CRESTA
MARAKANELO LIMITED




Integrated REPORT 2022

Performance Highlights

Cash flow generated from Operating Activities

↑ P65.1million

During the year, P65.1 million was generated from operating activities, a significant improvement from the prior year when P19.0 million was generated.

Profit Before Tax

↑ P21.7million

The Group's full year profit before tax of P21.7 million, was P74.5 million higher than same period last year which reported a loss before tax of P52.9 million.

General Information

NATURE OF BUSINESS

Cresta Marakanelo Limited ("the Company") and its wholly owned subsidiary Cresta Golfview Hotel Limited (together "the Group") is a public limited company listed on the Botswana Stock Exchange and primarily operates hotels and related services in Botswana. The Company ceased operations at Cresta Golfview Hotel in Zambia on 30 September 2021. Of the 11 properties, 6 are owned (Mowana Safari and Spa, Marang Gardens, Thapama Hotel, President Hotel, Cresta Lodge, and Rileys Hotel), 5 are leased from different landlords (Maun Hotel, Mahalapye Hotel, Jwaneng Hotel, Botsalo Hotel and Marang Residency). Most hotels are operated as business hotels and they offer accommodation and conferencing facilities except for Mowana Safari Resort and Spa which is a leisure property, offering accommodation and conferencing facilities, health and beauty spa, curio shop, game drives and boat cruises.

DIRECTORS

M K Lekaukau - Chairman
J Y Stevens
T G Ondoko
O Majuru
P Molefe
D C Mphoeng
W M Bojosi
J M Hundah
M Morulane - Executive

COMPANY SECRETARY
Wise Leadership Proprietary Limited

TRANSFER SECRETARIES
Central Security Depository Botswana (CSDB)

REGISTERED OFFICE
2nd Floor, Marula House,
Prime Plaza, Plot 74538
Gaborone

INDEPENDENT AUDITORS
Deloitte & Touche

BANKERS
Absa Bank Botswana Limited
Bank Gaborone Limited
First National Bank of Botswana Limited
Stanbic Bank Botswana Limited

CURRENCY
Botswana Pula

Integrated Report 2022

Contents

Board of Directors

"The Board is committed to maintaining high standards of business integrity and professionalism in all its activities, and continues to support the highest standards in corporate governance."

Board of Directors (continued)

Moatlhodi Lekaukau
Independent Non-Executive Chairman
Appointed 30 November 2017

Member of the Human Resources and Nominations Committee

Mr Lekaukau is the Managing Director of Kalahari Capital and the Executive Chairman of YMH Media Group, a diversified media holding company with interests in Botswana and Zambia. His previous roles include Acting Managing Director and Chief Investment Officer of Botswana Development Corporation, Chief Executive Officer of Standard Chartered Bank Botswana and Partner and Head of Mergers and Acquisitions at Deloitte in South Africa.

Mr Lekaukau is a member of the South African Institute of Chartered Accountants, a fellow member of the Botswana Institute of Chartered Accountants and holds a Bachelor of Commerce Degree and Postgraduate Diploma in Accounting from the University of Cape Town. Mr Lekaukau has served on several boards of listed and private companies.

John Yendall Stevens
Non-Executive Director
Lead Independent Director
Appointed 22 January 2010

Chairman of the Finance, Risk and Audit Committee

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

Mr Stevens also serves as a director on the Board of Standard Chartered Bank Botswana.

Tshepidi Ondoko
Independent Non-Executive Director
Appointed 30 November 2017

Member of the Finance, Risk and Audit Committee

Mrs Ondoko holds a BA Degree in Economics and Political Science from Swathmore College and an MBA in Finance and International Business from Columbia University Business School. Mrs Ondoko has a career spanning 20 years in financial services in both private equity and investment banking. She has worked for various institutions in Africa and Europe, including Aureos Capital, Goldman Sachs and Rand Merchant Bank. Mrs Ondoko is currently the Chief Operating Officer for Africa50 a pan-African infrastructure investment platform.

Board of Directors (continued)

Pius Komane Molefe
Independent Non-Executive Director
Appointed 15 January 2011

Chairman of the Human Resources and Nominations Committee

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

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

Osborne Majuru
Non-Executive Director
Appointed 22 January 2010

Member of the Finance, Risk and Audit Committee

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

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

Angelica Waibale Muganga Bojosi
Independent Non-Executive Director
Appointed 1 April 2022

Mrs Bojosi holds a Bachelor of Arts degree and a Bachelor of Laws degree from the University of Cape Town and a Master of Law degree from the University of Queensland (Australia). She is admitted as an attorney of the High Courts of Botswana and as a solicitor of the Supreme Court of England and Wales. Mrs Bojosi has over 18 years of experience practicing law specialising in corporate finance, compliance and general commercial law in both Botswana and the United Kingdom. Mrs Bojosi worked for eight years in the United Kingdom, including as General Counsel for Quadriga Worldwide Limited, a leading multinational organisation that provides a range of services for the hospitality industry. Mrs Bojosi is now the managing partner at Bojosi Law, a niche law firm operating in Gaborone, Botswana specialising in Corporate Finance, Banking, Regulatory and general Commercial Law.

Board of Directors (continued)

Ditirwa Mphoeng
Independent Non-Executive Director
Appointed 1 April 2022

Mr Mphoeng is a graduate of Coventry University (United Kingdom) having attained a BEng (Hons) Degree in Electrical and Electronics specialising in Telecommunications. Mr Mphoeng is a well experienced ICT practitioner with a wealth of management experience across various industries in Botswana. Mr Mphoeng is currently the Managing Director of Newline Technologies Ltd, an ICT company he founded and continues to run. Mr Mphoeng brings along a wealth of Board experience having served in the founding Board of Botswana Fibre Networks and Botswana Railways. He currently serves on the Board of Mining Development Company of Botswana.

