training of Bulk Truck Operators. We also continue to introduce

interventions on other risks identified in the process - including Fatigue and Ergonomics - to ensure the safe delivery of our products.

Moving forward, we will continue to make sure safety becomes a priority in all our activities, including enhancement of HSE risk management that leverages on digitalised tools, development of Generative HSE Culture capability at all working levels and regular syndications with employee on HSE best practices and lessons learnt.

	2017	2018	2019	2020	2021
<b>LTIF</b> (per 200 000 man hours)	0.28	0.32	0.08	0.33	0.02
<b>TRR</b> (per 200 000 man hours)	70%	65%	58%	79%	44%
<b>WORK RELATED FATALITIES</b>	0	0	0	0	0

### HEALTH AND WELL- BEING

Our Organisational Health services reinforce our position as an employer of choice by providing a tangible expression of our care for our employees, thereby attracting the best talent available. The Occupational Health components mitigate our health and safety risks and support legal compliance.

### COVID-19

In response to COVID-19 Engen instituted hygiene measures and temperature checks at all business locations, forecourts and convenience stores as well as the provision of safety materials, including sanitizers, gloves and masks to all dedicated Engen forecourt and Quickshop staff.

### Employee Wellness Services

Our Wellness Services aim to optimise the general health of our employees. We achieve this through awareness and education, personal

health risk identification and control, and supportive/ rehabilitative care where necessary.

Controlling chronic disease contributes significantly to our sustainability as it has a positive effect in two ways: for all employees, it halts the progress to impairment and disability, and for employees involved in safety sensitive work, it reduces the likelihood of accidents. No wellness events were held in 2021 due to COVID-19.

## CORPORATE SOCIAL RESPONSIBILITY

Our Corporate Social Responsibility (CSR) approach aims to support community upliftment and social development initiatives that encourage engagement and empowerment of vulnerable people, all with a common aim – to make a lasting, sustainable impact.

As a company that cares, and true to our statement of purpose in which we strive to be considered “A

Progressive Energy and Solutions Partner Enriching Lives for a Sustainable Future”, we remain committed to doing business in ways that are compatible with the economic, social and environmental needs of the communities in which we operate.

Botswana join with the Nayang Association to launch the Shoe Drive sponsorship. School shoes

to the value of P57 780 were donated to over 320 children at Bana Ba Keletso Childcare school in Molepolole and La Modimo Charity in Sese.

Engen Botswana continues to stand ready to continue providing necessary support in the fight against the worst effects of the pandemic on the community and the greater economy.



## SOCIAL & RELATIONSHIP CAPITAL [Continued]

### SEAMLESS CUSTOMER EXPERIENCE

In order to live up to our brand promise “With us you are Number One” we anchor our strategy on the customer’s lens. Maintaining a relentless “customer-first” mindset ensures that we endeavour to deliver a Seamless Customer Experience in every interaction. This is why we have a series of initiatives across the business to provide the best experience to win the confidence of our customers and maintain their trust in our brand.

### CUSTOMERS’ SAFETY AND HEALTH

In treating customers right, we apply strict policies and procedures as we believe that our customers deserve safe, high quality products and services.

### Customer Support and Engagement

We value all our customers and build our relationships as we continuously strive to ensure that the voice of the customer is analysed, by extending customers’ feedback to relevant units within the company, and finally reflected in the development of our products and services.

The constant interactions with our customers have resulted in Customised targeted campaigns that were derived from paying heed to customers’ feedback:

- **Win 20K – Waya Waya**
- **Know your oil**

We believe that every bit of feedback counts as we provide other channels including emails, and social media i.e. Facebook, and Twitter, thereby appealing to our customers of multiple demographics. We also continuously look at new methods to serve the various segments of our customer base as modes of communication evolve.

## MANUFACTURED CAPITAL

### SUPPLY

Our Supply Chain is responsible for ensuring security of supply and delivering all customer fuel requirements safely, on time, with no impact to the environment. Furthermore, our Supply Chain manages and operates all Engen terminals and depots, and the distribution and bulk transport that services our network of retail service stations and commercial customers.

With Botswana’s enormous geographical footprint and low population density we have to maintain optimal logistics network efficiency. To this end, we have put in place the building blocks to secure a watertight end-to-end supply chain that reduces costs, improves work efficiencies and maximizes returns.

We do however also rely on third party infrastructure. In 2020 this left us struggling to service customers timeously and cost effectively in the face of stock out, lockdown and transport complications largely linked to the COVID-19 pandemic.



We endeavour to continually improve on OTIF (On Time In Full) as a key measure for customer service and are hopeful that in 2021 our scores will normalize. We trust that the renewed focus by the Government on energy security and the completion of new fuel bulk storage facilities that were on hold will further improve the reliability of supply of fuel in Botswana.

We also continue to assess the technology we use to improve agility, reduce costs and respond to environmental changes in our supply chain.

In 2021, we continued the good work started in 2018 in entrenching the Land Transport Management System as per PETRONAS Downstream requirements. This initiative involved completing Site Hazard Mapping and Route Hazard Mapping, training of Transporters, and conducting behaviour observation and audits during loading and unloading of vehicles. We are pleased to report that there was a marked reduction in transporter related incidents in 2020 with no road injuries or fatalities. This programme will continue in 2021 with more focus on digital monitoring of vehicles, loading and offloading observations.

## NATURAL CAPITAL

Through our HSEQ Policy, we have committed to continually enhancing ways to protect the environment wherever we operate. In cases where impacts do occur, we have emergency response systems in place to mitigate, minimise, and remediate impacts to our natural ecosystems.

In line with our HSE Management System, we strive to comply with all applicable legal requirements. In cases where appropriate, we also apply international and internal standards to minimise impacts and protect environmental resources. Our environmental performance is enhanced through consistent monitoring and analysis of risks and the required mitigations. We also have policies and procedures that are reviewed regularly to ensure that all risks are correctly documented and managed.

The PETRONAS Mandatory Control Framework (MCF) remains a critical internal standard that informs how we conduct our business. The MCF ensures the consistent application of systems and processes across our operations, while also providing minimum compliance requirements on key environmental elements.

### WATER MANAGEMENT

Freshwater management remains an item of critical importance for us and we are cognisant of the global concern on freshwater availability. We have therefore been working across our business to spread awareness on this and improve understanding of how we use and manage water while identifying ways in which we can use this resource more efficiently.

### ENERGY MANAGEMENT / CLIMATE CHANGE

As an energy focused company, Engen recognises that we have a responsibility to balance the issue of climate change with the challenge to sustainably produce affordable and reliable energy. Energy Efficiency is thus of critical importance to us. We

will continue to meet our obligations in terms of climate change related legislative requirements.

Energy efficiency remains a priority throughout our business. We have ongoing initiatives at our sites involving the switch to LED lighting, and anticipate introducing motion sensor lighting and timers to further improve our energy utilisation. Our total energy consumed includes energy from mobile combustion via our tanker fleet, employee job-need vehicles and from electricity use.

In 2021, we will continue to assess and unpack the risks to our operations from the effects of climate change. We recognise that it is important for these risks to be understood and incorporated into our risk management system.



## FINANCIAL CAPITAL

An economic contraction of 7.7% in real GDP terms, declines in key fuel-consuming economic sectors, and lower margins presented significant challenges for our financial performance in 2021.

Global oil prices were significantly higher in 2021 compared to 2020.