Joseph Hundah
Non-Executive Director
Appointed 1 April 2022

Mr Hundah is the Group Chief Operating Officer of the Masawara Group, a diversified investment holding company with interests across Africa. He currently oversees the strategic focus of Masawara, leading in capital allocation and investments and pursuing business opportunities that align with the Group's vision and mission. He is an experienced executive and entrepreneur who has worked across the African continent building and growing organisations in both the private and public sector. His experience spans various sectors including media, technology, manufacturing, financial services and hospitality. He is passionate about creating, financing and transforming African businesses in the digital age into dominant local, regional and international brands.

Mr Hundah serves as a director on a number of Boards including Botswana Insurance Company, Masawara Plc and Minerva Risk Advisors amongst other entities.

Mokwena Morulane
Executive Director - Managing Director
Appointed 10 October 2017

Mr Morulane is the Managing Director of Cresta Marakanelo Limited. Mokwena started his career at Deloitte, and has held leadership roles in the mining, oil and financial services sectors.

Mr Morulane is a fellow of the Association of Chartered Certified Accountants (ACCA), and a member of the Chartered Institute of Secretaries in Southern Africa. He is also a fellow member of the Botswana Institute of Chartered Accountants. He holds a BA (Hons) in Accounting from the University of Luton, United Kingdom. He has also completed the Saïd Business School, University of Oxford Executive Leadership Programme.

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

Wise Leadership Proprietary Limited
(Represented by Ms Mpho Moletlo Kgosietsile)
Company Secretary
Appointed 19 August 2021

Wise Leadership Proprietary Limited ("Wise Leadership") is a 100% citizen owned company, which has been providing Corporate Secretarial and Corporate Governance Consultancy services in Botswana for over 10 years. Wise Leadership's clients are from diverse industries and include public and private companies, non-profit organisations, and state-owned entities.

Ms Mpho Moletlo Kgosietsile is the Managing Director of Wise Leadership and is a Fellow with the Chartered Governance Institute of Southern Africa, possessing an MSc Corporate Governance from the London South Bank University (UK) and a Bachelor of Arts in Social Sciences from the University of Botswana. Ms Kgosietsile is a Director of Legal Aid Botswana.

Chairman's Statement

On behalf of the Board of Directors of Cresta Marakanelo Limited, I am pleased to present to you the Integrated Annual Report for the Group for the year ended 31 December 2022.

Chairman's Statement (continued)

Financial Highlights

	Dec 2022 P'000	Dec 2021 P'000	% Change
From Continuing Operations			
Revenue	**355,728**	216,352	64%
Operating profit/(loss)	**45,676**	(30,834)	248%
Profit/(loss) before tax	**21,666**	(52,920)	141%
Profit/(loss) after tax	**19,244**	(43,218)	145%
Profit from discontinued operations	—	3,024	100%
Profit/(loss) for the year	**19,244**	(40,194)	148%
Earnings/(loss) per share (thebe) from continuing operations	**10.64**	(23.89)	145%
Total assets	**501,646**	521,974	(4%)
Total equity	**142,012**	122,768	16%
Cash and cash equivalents	**56,129**	53,241	5%
Cash generated from operations	**85,485**	33,776	153%

Overview of Operations

2022 is the first year that the Group has made a profit since the start of the COVID-19 pandemic in 2020. There was no significant rise in new COVID-19 cases during the year under review, with vaccinations being availed worldwide. This resulted in the relaxing of the COVID-19 restrictions which included travel bans, alcohol sale bans and restrictions on gatherings. An improvement in business levels was noted with occupancies increasing across the hotels. The Group also noted a rise in the inflow of international tour series business at the key tourism properties.

With the adverse operating conditions for the industry having improved, the business registered some wins. The Group's full year profit before tax of P21.7 million, was P74.5 million higher than same period last year which reported a loss before tax of P52.9 million. Occupancies and average daily rates improved across all the hotels driven by increased conferencing levels as well as regional and international guest arrivals, leading to a 64% increase in revenue.

Direct operating costs increased in line with the revenue growth, with a significant increase in staff numbers after almost a two year recruitment freeze. Various cost reduction measures continued to be implemented across the business, to ensure improved margins in the future.

Cash generation improved significantly, with a continued focus on cash flow management. No additional borrowings were required during the year to fund the operations. Investments were made into uplifting the properties, with the Cresta Thapama Hotel refurbishment commencing during the year. The first phase of the refurbishment of a room block was completed during Quarter 3, with the rest of the refurbishment expected to be completed by July 2023.

Chairman's Statement (continued)

Zambia Operations
In the prior year, the Directors made the decision not to renew the lease for the Cresta Golfview Hotel in Lusaka, Zambia and the operation ceased trading on 30 September 2021. The entity was accounted for as a discontinued operation in the prior year.

Statement of Financial Position
Total assets decreased by 4% compared to the year ended 31 December 2021. The decrease in assets was primarily due to depreciation of assets, while capital expenditure during the year was low. Total liabilities decreased by 11% following repayment of borrowings and lease liabilities during the year. The Group had cash resources of P56.1 million (2021: P53.2 million) at the end of the year.

Cash Flow
During the year, P65.1 million was generated from operating activities, a significant improvement from the prior year when P19.0 million was generated. The improvement was due to the increase in revenues and the improvement in working capital management. Net cash utilised in investing activities amounted to P12.3 million (2021: P6.1 million utilised). The increase in cash outflow on investing activities was due to a rise in capital expenditure relating to refurbishment of hotels; which had been put on hold in 2021.

Cash flow generated from Operating Activities

↑ **P65.1**million

During the year, P65.1 million was generated from operating activities, a significant improvement from the prior year when P19.0 million was generated.

With regards to financing activities, P50.2 million (2021: P14.1 million) was utilised, split between bank loan repayments of P29.4 million (2021: P14.9 million) and leasing hotel properties of P20.8 million (2021: P21.2 million). 2021 net financing activities were lower because of a receipt of P25 million bank loan proceeds.

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

Outlook
The Group firmly believes in the future of the hospitality and tourism sector in Botswana and is prioritising the execution of expansion projects as a critical path to success for the year. One such project is the 60 room extension of Cresta Mahalapye Hotel which is scheduled to be completed during the third quarter of 2023.