Coupled with the muted economic environment, volume and margin declines were experienced in Botswana, resulting in a lower turnover and gross profit versus 2020.

# ENGEN BOTSWANA LIMITED STAFF





CELEBRATING

OUR FRONTLINE

HEROES



## INTEGRATED

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# ANNUAL FINANCIAL STATEMENTS

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## GENERAL INFORMATION

<b>Directors:</b>	S Ndzinge C C Monga A M Siwawa F J Kotze L Makwinja S Williams H Morrison B F Sameke	Motswana Zambian Motswana South African Motswana South African South African Zimbabwean	(Chairman) (Managing Director)       (Appointed 1 November 2021)
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**Principal Activities:** Petrochemical investments and property operations

**Parent Company:** Petroleum Investment Holding Limited (Incorporated in Mauritius)

**Ultimate Parent Company:** Petroliam Nasional Berhad (PETRONAS) (Incorporated in Malaysia)

**Company Secretary:** PricewaterhouseCoopers (Pty) Ltd  
Fairgrounds Office Park  
Plot 50371  
P O Box 1453, Gaborone

**Company Number:** BW00000748780

**Registered Office:** Plot 54026  
Western Bypass  
P O Box 867  
Gaborone

**Auditor:** Ernst & Young, Botswana

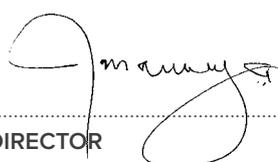
**Bankers:** First National Bank of Botswana Limited  
Absa Bank Botswana Limited  
Standard Chartered Bank Botswana Limited  
Stanbic Bank Botswana Limited

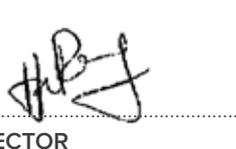
**Country of Incorporation and Domicile:** Botswana

**Currency:** Botswana Pula

## APPROVAL OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

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

  
.....  
DIRECTOR

  
.....  
DIRECTOR

15 March 2022

# DIRECTORS' REPORT

## Nature of business

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

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

## Review of activities

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

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

## Financial Results

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

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

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

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

## Going concern

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

This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

## Stated capital

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

## Directors

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

## Company Secretary

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

## Dividends

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

## Events after the reporting period

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

## Conclusion

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



# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

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

# STATEMENT OF FINANCIAL POSITION

as at 31 December 2021

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



# STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	Group		Company	
		2021 P'000	2020 P'000	2021 P'000	2020 P'000
<b>Cash flows from operating activities</b>					
Profit before tax		354 845	147 212	178 630	182 242
Adjustments for:					
Interest received		(7 463)	(10 190)	(454)	(733)
Loss/(Profit) on disposal and scrapping of property, plant and equipment	3.1	377	(310)	-	-
Foreign exchange differences		2 663	-	-	-
Dividends income from subsidiary inclusive of withholding tax	2	-	-	(179 049)	(178 889)
Dividends received from joint venture	3.1	-	-	(2 000)	(6 000)
Finance costs	3.4	9 798	10 175	-	-
Fair value on forward exchange contracts		1 615	46	-	-
Share of profit of joint ventures	8	(1 044)	(4 097)	-	-
Depreciation on property, plant and equipment	7	15 640	22 856	40	40
Profit on derecognition of lease liability/asset	3.1	(52)	(2 615)	-	-
Depreciation on right of use of assets	21	6 643	5 499	-	-
Operating profit/(loss) before working capital changes		383 022	168 576	(2 833)	(3 340)
(Increase)/Decrease in trade and other receivables		(338 280)	34 649	(26)	-
(Increase)/Decrease in inventories		(27 393)	8 061	-	-
Increase/(Decrease) in trade and other payables		183 141	(56 678)	(938)	834
Cash generated from (used in) operations		200 490	154 608	(3 797)	(2 506)
Interest received	3.3	7 463	10 190	454	733
Finance costs	3.4	(6 657)	(4 886)	-	-
Income taxes paid	4	(100 509)	(49 452)	(1 091)	(855)
<b>Net cash flows from/(used in) operating activities</b>		<b>100 787</b>	<b>110 460</b>	<b>(4 434)</b>	<b>(2 628)</b>
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment to expand operations	7	(30 228)	(37 868)	-	-
Proceeds on the disposal of property, plant and equipment		-	322	-	-
Dividends received from subsidiary		-	-	163 276	165 472
Dividend received from joint venture	3.1	2 000	6 000	2 000	6 000
<b>Net cash flows (used in)/from investing activities</b>		<b>(28 228)</b>	<b>(31 546)</b>	<b>165 276</b>	<b>171 472</b>
<b>Cash flows from financing activities</b>					
Dividends paid	6	(163 276)	(165 472)	(163 276)	(165 472)
Payment of principal portion of lease liabilities		(3 343)	(2 887)	-	-
<b>Net cash flows used in financing activities</b>		<b>(166 619)</b>	<b>(168 359)</b>	<b>(163 276)</b>	<b>(165 472)</b>
Net (decrease)/increase in cash and cash equivalents		(94 060)	(89 445)	(2 434)	3 372
Net foreign exchange differences		(2 663)	-	-	-
Cash and cash equivalents at the beginning of the year		390 886	480 331	32 432	29 060
<b>Cash and cash equivalents at end of the year</b>	13	<b>294 163</b>	<b>390 886</b>	<b>29 998</b>	<b>32 432</b>

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

### GROUP

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

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

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



# STATEMENT OF CHANGES IN EQUITY [continued]

For the year ended 31 December 2021

## COMPANY

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation

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

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

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

### Statement of compliance

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

### Basis of consolidation

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

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

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

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

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

- Derecognises the assets and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

### Foreign currency translation

#### Functional currency

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

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



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

### Investments in subsidiaries

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

### Investments in joint ventures

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

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

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

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

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

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

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

### Property, plant and equipment

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

Costs also include the estimated costs of dismantling and removing the assets where the obligation has been incurred when the asset was acquired or as a consequence of using the asset. Subsequent costs are included in the asset's carrying amount or recognised as a component, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenditures are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation commences when the assets are available for their intended use. Property, plant and equipment are depreciated on a straight-line basis over the expected useful lives of the various classes of assets, after taking into account residual values. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

The residual value of an asset may increase to an amount equal to or greater than the asset's carrying amount. If it does, the asset's depreciation charge is zero until its residual value subsequently decreases to an amount below the asset's carrying amount. Useful lives of the property, plant and equipment, the depreciation method, depreciation rates, and residual values are reviewed on an annual basis.

Estimated useful lives of the assets are as follows:

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**Leasehold buildings** > shorter of period of lease or 50 years

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**Plant, equipment, and other** > 4 – 30 years

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

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

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

Capital work in progress is carried at cost less accumulated impairment. Cost comprises of amounts incurred in constructing property, plant and

equipment that are directly attributable to the construction of the asset. Assets remain in capital work in progress until they are available for use. At that time they are transferred to the appropriate class of property, plant and equipment.

### Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the

Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit or loss and other comprehensive income in expense categories consistent with the function of the impaired asset. An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss and other comprehensive income.

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



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

### Decommissioning and rehabilitation of assets

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

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

The cost of ongoing programmes to prevent and control pollution and to rehabilitate the environment is taken to profit or loss as incurred.

Where a retail site or a depot is disposed of, the unutilised portion of the Disaster, Remediation and Restoration (DRR) costs will be released to the statement of profit or loss and other comprehensive income.