Still on the expansion journey, we have signed a lease for the development of a 50 roomed boutique hotel in Jwaneng. Construction for Cresta Jwaneng Boutique Hotel commenced in November 2022, with completion scheduled for February 2024. In addition to these expansion projects we are planning extensive refurbishments across other Group hotels.

The business will continue to search for ways to digitalise operations, service provision and the enabling departments to enhance efficiency and effectiveness. With inflationary pressure across all cost lines, Management will continue to keep a watchful eye on costs and find ways to rationalise them further.

Appreciation
I would like to commend Staff, Management and our fellow Directors for their continued commitment and contribution to the Group. I would also like to thank all our valued guests and various stakeholders that continue to support our business.

M K Lekaukau
Chairman
31 March 2023

Executive Management

Mokwena Morulane
Managing Director

Rutendo Maziva
Chief Financial Officer

Karl Snater
Group Operations Manager

Gertrude Muringi
Group Human Resources Manager

Galeboe Mmelesi
Group ICT Manager

Pearl Molomo
Group Risk and Internal Audit Manager

> We remain grateful to our valued guests for their partnership and patronage in 2022, without whom we would not have been able to achieve our 2022 performance and our steady return to pre COVID-19 results. Although 2022 was a year of great uncertainty and slow economic recovery for businesses, it was also the year in which we experienced the greatest support from across our various client segments.

Managing Director's Report

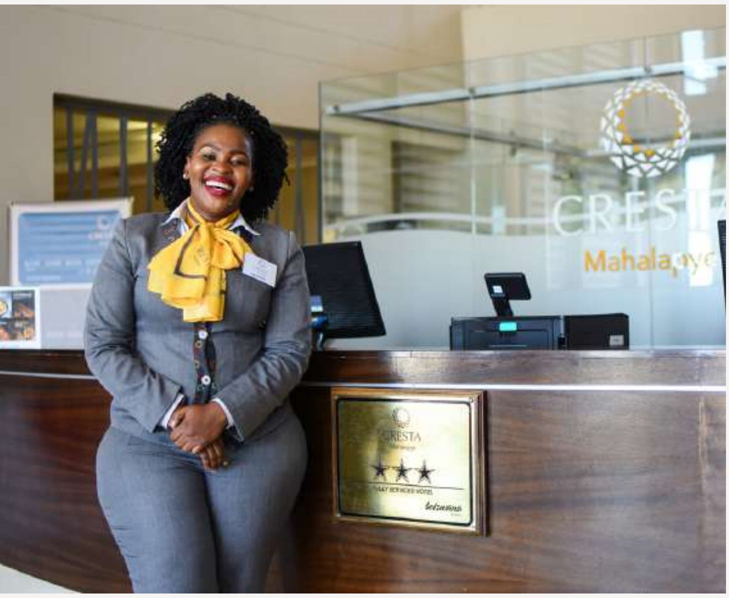
Managing Director's Report (continued)

Introduction

The year ended 2022 witnessed the beginning of a return to recovery for the global economy, the tourism industry, regionally and locally, and for us as a business. In light of this welcome recovery, the business performance improved steadily in 2022. The Company was able to return to profitability for the first time since the advent of the COVID-19 pandemic, registering a 64% revenue growth from prior year and a 141% increase on our Profit Before Tax at the end of 2022.

Our People

As an employer of over 950 staff members across Botswana, we recognize our role as a partner and an enabler to our employees within the group. In 2021 we reported that our staff had agreed to salary deferments, which enabled us to avoid retrenchments during that difficult time. We are happy to announce that in 2022 the Company paid back all deferred salaries to our employees, and furthermore made incentive payments as appropriate to our employees in line with the Company performance. We continued to have cordial industrial relations with the labour unions, and positive engagements are ongoing over issues of staff welfare.



The health and wellness of our people remains a key priority to the business, which saw us retain the contracted in-house company doctor and psychologist services we had employed during the 2021 COVID-19 season. This was aimed at supporting the physical and mental wellbeing of our staff as they deal with the turbulence of, and recovery from, COVID-19 and its various knock-on implications.

Our Valued Guests

We remain grateful to our valued guests for their partnership and patronage in 2022, without whom we would not have been able to achieve our 2022 performance and our steady return to pre COVID-19 financial outcomes. Although 2022 was a year of relative economic uncertainty and slow recovery for businesses generally, it was also the year in which we experienced the greatest support from across our various client segments. The support of our clients ensured that we were able to maintain our strength and resilience in 2022, and we can look to 2023 with great enthusiasm and optimism as we continue on our rebound trajectory with even more vigour and bullish confidence. We remain committed to our guest pledge to offer an improved proposition and enhanced efficiency across the group, with a view to improve the overall guest experience in all our hotels. In this regard, we have made significant strides in 2022 with the prioritisation of the strategic priorities which were somewhat delayed by the debilitating onslaught of the COVID-19 pandemic, including the return to our infrastructure development plans, enhanced service delivery trainings and initiatives, coupled with a curated sales and marketing journey and enhanced guest experience for the group.

Infrastructure Development

With our return to profitability in 2022, the business moved to implement the balance of its strategic plan while at the same time making the necessary adaptations to accommodate the key learnings from the pandemic in so far as the needs of the discerning consumer of the now had become. To this end, the business created the expansionary capex required to facilitate these key projects, and proceeded to fast track the product improvement projects by employing a staggered critical path execution of the refurbishments plan for all our hotels.

In addition to the advancements made on the refurbishment projects, development and operating lease agreements were executed for the Cresta Mahalapye Extension wing and the Cresta Jwaneng Boutique Hotel. The construction of the iconic Cresta Jwaneng 50-bed boutique hotel is fully underway, following the groundbreaking ceremony of the hotel in November 2022.

Managing Director's Report (continued)

Infrastructure Development (continued)

The extension of Cresta Mahalapye Hotel to add 60 rooms is at an advanced stage and will enable us to cater for larger groups for accommodation, food and beverage and conferencing clientele, and is poised to position the property as the hub of hospitality in the Botswana central district, cementing the Group's position as industry leader. The conferencing facilities come with additional state-of-the-art conferencing facility which will significantly increase its hosting capacity and enable the hotel to provide our guests with an enhanced and modernized state of the art offering. The Mahalapye extension is expected to be ready for occupation by Q4 2023.

We continue to explore other expansion projects in the country and the region, and announcements on these developments will be made to our valued stakeholders as necessary.

Revenue Growth

↑ 64%

The Company was able to return to profitability for the first time since the advent of the COVID-19 pandemic, registering a 64% revenue growth from prior year and a 141% increase on our Profit Before Tax at the end of 2022.

Digitization Drive

2022 saw the roll-out of our digitization strategy for the group, with a phased implementation across the group. With this endeavour, all hotels were equipped with enhanced Wi-Fi bandwidth that enabled a seamless online experience for our guests, with a view to contribute to the overall guest experience in our hotels. In addition to this, we introduced an auxiliary offering within our conferencing proposition to further boost the Wi-Fi bandwidth for our clients on request, to cater for client sessions or projects in need of extraordinary bandwidth levels. Plans are also underway to equip all our conferencing facilities with smart screens and hybrid conferencing technologies, to further enhance our conferencing offering and offer a unique value proposition that makes the lives of our guests easier and more convenient.

As at end of 2022 we had begun the deployment of the digital locks at Cresta Thapama, that will enable guests to open their rooms using apps, reducing the impact on the environment by avoiding continued printing of cards. This will be rolled out across all hotels in 2023 and 2024. QR Code menus have also been introduced in our hotels, and we are steadily progressing towards paperless offerings in our restaurants and hotels which will be kinder to the environment .

Managing Director’s Report (continued)

To efficiently service the discerning customer of the now while positioning ourselves aptly for the customer of the future, in 2022 the business made a commitment to deploy a new and improved hotel management system at all our hotels. This system will be able to provide us with the requisite data analysis and integration capabilities needed to understand guest trends, patterns and preferences for us to further curate our products and optimally service the market. The Company went into Proof-of-Concept agreements with the preferred supplier, with the system trials going live in Cresta Jwaneng in Q1 2023, to be rolled out to the rest of the group on success from Q2 2023.

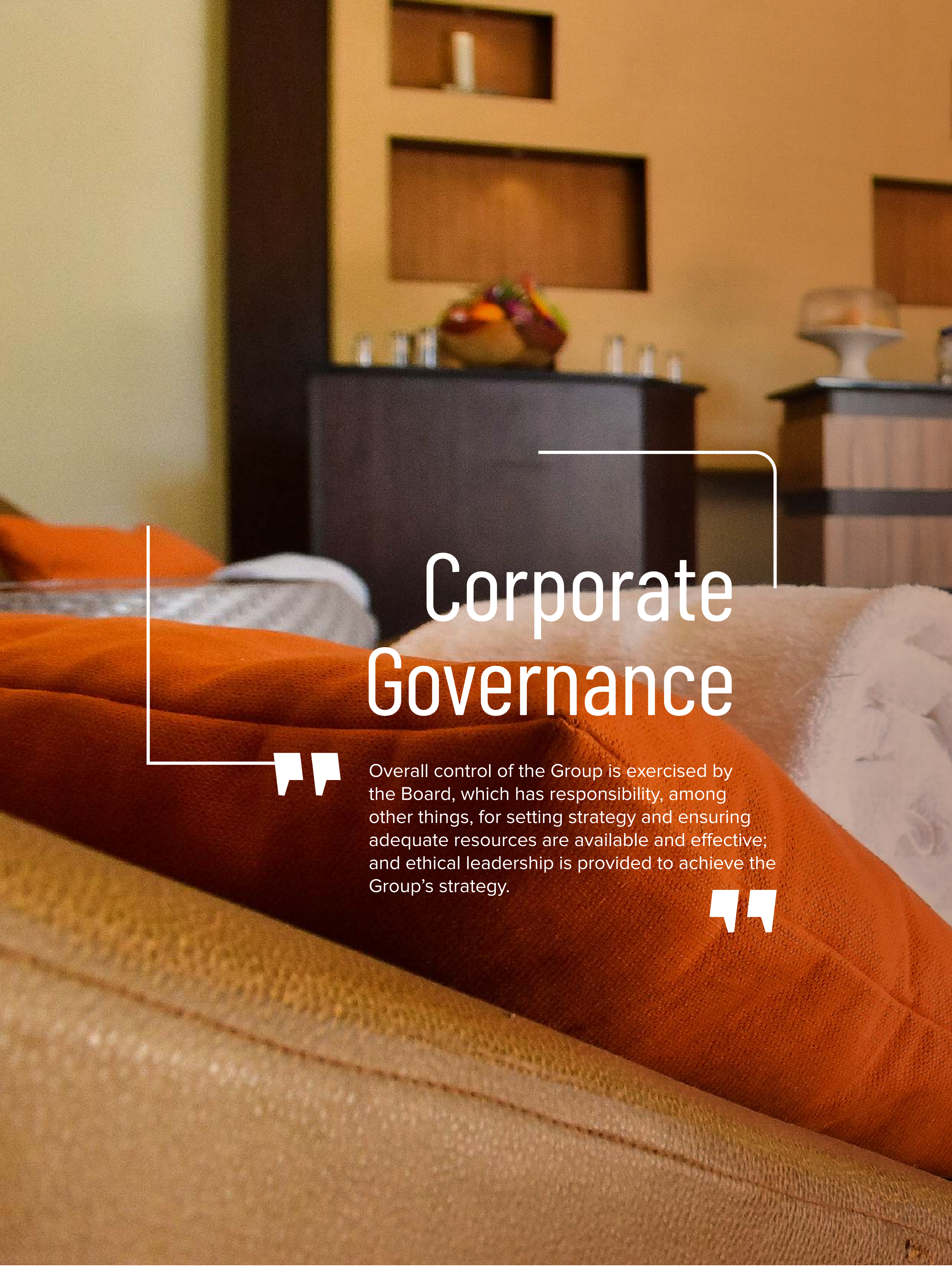
Conclusion

The business will continue in its bold strategic trajectory in order to maintain the recovery strides gained in 2022, and we envisage this recovery to be progressive going into 2023. We aim to meet and exceed the expectations of the discerning customer and we are conscious of the evolving needs of the consumer. In that regard, we will continue to deploy our customer feedback mechanisms and other virtual and physical engagement platforms, that allow us to keep our finger on the pulse in this dynamic environment.