### Health, safety and environment costs

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

### Inventories

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

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

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

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

### Cost of goods sold

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

### Dividend distribution

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

### Employee benefits

During the year, employees contributed to the Engen Botswana Retirement Fund. The fund is a defined contribution fund. The fund is governed by the Retirement Funds Act of 2014. Membership of this fund is compulsory for all employees. In terms of the rules of the Fund, the company is committed to contribute 9.5% of the employees' pensionable emoluments. The defined contribution funds are not required to be actuarially valued. The Group's contributions to the defined contribution plan are charged to the statement of profit or loss and other comprehensive income in the year to which they relate.

Employee entitlements to annual leave, bonuses, and pension and severance benefits are recognised as incurred. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date. Provision for

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

bonuses is recognised when a present obligation exists to make such payments and a reliable estimate of the amount can be made.

### Long term benefits

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

### Revenue from contracts with customers

#### Performance obligations and timing of revenue recognition

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

Transfer of control usually coincides with title passing to the customer. The normal credit term is 30 days upon delivery.

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

#### Determining the transaction price

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

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

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

Rebates are not offset against the customer but recognised as a separate refund liability.

#### Allocating amounts to performance obligations

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

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

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

#### Practical expedients applied

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



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

### Revenue from contracts with customers [continued]

#### Contract balances (other than contract assets)

##### Contract liabilities

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

##### Refund liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities at the end of each reporting period. Refer to the accounting policy on variable consideration on Page 125.

Other revenue streams of the Group include the following:

- Rental income;
- Interest income; and
- Dividend income;

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

### Taxes

#### Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current income tax relating to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or equity and not in profit or loss. Withholding taxes are paid to the government and they are a portion of the total dividend that is declared. Where the Group receives a dividend on which withholding tax is levied, that withholding tax is recognised as a current tax expense.

#### Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Also taking into account the manner of recovery of the underlying asset or liability.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

## Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement. The Group has recognised provisions for dismantling and restoration costs and health, safety and environment costs.

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

## Finance income and finance costs

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

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

## Financial instruments

### Initial recognition and measurement

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

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

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

### Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in two categories:

- Financial assets at amortised cost (debt instruments); and
- Financial assets at FVTPL

### Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables and debt instruments.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

### Financial assets at amortised cost (debt instruments) [continued]

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without a material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original (Effective Interest Rate) EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised for those credit exposures for which there has been a significant increase in credit risk since initial recognition, over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

For trade receivables, the Group applies a simplified approach in calculating ECLs. The entity is not required to keep track of significant changes to credit risk given that only lifetime ECLs are measured.

The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Based on research conducted by Moody's Analytics they recommend the use of their Baseline, Stronger Near-Term Rebound (S1) ("Bullish"), and Moderate Recession (S3) ("Bearish") forecast sets weighted 40%, 30%, 30% respectively for a forward looking adjustment for the purposes of IFRS 9.

The Group considers a financial asset in default when contractual payments are past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

### Financial liabilities

#### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

#### Subsequent measurement

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

#### Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

### Derecognition

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

### Offsetting of financial instruments

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

### Leases

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

### Group as a lessee

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

### i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Land and buildings 3 to 20 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

### ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not

depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

### Revenue from contracts with customers [continued]

#### Group as a lessor

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

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

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

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

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

*Amendment to IFRS 16 - Covid-19 Related Rent Concessions (Effective 1 June 2020)* - On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021.

However, the Group has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

*Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform (Effective 1 January 2021)* - The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

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

*Amendments to IFRS 3 – Reference to the Conceptual Framework (Effective 1 January 2022)* - In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

*Amendments to IAS 16 – Property, Plant & Equipment : Proceeds before Intended Use (Effective 1 January 2022)* - In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the

earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

*Amendments to IAS 37 – Onerous Contracts : Costs of Fulfilling a Contract (Effective 1 January 2022)* - In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

*AIP IFRS 9 Financial Instruments – Fees in the “10 per cent” test for derecognition of financial liabilities (Effective 1 January 2022)* - As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that

are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

*IFRS 17 Insurance Contracts (Effective 1 January 2023)* - In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

### NEW STANDARDS, NEW INTERPRETATIONS AND AMENDMENTS TO STANDARDS ADOPTED IN THE CURRENT PERIOD [continued]

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

Classification of Liabilities as Current or Non-Current – Amendments to IAS 1 (Effective 1 January 2023) - In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current

practice and whether existing loan agreements may require renegotiation. 1 January 2020

### Significant accounting judgments and estimates

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

### Significant accounting judgments and estimates

#### Estimates and assumptions

##### **Allowances for slow moving inventory**

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

##### **Allowances for credit losses**

The expected loss rates derived are based on the payment profiles of sales over a 36-month period before 31 December 2021 (being 1 January 2019 to 31 December 2021) and the corresponding historical credit losses that occurred over the same period. The historical loss rates are adjusted to reflect current and forward-looking information affecting the ability of the

customers to settle the receivables. The group has identified the gross domestic product, consumer price index and the unemployment rate of Botswana to be the most relevant indicators affecting a customers' ability to pay, and accordingly adjusts the historical loss rates based on expected changes in these factors. A specific provision is made for credit losses where customer accounts are handed over to lawyers for recovery and where it is probable that the receivable may not be recovered. Refer to Note 20.

##### **Asset retirement and removal obligations**

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

### **Allowance for health safety and environment**

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

### **Judgements**

#### **Slate receivable**

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

#### **Estimating the incremental borrowing rate used in lease liabilities**

The Group applied judgement in determining the interest rate implicit in its lease liabilities. The Group uses its incremental borrowing rate, which reflects what the Group would have to pay to borrow over a similar term, and with a similar security, the funds

necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. This requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs, such as comparable market interest rates for similar financed transactions (where and when available), and is required to make certain entity specific estimates, such as the adjustments to the rates for the subsidiaries' stand-alone credit rating and country specific risks.

### **CHANGE IN ACCOUNTING ESTIMATE**

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

#### **2021**

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

#### **2020**

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



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

### Disaggregation of revenue

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 3 PROFIT BEFORE TAX [continued]

	Group		Company	
	Dec 2021 P'000	Dec 2020 P'000	Dec 2021 P'000	Dec 2020 P'000
<b>3.3 Finance income</b>				
Financial instruments measured at amortised cost:				
Bank deposits	7 452	10 177	454	733
Other financial instruments measured at amortised cost	11	13	-	-
	7 463	10 190	454	733
<b>3.4 Finance costs</b>				
Unwinding of dismantling, removal and restoration provision (Note 15)	3 141	5 289	-	-
Interest expense on lease liability (Note 21)	6 657	4 886	-	-
	9 798	10 175	-	-
<b>3.5 Foreign exchange gains/(losses)</b>				
Gains/(losses) from financial assets measured at amortised cost	(3 448)	13 694	(1)	-
Gains/(losses) from financial assets measured at fair value through profit and loss	5 966	(5 958)	-	-
	2 518	7 736	(1)	-
<b>4. TAXATION</b>				
Botswana normal taxation				
Current				
Company tax at statutory rate	78 660	35 295	824	845
Withholding tax on dividends from subsidiary	15 773	13 417	15 773	13 417
Deferred				
Attributable to temporary differences arising in the current year	(488)	491	(1)	(1)
	93 945	49 203	16 596	14 261
<b>Reconciliation of tax rate</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Standard tax rate	22.0	22.0	22.0	22.0
Adjusted for:				
Exempt income	(0.6)	(0.2)	(13.5)	(14.6)
Non-allowable expenses	0.7	2.5	0.8	0.4
Withholding tax on dividends from subsidiary	4.4	9.1	-	-
Effective tax rate	26.5	33.4	9.3	7.8