I am grateful for the support of Government through its various government ministries and departments, State Owned Entities, Corporates, Travel Agents, Tour Operators and our individual clientele, that have shown resolute faith in us as a business through our most challenging times. I would also like to thank my colleagues in the Board of CML for their continued support and guidance. A big thank you is also in order to the CML Staff for their commitment and loyalty to the cause, and to the Shareholders and the entire family and friends of CML for believing in the Company and its role in Society.

At the heart of our strategy for 2023 and beyond we look forward to reiterating our commitment to our people, strengthening our partnerships with our communities, delivering exceptional service to our guests, escalating our sustainability efforts and being kind to our environment. We look at 2023 with enthusiasm and optimism and look forward to making our guest experience a pleasant and memorable one, filled with The True Warmth of African Hospitality.

Mokwena Morulane
Managing Director



Corporate Governance

> Overall control of the Group is exercised by the Board, which has responsibility, among other things, for setting strategy and ensuring adequate resources are available and effective; and ethical leadership is provided to achieve the Group's strategy.

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Corporate Governance

Corporate Governance (continued)

The Board

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

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

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

Composition of the Board

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

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

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

Corporate Governance (continued)

Composition of the Board (continued)

In accordance with the Company's Constitution, one-third of the non-executive directors are required to retire annually, and if available and eligible, may stand for re-election at the company's AGM. The Directors of Cresta Marakanelo Limited are:

Moatlhodi Lekaukau – Independent Non-Executive Chairman
John Stevens – Independent Non-Executive Director
Tshepidi Ondoko – Independent Non-Executive Director
Pius Molefe – Independent Non-Executive Director
Angelica Bojosi – Independent Non-Executive Director
Ditirwa Mphoeng – Independent Non-Executive Director
Joseph Hundah – Non-Executive Director
Osborne Majuru – Non-Executive Director
Mokwena Morulane – Managing Director

Each Director is expected to fulfil their duties for the benefit of all shareholders, and the independent non-executive Directors provide strong independent judgement to the deliberations of the Board. The Board has established agreed procedures for managing potential conflicts of interest. All Directors are required to disclose at each meeting their shareholding, additional directorships and any potential conflicts of interest to the Chairperson and the Company Secretary. The Board reviews these procedures on an annual basis. In order to assist the Board to deal with any actual or perceived conflicts of interest, Mr John Stevens was appointed as the Lead Independent Director. The Board is satisfied that the procedures for managing potential conflicts remain effective. The Board engaged an independent third party to conduct an Independence Assessment of Mr Pius Molefe and Mr John Stevens, as they have served as Independent Directors for over nine years and their continued independence was confirmed.

Board Evaluation

The performance of the Board, committees and individual board members are assessed annually whether internally or independently. The aim of the evaluation is to assist the Board in improving its effectiveness. The performance of the Chairman and the Managing Director is also assessed annually. The outcome of the evaluation is discussed at a Board meeting and relevant action points are noted for implementation.

On 16 March 2023 the Board considered the competence, qualifications and experience of the Company Secretary, Ms Mpho Moletlo Kgosietsile of Wise Leadership (Pty) Limited and concluded that she is competent to carry out her duties, and that it is satisfied that an arm's length relationship exists between the Board and the Company Secretary as envisaged in the Botswana Stock Exchange Listings Requirements.

Internal Control Systems

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

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

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

Board Delegated Committees

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

Corporate Governance (continued)

Corporate Governance (continued)

2022 Board and Sub-Committee Meetings Attendance

The table below indicates the attendance by the Directors for Board and Committee meetings:

	Board Meetings		Finance, Risk & Audit Committee Meetings		Human Resources Committee Meetings	
	Maximum possible	Attended	Maximum possible	Attended	Maximum possible	Attended
Moatlhodi Lekaukau	4	4	—	—	4	4
John Stevens	4	3	4	4	—	—
Pius Molefe	4	3	—	—	4	4
Osborne Majuru	4	3	4	3	—	—
Tshepidi Ondoko	4	4	4	4	—	—
Ditirwa Mphoeng *(appointed 1 April 2022)*	3	2	—	—	—	—
Angelica Bojosi *(appointed 1 April 2022)*	3	2	—	—	—	—
Joseph Hundah *(appointed 1 April 2022)*	3	3	—	—	—	—
Mokwena Morulane	4	4	4	4	4	4

Finance, Risk and Audit Committee

Committee Chairman – John Stevens
Committee Members – Osborne Majuru, Tshepidi Ondoko

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

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

Mandate of the Committee:

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

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

Corporate Governance (continued)

Finance, Risk and Audit Committee (continued)

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

Human Resources and Nominations Committee

Committee Chairman – Pius Molefe
Committee Members – Moatlhodi Lekaukau, Mokwena Morulane

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

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

Remuneration Report

Directors' Remuneration

The basis for Directors' remuneration remained unchanged in 2022 compared to 2021. Non-executive Directors' are remunerated as follows:

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

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

The total remuneration paid by the Company to non-executive Directors for the 2022 and 2021 financial years for scheduled and ad-hoc meetings is listed below:

	2022 Directors' fees (P)	2021 Directors' fees (P)
Moatlhodi Lekaukau	**150,000**	160,500
John Stevens	**72,000**	88,500
Gavin Sainsbury *(resigned 7 February 2022)*	**—**	37,000
Pius Molefe	**87,000**	82,500
Osborne Majuru	**51,000**	44,355
Tshepidi Ondoko	**68,000**	37,000
Ditirwa Mphoeng *(appointed 1 April 2022)*	**35,000**	—
Angelica Bojosi *(appointed 1 April 2022)*	**30,000**	—
Joseph Hundah *(appointed 1 April 2022)*	**40,000**	—
Total	**533,000**	**449,855**

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

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

Key Management Compensation

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

Corporate Governance (continued)

Key Management Compensation (continued)

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

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

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

The Managing Director and Chief Financial Officer's remuneration is paid by the Management Company (Note 28). The Managing Director and Chief Financial Officer's short-term incentive is based on the achievement of the annual revenue and profit targets of the Company. The Management Company's remuneration is based on a percentage of turnover and a percentage of net operating profit. Refer to Note 28.7 for remuneration received by key management.

Corporate Governance (continued)

King III compliance checklist

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

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

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

Corporate Governance (continued)

King III compliance checklist (continued)

Key: √ Compliant # Partially compliant ✗ Non-compliant

	Status	Note
Audit Committee		
The board should ensure that the company has an effective and independent audit committee	#	Note 1
Audit committee members should be suitably skilled and experienced independent non-executive directors	#	Note 1
The audit committee should be chaired by an independent non-executive director	√	
The audit committee should oversee integrated reporting	√	
The audit committee should ensure that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities	√	
The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function	√	
The audit committee should be responsible for overseeing of internal audit	√	
The audit committee should be an integral component to the risk management process	√	
The audit committee is responsible for recommending the appointment of the external auditors and overseeing the external audit process	√	
The audit committee should report to the board and shareholders on how it has discharged its duties	√	
The Governance of Risk		
The board is responsible for the governance of risk	√	
The board should determine the levels of risk tolerance	√	
The risk committee or audit committee assists the board in carrying out its risk responsibilities	√	
The board should delegate to management the responsibility to design, implement and monitor the risk management plan	√	
The board should ensure that risk assessments are performed on a continual basis	√	
The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	√	
The board should ensure management considers and implements appropriate risk responses	√	
The board should ensure continual risk monitoring by Management	√	
The board should receive assurance regarding the effectiveness of the risk management process	√	
The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to shareholders	√	
The Governance of Information Technology ("IT")		
The board should be responsible for information technology (IT) governance	√	
IT should be aligned with the performance and sustainability objectives of the company	√	
The board should monitor and evaluate significant IT investments and expenditure	√	
IT should form an integral part of the company's risk management	√	
The board should ensure that the information assets are managed effectively	√	
The risk committee and audit committee should assist the board in carrying out its IT responsibilities	√	

Corporate Governance (continued)

King III compliance checklist (continued)

Key: √ Compliant # Partially compliant ✗ Non-compliant

	Status	Note
Compliance with laws, codes, rules and standards		
The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	√	
The board and its individual directors should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business	√	
Compliance risk should form an integral part of the company's risk management process	√	
The board should delegate to management the implementation of an effective compliance framework and processes	√	
Internal Audit		
The board should ensure that there is an effective risk based internal audit	√	
Internal audit should follow a risk-based approach to its plan	√	
Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management	√	
The audit committee should be responsible for overseeing internal audit	√	
Internal audit should be strategically positioned to achieve its objectives	√	
Governing Stakeholder Relationships		
The board should appreciate that stakeholders' perceptions affect a company's reputation	√	
The board should delegate to management to proactively deal with stakeholder relationships	√	
The board should strive to achieve the appropriate balance between the various stakeholder groupings, in the best interests of the company	√	
Companies should insure equitable treatment of shareholders	√	
Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	√	
The board should ensure disputes are resolved as effectively, efficiently, and expeditiously as possible	√	
Integrated reporting and disclosure		
The board should ensure the integrity of the company's integrated annual report	√	
Sustainability reporting and disclosure is integrated with the company's financial reporting	√	
Sustainability reporting and disclosure should be independently assured.	#	Note 2

Notes

Note 1. The Finance, Risk and Audit Committee members are suitably qualified, however the Committee includes one non-independent director.

Note 2. The Sustainability report has not been independently assured.

Corporate Governance (continued)

Communication with Stakeholders

The Group holds Annual General Meetings which presents an opportunity for all shareholders to question the Chairperson and other Directors (including Chairman of the Finance, Risk and Audit Committee, Human Resources and Nominations Committee). The Group prepares separate resolutions on each substantially separate issue put to shareholders and does not combine resolutions together inappropriately. A schedule of proxy votes cast is made available for inspection at the conclusion of the proceedings and the annual report is laid before the shareholders at the Annual General Meeting.

Notice of the annual general meeting and related papers are sent to shareholders at least 21 days prior to the date of the meeting, and the Group encourages all shareholders to make positive use of the annual general meeting for communication with the Board.

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

Sustainability Report

"Cresta Marakanelo Limited operates in the hospitality and tourism sector with a significant part of the hotel portfolio focussed on the provision of hotel services to business travellers. In addition to accommodation, Cresta, as part of its services, offers customers restaurants, bars, safari tours, conference facilities, outside catering, as well as other ancillary business activities carried out from the Hotels."

03

Sustainability Report

Sustainability Report (continued)

Basis of Preparation & Presentation

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

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

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

Company and Business Overview

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

Cresta Marakanelo Limited ("the Company'' or "CML") operates hotels in Botswana. The Company operates eleven (11) hotels in Botswana, geographically spread as below:

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

Relevant Laws and Regulations

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

Sustainability Report (continued)

Our Macro-Environment

At the core of the organisation's strategy framework is the company business model, a vehicle through which CML is set to create value for its different stakeholders. While the business has its own blueprint which advises its strategy, there are several external factors that give insight to operational capabilities and industry characteristics of the macro-environment the Company operate in. These external forces and factors can be analyzed through the PESTEL model and impacts of the same shown on the business model and risk assessment of the company.