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

### 5. EARNINGS PER SHARE

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

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

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



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 6. DIVIDENDS PAID AND PROPOSED [continued]

	Group		Company	
	Dec 2021 P'000	Dec 2020 P'000	Dec 2021 P'000	Dec 2020 P'000
<b>6. DIVIDENDS PAID AND PROPOSED</b>				
Dividends declared during the year	163 276	165 472	163 276	165 472
Amount paid	163 276	165 472	163 276	165 472

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

### Group

	Freehold Land P'000	Leasehold Buildings P'000	Plant, equipment and other (3) P'000	Capital work in progress (1) P'000	Total P'000
<b>7. PROPERTY, PLANT &amp; EQUIPMENT</b>					
<b>31 December 2021</b>					
Balance at beginning of year					
At cost	6 078	221 524	250 690	53 848	532 140
Accumulated depreciation	-	(101 268)	(120 743)	-	(222 011)
Net carrying amount	6 078	120 256	129 947	53 848	310 129
Additions	-	-	-	30 228	30 228
Scrappings - At cost	-	(3 534)	(25 931)	-	(29 465)
- Accumulated depreciation	-	3 534	25 554	-	29 088
Dismantling and restoration costs (Note 15)	-	-	27 128	-	27 128
Transfers	-	38 451	469	(38 920)	-
Depreciation (Note 3.2)	-	(10 350)	(5 290)	-	(15 640)
Balance at end of year, net of accumulated depreciation	6 078	148 357	151 877	45 156	351 468
Balance at end of year					
At cost	6 078	256 441	252 356	45 156	560 031
Accumulated depreciation	-	(108 084)	(100 479)	-	(208 563)
Net carrying amount	6 078	148 357	151 877	45 156	351 468
<b>31 December 2020</b>					
Balance at beginning of year					
At cost	6 078	220 920	269 016	22 738	518 752
Accumulated depreciation	-	(92 918)	(107 349)	-	(200 267)
Net carrying amount	6 078	128 002	161 667	22 738	318 485
Additions	-	396	4 443	33 029	37 868
Disposals - At cost	-	-	(1 124)	-	(1 124)
- Accumulated depreciation	-	-	1 112	-	1 112
Dismantling and restoration costs (Note 15)	-	-	(23 356)	-	(23 356)
Transfers	-	208	1 711	(1 919)	-
Depreciation (Note 3.2)	-	(8 350)	(14 506)	-	(22 856)
Balance at end of year, net of accumulated depreciation	6 078	120 256	129 947	53 848	310 129
Balance at end of year					
At cost	6 078	221 524	250 690	53 848	532 140
Accumulated depreciation	-	(101 268)	(120 743)	-	(222 011)
Net carrying amount	6 078	120 256	129 947	53 848	310 129



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 7. PROPERTY, PLANT & EQUIPMENT [continued]

#### Company

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

- (1) Capital work in progress includes all assets that are under construction and not yet in use as at the reporting date. These items of property, plant and equipment will be reallocated to the respective asset class on completion of the construction.
- (2) No items of property, plant and equipment have been pledged as security for liabilities.
- (3) These items consist of motor vehicles and office furniture and equipment.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 8. INTERESTS IN JOINT VENTURES

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

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

	Group		Company	
	Dec 2021 P'000	Dec 2020 P'000	Dec 2021 P'000	Dec 2020 P'000
<b>Engen Palapye Partnership</b>				
Current assets; Including cash and cash equivalents of P7 379 844 (2020: P6 063 369)	8 513	7 587	-	-
Non current assets	71 314	75 518	-	-
Current liabilities	(967)	(638)	-	-
Equity	78 860	82 467	-	-
Group's carrying amount of the investment	29 757	31 209	-	-
<b>Engen Maun Partnership</b>				
Current assets; Including cash and cash equivalents of P14 439 496 (2020: P11 077 756)	14 551	11 402	-	-
Non current assets	29 624	31 104	-	-
Current liabilities	(482)	(649)	-	-
Equity	43 693	41 857	-	-
Group's carrying amount of the investment	11 235	10 739	-	-
Total carrying amount of the investments	40 992	41 948	-	-
<b>Engen Palapye Partnership</b>				
Rental income	6 030	7 449	-	-
Rentals	7 241	6 707	-	-
Other	(1 211)	742	-	-
Fair value gains on property	(2 830)	1 600	-	-
Interest income	217	454	-	-
Direct operating expenses	(2 045)	(1 742)	-	-
Profit for the year	1 372	7 761	-	-
Share of profit of joint venture – Palapye	549	3 105	-	-



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 8. INTERESTS IN JOINT VENTURES [continued]

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

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

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

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

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

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

A dividend of P2 000 000 (2020: P6 000 000) was paid by Engen Palapye Partnership to all joint venture partners. The values of the investment in joint arrangements in the company are shown below:

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

	Group		Company	
	Dec 2021 P'000	Dec 2020 P'000	Dec 2021 P'000	Dec 2020 P'000
<b>9. INVESTMENTS</b>				
Unlisted				
- School debentures (At fair value through profit and loss)	37	37	10	10
	37	37	10	10
The investments in debentures have no maturity date and no interest applies to them.				
<b>10. INVESTMENT IN SUBSIDIARIES</b>				
Unlisted Holding				
Shares at cost:				
- Engen Marketing Botswana (Pty) Ltd 100%	-	-	72 209	72 209
A listing of the Group's principal subsidiaries is set out in Note 22.				
<b>11. INVENTORIES</b>				
Petroleum products purchased for resale - at cost	38 548	11 147	-	-
Provision for obsolete stock	(473)	(465)	-	-
	38 075	10 682	-	-
There was no write down and reversal of inventory that was recognised as an expense during the year. During 2021, P2 265 404 759 (2020: P2 110 949 396) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales.				
<b>12. TRADE AND OTHER RECEIVABLES</b>				
Financial assets				
Trade receivables, net of allowance for impairment	176 457	85 001	-	-
Other receivables	4 221	3 387	-	-
	180 678	88 388	-	-
Non-financial assets				
Slate receivable	241 544	-	-	-
Other receivables	20 394	15 948	-	-
	442 616	104 336	-	-

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

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



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

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

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

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

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

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

### 13. CASH AND CASH EQUIVALENTS

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following:

Cash on hand and at bank	184 854	287 333	2 848	1 746
Short term deposits	109 309	103 553	27 150	30 686
Cash resources	294 163	390 886	29 998	32 432