FORCES	ENVIRONMENTAL FACTORS THAT EXIST THAT ARE PERTINENT TO CML	IMPACT ON BUSINESS MODEL
Political - Trade policies - Tax policies - Health services	- Preference given to citizen owned businesses. - VAT reduction to ease inflationary pressure - Regulated business environment	- The Botswana Development Corporation ("BDC") shareholding in CML as well as the shareholding of a number of local pension funds and individual retail investors, in addition to CML's Public Interest Entity status qualifying CML as citizen owned therefore enhancing customer attraction and retention from government institutions. - Less pressure exerted on cost lines due to VAT decrease - Easing of COVID-19 restrictions therefore better performance and revenue generation. - Business processes in line with the regulations and maintaining of high standards for customer satisfaction and optimal service provision.
Economic - GDP growth reflecting improved economic performance post COVID-19 - Cost of debt - Employment - Inflation	- Improved GDP in line with global performance expansion - Increase in lending rates from financiers - High unemployment rates - Economic downturn due to Ukraine/ Russia war as the world was rebounding from the COVID-19 pandemic.	- Enhanced productivity and improved output from customers hence more spend and a resultant positive impact on CML top line through increased business. - Increased cost of borrowing negatively impacted the profitability of the Company. - Increased pressure on cost lines of the business therefore low OP yields. - Employee retention despite economic contraction during the COVID-19 pandemic.
Social - Lifestyle attitude - Purchasing habits/patterns - Demographics	- Hybrid working systems - High uptake of travel following a lift in COVID-19 travel restrictions - Population trend towards middle aged population	- Travelling for both business and leisure; inclusive coworking and co-living spaces for dynamic hotel experiences - Cool beans concept and business centres in some of our properties. - Social media reforms and marketing strategies to attract new customers and disseminate information on our product offering. - Market understanding of our host communities with product inventiveness decentralized to properties with strategies geared towards specific markets for sales acquisition.

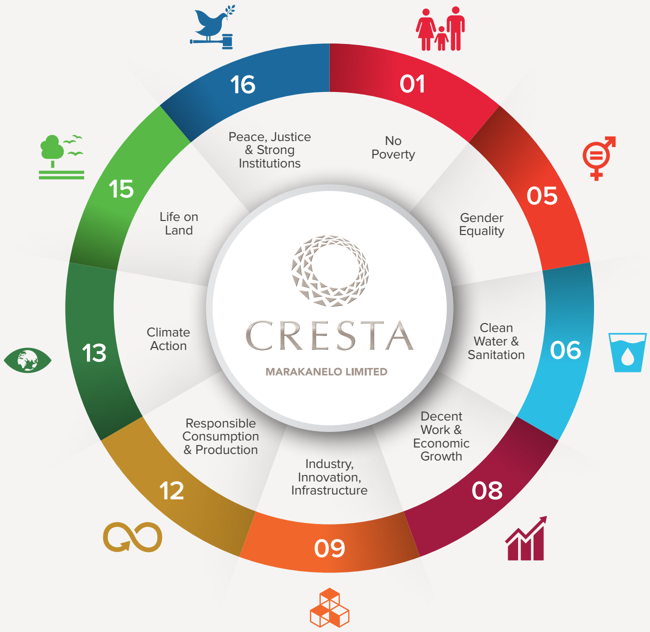
Sustainability Report (continued)

Our Macro-Environment (continued)

FORCES	ENVIRONMENTAL FACTORS THAT EXIST THAT ARE PERTINENT TO CML	IMPACT ON BUSINESS MODEL
Technological - Technological changes - Innovation and Automation - R&D	- Digitalisation of processes - Cybersecurity breaches - Cybercrime law - Data Protection law	- Continuous monitoring of ways to enhance our service and product offering with improvements made where need be. - Staff sensitized and trained on avoidance of security breaches. - Robust firewalls and security mechanisms to keep our guests cybersecure
Environmental - Environmental policies - Sustainability - Climate change	- Land clearing for new builds/ infrastructure - Recycling and re-using mechanisms - Global warming - Pollution	- Undertaking rehabilitative processes such as reforestation, and storm water and water erosion management; promoting better livelihoods for the communities we operate in. - Promoting dry gardens and recycling and re-using grey water for irrigation of our gardens.
Legal - Employment laws of the country - Laws related to the activity - Regulatory laws of the industry	- Employment law - Trade policies and laws - Tax laws - Health and public hygiene laws	- Continuous scan of our macro environment to ensure no legal breaches of the law pertaining to employee welfare. - Ensuring business activities are centered around the confines of the law and regulatory environment we operate in. - Tax and relevant levies duly paid.

Sustainability Report (continued)

Contribution to the Sustainable Development Goals



The UN through the 17 SDG's with 169 targets is rallying the world towards a common goal of ending poverty, protecting the planet and ensuring that all people enjoy peace and prosperity by 2030. CML as a corporate citizen of the world has taken heed of the call and is committed to contribute towards the achievement of the said goals, be it passively or actively. Outlined below are the 9 SDGs that the company is in pursuit of and a summary of activities showing contribution towards the same.

SDG			OUTCOME
	**SDG 1** **End poverty in all its forms everywhere** Targets relevant of the total targets of SDG 1. **3/7**	- Staff retention (especially during the COVID-19 pandemic) - Localised procurement of farm produce in host towns/cities	- Provision of jobs both directly and indirectly through the value chain for provision of services and goods therefore increase in household incomes.
	**SDG 5** **Achieve gender equality and empower all women and girls.** Targets relevant of the total targets of SDG 5. **2/9**	- Diverse workforce with equal representation of males and females in leadership positions	- Staff complement 467 males Vs 474 females - Diversity in the work place where roles are assumed on merit and atypical to traditional gender norms and settings e.g. housekeeping role being taken up by a male. - Close in gender parity statistics with equal earning opportunities and outcomes across both genders.
	**SDG 6** **Ensure access to water and sanitation for all.** Targets relevant of the total target of SDG 6 **3/8**	- Little to no degradation of water quality - No compromise of access for other users	- Engagement with the water corporation for sewage management. - Sustainable use and grey water recycling for irrigation in some properties.