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

	Group		Company	
	Dec 2021 P'000	Dec 2020 P'000	Dec 2021 P'000	Dec 2020 P'000
<b>14. STATED CAPITAL</b>				
159 722 220 authorised and issued ordinary shares at no par value, fully paid	8 138	8 138	8 138	8 138
	8 138	8 138	8 138	8 138
For capital management disclosures refer to Note 20.				
<b>15. PROVISIONS</b>				
<b>Dismantling and restoration costs</b>				
Balance at beginning of year	57 187	75 254	-	-
	27 128	(23 356)	-	-
Additional provision (Note 7)	4 070	1 178	-	-
Change in estimate (Note 7)	23 058	(24 534)	-	-
Finance costs (Note 3.3)	3 141	5 289	-	-
	87 456	57 187	-	-
<b>Long term leave liability</b>				
Balance at the beginning of the year	-	74	-	-
Charge for the year	26	-	-	-
Transfer to short term leave liability	-	(74)	-	-
Balance at the end of the year	26	-	-	-
	87 482	57 187	-	-
Refer to the note for the Change in Accounting Estimate on Page 133.				
<b>16. TRADE AND OTHER PAYABLES</b>				
<b>Financial liabilities</b>				
Trade payables	56 188	22 909	-	-
Related party payables (Note 17)	237 008	119 927	-	-
Other payables	6 275	5 844	1 610	2 547
	299 471	148 680	1 610	2 547
<b>Non-financial liabilities</b>				
Duties & Levies	84 471	41 284	-	-
Leave pay	967	1 222	-	-
Slate payable	-	10 690	-	-
Other payables	8 969	8 861	-	-
	393 878	210 737	1 610	2 547

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

## 17. RELATED PARTY DISCLOSURES

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

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

### (i) Purchase of goods/services:

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

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

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

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

### (iii) Compensation of key management personnel

Short-term employee benefits	6 997	4 906	1 391	1 663
Post-employment benefits	365	267	-	-
Total compensation of key management personnel	7 362	5 173	1 391	1 663

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

### Terms and conditions of transactions with related parties

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

### 18.3 Commitments and contingencies continued

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

### 18.4 Lease rentals receivable – group as a lessor

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

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

### 18.5 Legal claims

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



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 19. SEGMENT REPORTING

### Operating segment information

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

Year ended 31 December 2021	Petrochemical Activities P'000	Property Letting P'000	Consolidated P'000
<b>Segment Revenue</b>			
External sales	2 709 624	-	2 709 624
<b>Total Segment Revenue (Note 2)</b>	<b>2 709 624</b>	<b>-</b>	<b>2 709 624</b>
<b>Results</b>			
Depreciation (Note 3.2)	22 283	-	22 283
Foreign exchange gains (Note 3.5)	2 518	-	2 518
Finance costs (Note 3.4)	(9 798)	-	(9 798)
Taxation (Note 4)	(93 945)	-	(93 945)
Share of profit of joint ventures	-	1 044	1 044
<b>Profit for the year after tax</b>	<b>259 856</b>	<b>1 044</b>	<b>260 900</b>
<b>Total assets</b>	<b>1 208 343</b>	<b>40 992</b>	<b>1 249 335</b>
<b>Total liabilities</b>	<b>570 295</b>	<b>-</b>	<b>570 295</b>
<b>Capital Expenditure (Note 7)</b>	<b>30 228</b>	<b>-</b>	<b>30 228</b>
<b>Year ended 31 December 2020</b>			
<b>Segment Revenue</b>			
External sales	2 331 368	-	2 331 368
<b>Total Segment Revenue (Note 2)</b>	<b>2 331 368</b>	<b>-</b>	<b>2 331 368</b>
<b>Results</b>			
Depreciation (Note 3.2)	28 355	-	28 355
Foreign exchange gains (Note 3.5)	7 736	-	7 736
Finance costs (Note 3.4)	(10 175)	-	(10 175)
Taxation (Note 4)	(49 203)	-	(49 203)
Share of profit of joint ventures	-	4 097	4 097
<b>Profit for the year after tax</b>	<b>93 912</b>	<b>4 097</b>	<b>98 009</b>
<b>Total assets</b>	<b>898 915</b>	<b>41 948</b>	<b>940 863</b>
<b>Total liabilities</b>	<b>359 447</b>	<b>-</b>	<b>359 447</b>
<b>Capital Expenditure (Note 7)</b>	<b>37 868</b>	<b>-</b>	<b>37 868</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

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

### 20. FINANCIAL INSTRUMENTS

#### Group

31 December 2021	Note	Financial assets measured at amortised cost P'000	Financial liabilities measured at amortised cost P'000	Assets/(liab- ilities) held at fair value through P&L P'000	Total carrying amount P'000
<b>Financial assets</b>					
Investments – unlisted debentures	9	-	-	37	37
Trade and other receivables	12	180 678	-	-	180 678
Cash at bank and in hand	13	294 163	-	-	294 163
Forward exchange contract asset		-	-	224	224
<b>Financial liabilities</b>					
Trade and other payables	16	-	(299 471)	-	(299 471)
Forward exchange contract liability		-	-	(1 084)	(1 084)
		474 841	(299 471)	(824)	174 546
<b>31 December 2020</b>					
<b>Financial assets</b>					
Investments – unlisted debentures	9	-	-	37	37
Trade and other receivables	12	88 388	-	-	88 388
Cash at bank and in hand	13	390 886	-	-	390 886
Forward exchange contract asset		-	-	861	861
<b>Financial liabilities</b>					
Trade and other payables	16	-	(148 680)	-	(148 680)
Forward exchange contract liability		-	-	(107)	(107)
		479 274	(148 680)	791	331 385



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 20. FINANCIAL INSTRUMENTS [continued]

#### Company

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

		<i>Financial assets measured at amortised cost P'000</i>	<i>Financial liabilities measured at amortised cost P'000</i>	<i>Assets/(liab ilities) held at fair value through P&amp;L P'000</i>	<i>Total carrying amount P'000</i>
<b>31 December 2021</b>	<b>Note</b>				
<b>Financial assets</b>					
Investments – unlisted debentures	9	-	-	10	10
Cash at bank and in hand					
<b>Financial liabilities</b>					
Trade and other payables	13	29 998	-	-	29 998
	16	-	(1 610)	-	(1 610)
		29 998	(1 610)	10	28 398
<b>31 December 2020</b>					
<b>Financial assets</b>					
Investments – unlisted debentures	9	-	-	10	10
Cash at bank and in hand	13	32 432	-	-	32 432
<b>Financial liabilities</b>					
Trade and other payables	16	-	(2 547)	-	(2 547)
		32 432	(2 547)	10	29 895

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

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

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

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

### Financial risk management objectives and policies

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

#### Interest rate risk

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

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



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 20. FINANCIAL INSTRUMENTS [continued]

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

### Foreign currency risk

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

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

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

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

### Financial Risk Management

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

#### Currency profile

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

### *Credit risk management*

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

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

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

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

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

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

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

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

All customers are grouped according to their risk category.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 20. FINANCIAL INSTRUMENTS [continued]

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

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

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

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

### Liquidity risk

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

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

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



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 20. FINANCIAL INSTRUMENTS [continued]

#### Group

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

### FAIR VALUE MEASUREMENTS

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

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

There have been no transfers between level 1 and 2 during the year.

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

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



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 20. FINANCIAL INSTRUMENTS [continued]

#### Fair values

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

#### Capital management

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

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

### 21. LEASES (GROUP AS LESEE)

Details pertaining to leasing arrangements, where the Group is lessee are presented below:

#### Net carrying amounts of right of use assets

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

Cost	Lease Properties P'000	Total P'000
1 January 2021	91 184	91 184
Additions	3 518	3 518
Derecognition of lease	(627)	(627)
31 December 2021	94 075	94 075
<b>Accumulated depreciation</b>		
1 January 2021	9 200	9 200
Current year	6 643	6 643
31 December 2021	15 843	15 843
Net carry amount	78 232	78 232
<b>Cost</b>		
1 January 2020	67 424	67 424
Additions	27 186	27 186
Derecognition of terminated lease	(3 426)	(3 426)
31 December 2020	91 184	91 184
<b>Accumulated depreciation</b>		
1 January 2020	3 801	3 801
Current year	5 499	5 499
Derecognition of terminated lease	(100)	(100)
31 December 2020	9 200	9 200
Net carry amount	81 984	81 984

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

	2021 P'000	2020 P'000
<b>Other disclosures</b>		
Interest expense on lease liabilities	6 657	4 886
Total cash outflow from leases within the scope of IFRS 16	(10 025)	(7 773)
<b>Lease liabilities</b>		
The maturity analysis of lease liabilities is as follows:		
<b>Payments:</b>		
Within one year	10 849	13 199
Two to five years	28 165	26 078
More than five years and less than ten years	7 335	37 922
More than ten years	99 003	63 121
	145 352	140 320
Finance charges:		
Within one year	(6 604)	(6 581)
Two to five years	(19 320)	(19 367)
More than five years and less than ten years	(6 328)	(25 337)
More than ten years	(29 383)	(4 789)
	(61 635)	(56 074)
Net present value	83 717	84 246
Non-current liabilities	79 472	77 628
Current liabilities	4 245	6 618
	83 717	84 246
<b>Lease liabilities</b>		
Balance at the beginning of the year	84 246	65 888
Additions	3 518	27 186
Interest	6 657	4 886
Derecognition of lease	(679)	(5 941)
Lease payments within the scope of IFRS 16	(10 025)	(7 773)
Balance at end of the year	83 717	84 246

### *Nature of leasing activities (in the capacity as lessee)*

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



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 22. SUBSIDIARY COMPANY

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

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

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

## 23. EVENTS AFTER THE REPORTING PERIOD

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

## 24. IMPACT OF COVID-19

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

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

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



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## INDEPENDENT AUDITOR'S REPORT

### TO THE SHAREHOLDERS OF ENGEN BOTSWANA LIMITED

### REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

#### *Opinion*

We have audited the consolidated and separate financial statements of Engen Botswana Limited and its subsidiaries (the Group) and company set out on pages 116 to 160, which comprise the consolidated and separate statements of financial position as at 31 December 2021, and the consolidated and separate statements of profit or loss and other comprehensive income, and the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

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

#### *Basis 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' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of the Group and Company. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audits of the Group and Company. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Key Audit Matters*

our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

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

## INDEPENDENT AUDITOR'S REPORT [continued]

The Key Audit Matters apply only to the audit of the consolidated financial statements.

Key Audit Matter – Consolidated Financial Statements	How the matter was addressed in the audit
<p><b>Provision for dismantling and restoration cost of sites</b></p> <p>The Group has a provision for the dismantling and restoration cost of sites stated at P87.4 million at 31 December 2021 (2020: P57.2 million) representing 15% of the Group's total liabilities (2020: 20%).</p> <p>We considered the provision to be significant to the audit of Engen Botswana Limited Group due to the following reasons:</p> <p>The calculation of this provision requires management's judgement in estimating future decommissioning costs and events, both internal and external to the Group. A small change to the variables making up the costs, as well as a change to an event; for example a change in useful life, can result in a material impact to the valuation of the future obligation.</p> <p>The judgement required to estimate the dismantling and rehabilitation costs is primarily compounded by the fact that the restoration and rehabilitation of each site is unique, and there has been limited restoration and rehabilitation activity. Thus there is limited historical precedent against which to benchmark estimates of future costs.</p> <p>The influence of ongoing activity and the annual changes to costs, as well as the significant judgements and estimates relating to the rehabilitation obligation, are revised each year.</p> <p>The assumptions that we consider having a significant impact on the provision recognised are:</p> <ul style="list-style-type: none"> <li>• Risk discount rate (which is influenced by the movement in the prime rate)</li> <li>• Estimates of future costs and,</li> <li>• Useful lives of sites</li> </ul> <p>In addition, in the current year the Government of Botswana reduced the prime lending rate as a result of the impact of the Coronavirus pandemic. This had a significant impact on the risk discount rate by reducing it from 7.14% in 2019 to 5.1% in the current year.</p> <p>Accordingly, the above audit matter is considered a Key Audit Matter.</p> <p>The provision for dismantling and restoration cost of sites is disclosed in Note 15 to the financial statements together with the key judgements and estimates described in Note 1.</p>	<p>Our audit procedures comprised the following in addressing the key audit matter:</p> <p>We recalculated the provision based on the inputs used by management.</p> <p>We assessed the provision and the appropriateness of the discount rate assumption used to arrive at the liability by performing the following:</p> <ol style="list-style-type: none"> <li>I. A sensitivity analysis of changes in the discount rate.</li> <li>II. We involved our internal valuation specialists to assist in evaluating the methodology applied in the discount rate calculations. We tested the reasonableness of the discount rate used by comparing the results of management's discount rate and EY specialist discount rates.</li> <li>III. We assessed whether the Group discount rate was adjusted for country specific risks.</li> <li>IV. We assessed the reasonability of management's discount rate by comparing it to the prime rate adjusted for country and entity specific risks.</li> </ol> <p>We assessed the reasonableness of the estimated future costs determined by the management's experts. This included assessing the key assumptions used in determining these costs.</p> <p>We agreed the lease terms used in the calculation to the terms in the lease contracts.</p> <p>We tested the accuracy of the inputs used by management in the calculation by evaluating the completeness of the number of sites used in the calculation against underlying information.</p> <p>We performed a recalculation of the unwinding of the discount rate arising from the present value calculations applied to the future cash flows.</p> <p>We assessed the completeness and accuracy of the disclosures relating to the provision in terms of the requirements of IAS 16 - Property, Plant and Equipment and IAS 37 - Provisions, Contingent Liabilities and Contingent Assets.</p>

## INDEPENDENT AUDITOR'S REPORT [continued]

### *Other Information*

The directors are responsible for the other information. The other information comprises the information included in the 2 page document titled Engen Botswana Limited Annual financial statements, which includes the Directors' Report included on page 115 as required by the Companies Act (CAP 42:01), which we obtained prior to the date of this report and the annual report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon. In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of the Directors for the Consolidated and Separate Financial Statements*

The directors are responsible for the preparation and fair presentation of consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act (CAP42:01), 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 and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the group or company or to cease operations, or have no realistic alternative but to do so.

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

### *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:

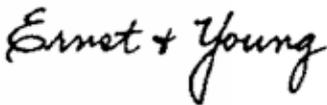
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

## **INDEPENDENT AUDITOR'S REPORT** [continued]

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation..
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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



**Ernst & Young**

**Practicing Member: Bakani Ndwapi**

**Partner**

**Certified Auditor**

**Botswana Accountancy Oversight Authority registration number: CAP0010**

Gaborone

Date: 30 March 2022

# OTHER INFORMATION



## VALUE ADDED STATEMENT

### 20. FINANCIAL INSTRUMENTS [continued]

The value added statement is a summary of the wealth the Group has created and its distribution.

	31 Dec 2021 P'000	31 Dec 2020 P'000	31 Dec 2019 P'000	31 Dec 2018 P'000	31 Dec 2017 P'000
Revenue	2,723,001	2,344,081	2,924,784	2,534,340	2,217,465
Net cost of products	(1,834,310)	(1,722,557)	(2,199,925)	(1,870,704)	(1,571,629)
Duties and levies	(431,095)	(388,392)	(424,930)	(398,420)	(346,669)
<b>Total value added</b>	<b>457,596</b>	<b>233,132</b>	<b>299,929</b>	<b>265,216</b>	<b>299,167</b>
To pay employees' gross salaries, wages and benefits	17,260	16,164	16,557	15,785	15,519
To pay income taxes	93,945	49,203	51,021	41,689	55,995
To pay providers of capital	160,941	165,462	75,277	42,418	122,459
- net finance costs/(income)	(2,335)	(10)	(5,785)	(3,382)	866
- dividends	163,276	165,472	81,062	45,800	121,593
Retained in the Group for future growth	185,450	2,303	157,074	165,324	105,194
- depreciation	22,283	28,355	29,961	24,684	21,443
- retained income for the year	163,167	(26,052)	127,113	140,640	83,751
<b>Total value added</b>	<b>457,596</b>	<b>233,132</b>	<b>299,929</b>	<b>265,216</b>	<b>299,167</b>

## SUPPLEMENTARY STATEMENT OF COMPREHENSIVE INCOME

	31 Dec 2021 P'000	31 Dec 2020 P'000	31 Dec 2019 P'000	31 Dec 2018 P'000	31 Dec 2017 P'000
Historical cost net profit	260,900	98,009	129,165	127,532	147,508
Less: Inventory effects net of taxation	(151,164)	(3,397)	(81,657)	(59,136)	(66,610)
Inventory profits	(193,800)	(4,355)	(104,689)	(75,815)	(85,398)
Taxation @ 22%	42,636	958	23,032	16,679	18,788
<b>Replacement cost net profit</b>	<b>109,736</b>	<b>94,612</b>	<b>47,508</b>	<b>68,396</b>	<b>80,898</b>
Weighted average number of shares in issue	159,722,220	159,722,220	159,722,220	159,722,220	159,722,220
Replacement cost earnings per share (thebe per share)	68.7	59.2	29.7	42.8	50.6
Historical cost earnings per share (thebe per share)	163.3	61.4	80.9	79.7	92.4
Dividend per share paid and provided (thebe per share)	112.1	112.0	54.9	31	77.2
Total dividend per share including proposed amount not provided for	63.7	53.4	62.6	70.9	108.2

## FIVE YEAR FINANCIAL REVIEW

	31 Dec 2021 P'000	31 Dec 2020 P'000	31 Dec 2019 P'000	31 Dec 2018 P'000	31 Dec 2017 P'000
<b>BASED ON HISTORICAL COST</b>					
Revenue	2,723,001	2,344,081	2,924,784	2,534,340	2,217,465
Operating profit	357,180	147,197	189,967	174,209	207,321
Finance (costs)/income	(2,335)	15	(9,781)	(5,168)	(3,818)
Profit before taxation	354,845	147,212	180,186	169,041	203,503
Taxation	(93,945)	(49,203)	(51,021)	(41,689)	(55,995)
Other comprehensive income	-	-	-	-	-
Attributable profit	260,900	98,009	129,165	127,352	147,508
Earnings per share (thebe)	163.35	61.36	80.87	79.73	92.35
Headline earnings per share (thebe)	163.35	61.36	80.87	79.73	92.35
Dividend per share (thebe)					
- Paid and provided	112.1	112.0	54.9	79.7	92.35
(include extra ordinary dividend)					
- Paid and proposed - not provided	63.7	53.4	62.6	31.00	77.20
Dividend cover (times)					
- Paid and provided	1.46	0.55	1.47	1.00	1.00
- Paid and proposed - not provided	2.56	1.15	1.29	2.57	1.20
Net asset value per share (thebe)	425.14	364.02	406.26	384.41	333.35
BSE price of share (thebe)					
- Closing	1,043	1,013	1,037	1,040	1,050
- Highest	1,043	1,013	1,037	1,040	1,060
- Lowest	1,043	1,013 <sup>1</sup>	,037	1,040	1,040
Earnings yield (%)	15.66	6.06	7.80	7.67	8.80
Dividend yield (%)					
- Paid and provided	10.75	11.06	5.29	7.66	8.80
- Paid and proposed - not provided	6.11	5.27	6.04	2.98	7.35
Price earnings ratio	6.39	16.51	12.82	13.04	11.37
Total assets (thousands)	1,249,335	940,863	1,065,019	948,209	867,106
Ordinary shareholders' interest	679,040	581,416	648,879	613,982	532,430
Shares in issue (thousands)	159,722	159,722	159,722	159,722	159,722
Return on shareholders' funds (%)	38.4	16.9	19.9	20.7	27.7
Return on total assets employed (%)	20.9	10.4	12.1	13.4	17.0

# SHAREHOLDERS INFORMATION

## SHARE ANALYSIS - ORDINARY SHAREHOLDERS

	Shareholders		Shares held	
	Number of holders	% of holders	Shares held	% of issued shares
1 - 5,000	565	74.93%	556,892	0.3%
5,001 - 10,000	60	7.96%	468,746	0.3%
10,001 - 50,000	62	8.22%	1,457,495	0.9%
50,001 - 100,000	20	2.65%	1,517,713	1.0%
100,001 - 500,000	34	4.51%	6,748,762	4.2%
500,001 - 1,000,000	5	0.66%	3,669,564	2.3%
OVER 1,000,000	8	1.06%	145,303,048	91.0%
<b>Total</b>	<b>754</b>	<b>100.00%</b>	<b>159,722,220</b>	<b>100.00%</b>

### Top ten shareholders

PETROLEUM INVESTMENT HOLDING LIMITED	111,655,550	69.91%
FNB BOTSWANA NOMINEES RE: BIFM - ACT MEM & DP EQ	12,311,408	7.71%
FNBB NOMINEES VUNANI BPOPF	7,767,440	4.86%
MOTOR VEHICLE ACCIDENT FUND	6,858,692	4.29%
STANBIC NOMINEES BOTSWANA RE BIFM PLEF	2,231,516	1.40%
STANBIC NOMINEES BOTSWANA RE BIFM MLF	2,050,705	1.28%
STANBIC NOMINEES BOTSWANA RE BPOPF WT PRO PORT MCP	1,254,011	0.79%
SCBN (PTY) LTD RE: BIFM 028914400011	1,173,726	0.73%
STANBIC NOMINEES BOTSWANA RE MORULA RE DPF	904,793	0.57%
SCBN (PTY) LTD RE: BPOPF LOCAL EQUITIES ACTIVE PORTFOLIO	852,100	0.53%
CO ALLAN GRAY BOTSWANA		
OTHERS	12,662,279	7.93%
	<b>159,722,220</b>	<b>100.00%</b>

Category	Shareholders		Shares held	
	Number	%	Number	%
<b>Non - Public shareholders</b>	1	0.13%	111,655,550	69.91%
<b>Public shareholders comprising of:</b>				
Corporate bodies	66	8.42%	7,852,718	4.92%
Nominees companies	77	9.82%	37,664,145	23.58%
Private individuals	640	81.63%	2,549,807	1.60%
	<b>784</b>	<b>100.00%</b>	<b>159,722,220</b>	<b>100.00%</b>



# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 56th Annual General Meeting of Engen Botswana Limited will be held virtually on 30 June 2022 at 09h00 GMT+2 (Botswana). In compliance with national health guidelines, the Annual General Meeting will be hosted online via Microsoft Teams to facilitate social distancing. All shareholders who would like to attend the meeting either by proxy or in person must forward their email address to Francois Mintoor (francois.mintoor@engenoil.com) in order for a link to be provided for the meeting.

Agenda	
1.	To read the notice convening the meeting.
2.	Welcome and opening remarks by the Chairman.
<b>Ordinary Resolutions</b>	
3.	To receive, consider and adopt the audited annual financial statements for the year ended 31 December 2021 together with the Directors and Auditors report thereon.
4.	To consider and ratify the distribution of dividends declared for the year ended 31 December 2021 at 18 thebe per share for the interim dividend and 63.7 thebe per share for the final dividend.
5.	<p>To confirm the appointment of Mr Brian Farayi Sameke as a Director of the company:</p> <p>Mr Sameke was appointed as the Finance Manager of Engen Botswana Limited in November 2011. He was appointed as an Executive Director on 1 November 2021. He started his career at Ernst &amp; Young and progressed through the ranks to become an audit manager. He has previous experience of leading a financial team in the retail industry. He is also the Chairman of the Engen Botswana Retirement Fund.</p>
6.	<p>To confirm the appointment of Mr Jayaraman Ramesh as a Director of the company:</p> <p>Mr Ramesh was appointed to the Board of Engen Botswana Limited on 4 May 2022 as an Independent Non-Executive Director. Mr Ramesh is a Co-founder and non-executive Chairperson of the Botho Group. He is also a non-executive director (NED) of Sechaba Brewery Holdings Limited (SBHL), a company listed on the BSE and a member of its Audit &amp; Finance Committee. Furthermore, He is a NED of Kgalagadi Breweries Limited, an Associate company of SBHL. He was previously the non-executive Chairperson, Managing Partner and Partner at Grant Thornton (GT). He was also at GT International, initially as a Board member of GT International and later as the Regional Leader for Africa from April 2010 to April 2020. He served as the 1st chairperson of the Government Audit Committee (Botswana), that was formed under the Public Finance Management Act, for 5 years until 30 June 2021.</p>
7.	<p>To re-elect directors of the company who are retiring by rotation in terms of the Articles of Association. The Directors being eligible have offered themselves for re-election.</p> <p>a) To confirm the re-election of Mr Stephen Paul Williams who retires in accordance with Article 62 of the Constitution and being eligible, offers himself for re-election.</p> <p>Mr Williams was appointed to the board of Engen Petroleum Limited in December 2008. He is a member of the Engen Botswana Limited Board and also serve on the Remuneration Committee. He served as Chairman of the board of South African Oil Refinery (Pty) Ltd a base oil refinery in Durban owned jointly by Engen, Total and Chevron. He has worked in the downstream oil industry for over 35 years, initially with Mobil Oil in 1984, and more recently as GM of Engen Supply Chain.</p>

## Agenda

- b) To confirm the re-election of Ms Heather-Ann Morrison who retires in accordance with Article 62 of the Constitution and being eligible, offers herself for re-election.

Ms Morrison has served on the boards of Engen Petroleum Zambia Limited, Engen Rwanda Limited (as Chairperson); Engen Namibia (Pty) Ltd where she chaired the Audit Committee; Engen International Holdings Limited and is a member of the Board Audit Committee for Engen Botswana Limited. She began her career at Ernst & Young in Cape Town in 1999 and joined Engen in 2005. She was appointed Planning, Performance and Reporting Manager (Finance Division) in 2017.

8. To ratify the remuneration paid to the directors for the year ended 31 December 2021.

9. To ratify the remuneration paid to the auditors for the year ended 31 December 2021.

10. To appoint PricewaterhouseCoopers as auditors of the Company for the year ending 31 December 2022.

## Special Resolution

11. To consider and, if thought fit, pass with or without amendment in terms of Section 128 of the Companies Act Cap 42:01 and ratify the donations made by the Company for the year ended 31 December 2021.

## Any Other Business

12. To answer any questions raised by shareholders in respect of the affairs and the business of the company.

13. To close the meeting.

Every member entitled to attend and vote at the meeting may appoint one or more persons as a proxy to attend, speak and vote in his/her stead. A proxy need not be a member of the company. The instructions appointing such a proxy must be deposited at the company's transfer offices or registered offices at least 48 hours before the meeting.

Proxies should be sent by email to the Transfer Secretaries' office for the attention of Lydia Kootshotse (Lydia@bw.gt.com) or by mail to P O Box 1157 Gaborone.

## By order of the Board

Grant Thornton Business Services (Proprietary) Limited  
 Company Secretaries

01 June 2022

Acumen Park  
 Plot 50370, Fairgrounds Office Park  
 P. O. Box 1157  
 Gaborone



**ENGEN**



**24 hours**

**ATM**

**Airtime**



# PROXY FORM

## For completion by holders of Ordinary shares

**Please read the notes overleaf before completing this form.**

For use at the Annual General Meeting of shareholders of the company to be held virtually at 0900hours on Tuesday 30th June 2022.

I/We \_\_\_\_\_

**(Name in block letters)**

Of (Address) \_\_\_\_\_

Hereby appoint \_\_\_\_\_

or failing him/her, \_\_\_\_\_

Or failing him/her, the Chairman of the meeting as my/our proxy to act for me/us at the 2022 Annual General Meeting, to vote for or against the resolutions and/or abstain from voting in respect of the shares registered in my/our name in accordance with the following instruction.

NUMBER OF SHARES				
		For	Against	Abstain
<b>Ordinary resolution 1</b>	Agenda No 3			
<b>Ordinary resolution 2</b>	Agenda No 4			
<b>Ordinary resolution 3</b> <i>i. Mr Brian Farayi Sameke</i>	Agenda No 5			
<b>Ordinary resolution 4</b> <i>i. Mr Jayaraman Ramesh</i>	Agenda No 6			
<b>Ordinary resolution 5</b> <i>i. Mr Stephen Paul Williams</i> <i>ii. Ms Heather-Ann Morrison</i>	Agenda No 7			
<b>Ordinary resolution 6</b>	Agenda No 8			
<b>Ordinary resolution 7</b>	Agenda No 9			
<b>Ordinary resolution 8</b>	Agenda No 10			
<b>Special resolution 1</b>	Agenda No. 11			

Signed at: \_\_\_\_\_

Date: \_\_\_\_\_ Signature: \_\_\_\_\_

Assisted by (where applicable): \_\_\_\_\_

Each Shareholder who is entitled to attend and vote at a General Meeting is entitled to appoint one or more persons as proxy to attend speak and vote in place of the Shareholder at the Annual General Meeting and the proxy so appointed need not be a member of the company.

**Please read notes 1 - 7 on the reverse side hereof.**



## PROXY FORM [CONTINUED]

1. A Shareholder must insert the names of two alternative proxies of the Shareholders choice in the space provided with or without deleting "Chairman of the Annual General Meeting". The person whose name appears first on the form of proxy and whose name has not been deleted shall be entitled to act as proxy to the exclusion of those whose names follow.
2. A shareholder's instruction 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 General Meeting as he/she deems fit in respect of the Shareholders votes exercisable thereat, but where the proxy is the Chairman, failure to comply will be deemed to authorize the proxy to vote in favour 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. The completion and lodging of this form will not preclude the relevant Shareholder from attending the General 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. The authority of a person signing the form of proxy under power of attorney or on behalf of a company must be attached to the form of proxy.
7. Where Ordinary Shares are held jointly, all Shareholders must sign. A minor must be assisted by his/her guardian.





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