Sustainability Report (continued)

Contribution to the Sustainable Development Goals (continued)

SDG		OUTCOME
SDG 8 **Promote inclusive and sustainable economic growth, employment and decent work for all.** Targets relevant of the total targets of SDG 8 **5/12**	- Provision of employment to 941 employees across group during and post pandemic without retrenchments. - Initiatives to grow sales - Conducive working environment for all. - Career growth and advancements - Employee training and continued professional development.	- Job security for employees. - Intensive yield management strategy thereby defending our market position. - Provision of meals to staff during working hours. - Open door policy to management for any grievances. - Inclusive work environment for people living with disabilities. - Skills development through departmental workshops. - Staff education loan. - Onboarding graduates through the management training programme; aiding in the reduction of unemployment pool. - Tax contribution.
SDG 9 **Build resilient infrastructure, promote sustainable industrialisation and foster innovation.** Targets relevant of the total targets of SDG 9 **2/8**	- Digitisation and smart technologies to be included in our processes and new builds and refurbs.	- Quality and reliable infrastructure aimed at easing business processes for both guests and staff.
SDG 12 **Ensure sustainable consumption and production patterns** Targets relevant of the total targets of SDG 12 **8/11**	- Eliminating the use of single use guest amenities in all standard rooms at the hotels. - Tracking of costs against production/ envisaged outcome.	- Budget/cost analysis to ensure consumption is in alignment with revenues generated. - GP analysis and benchmarks with variances interrogated.
SDG 13 **Take urgent action to combat climate change and its impacts** Targets of the relevant total targets of SDG 13 **3/5**	- Reduction of company carbon footprint. - Decarbonisation projects.	- Digitisation of processes to reduce use of paper. - Use of reusable containers for amenities. - Gradual phasing out of single use plastics after a setback due to precautionary measures because of COVID. - Planting 2000 trees annually across properties.

Sustainability Report (continued)

Contribution to the Sustainable Development Goals (continued)

SDG		OUTCOME
SDG 15 **Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss.** Targets of the relevant total targets of SDG 15 **8/12**	- Conservation and preservation of natural habitats supporting terrestrial ecosystems. - Restoration and rehabilitation of degraded land.	- Maintenance of animal corridors in properties where there's biodiversity/wildlife. - Use of designated pathways for safaris, with no offroad experiences to avoid animal/people conflicts and infringement of boundaries. - No kill policy in alignment with Botswana laws; engaging the department of wildlife for management of animals in our developed boundaries. - Retention wall on the riverbanks along the perimeters of our properties to manage water erosion.
SDG 16 **Promote just, peaceful and inclusive societies.** Targets of the relevant total targets of SDG 16 **5/12**	- Commit to transparency across the scope of our activities. - Ensure participation and representative decision making.	- Well controlled procurement process with an independent tender adjudication committee. - Well vetted suppliers on onboarding and updated supplier listing through KYC exercises. - Declaration of interest exercise companywide, with employees encouraged to update interest whenever there are changes. - Participation and representative decision making by way of committees and unions.

Sustainability Report (continued)

Our Six Capitals

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

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

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

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

Manufactured Capital

The state of the properties operated by CML is a key success factor to its triple bottom line goals across its planning horizon. To achieve a sustainable bottom line, the Company is committed to drive its manufactured capital through:

- Reinvestment in maintenance and enhancement of capacity with significant spend being allocated towards property refurbishments (soft and hard refurbishments). The refurbishment programme was on hold in 2020 and 2021 due to the need to preserve cash during the COVID-19 period but has since resumed. As the business continues on course to recovery, it is the strategic intent of the business to reinvest in its existing properties.
- Expansion of capacity through:
  - Adding room inventory on the existing properties
  - Developing new hotels (in partnership with Real Estate development partners) both domestically and regionally

The Company is set to introduce some level of green efficiencies in its future builds.

Intellectual Capital

The CML Intellectual Capital is the sum total value of the brand equity, company employee knowledge, skills, business training and processes which all consolidates into the business' competitive advantage.

The CML core levers in keeping this capital efficient and effective are:

- Brand maintenance.
- Brand proliferation into gateways – Oasis, Urban Heartbeat, African Fingerprint and African Roots - to allow space to remain competitive in different customer segments. This enables price discrimination and optimisation of revenue from different markets.
- Robust systems, processes and standard operating procedures, avoiding red tape through quarterly reviews of systems as first line of defence and internal audits as the second line of defence.

Social and Relationship Capital

The Company is deliberate in developing and maintaining sound mutually beneficial business relationships with stakeholders – customers, investors, shareholders, employees and trade unions, government, financial institutions, suppliers including landlords and the communities we operate in.

This capital is being propagated by:

- Compliance with the laws and regulations and honouring contracts and agreements in all spheres of operation. Management maintains a Compliance Checklist and quarterly audits are performed which includes testing of compliance.
- Enhanced turnaround time on responses to customer feedback and as far as practical, meeting the raised needs.
- Stakeholder engagement between CML Executive Management and the Labour Unions on an annual basis plus the regular town hall meetings between staff and Management.
- Negotiation policy underpinned by a desire for win-win agreements with our suppliers, landlords and property development partners.
- CML is involved in Corporate Social Responsibility activities including: Empowering the Youth in the education sector through:
  - Graduate Traineeship Programs
  - Being a Botswana Institute of Chartered Accountants (BICA) Authorised Training

Sustainability Report (continued)

Our Six Capitals (continued)

Natural Capital

In its decision-making process, CML actively considers the impact of natural resources onto the business – both renewable and non-renewable. This has been significant in getting the Company to holistically identify and manage its Risk Universe and opportunities available for appropriation.

Key utilisation of this capital has been driven by the underscored:

- Water harvesting - for example Cresta Maun runs entirely on non-municipal water.
- Our arrangement of planting 2 000 indigenous trees every year across our hotels. (The nursery is at Cresta Mowana).
- Energy preservation initiatives in our builds– LED lighting across all hotels and conducting feasibility on solar powered hotels.

Water saving inventiveness – water regulation devices in all showers, central laundry at city / town level and rolling out of dry gardens.

Financial Capital

Having put together all the other capitals, the Board and management are well cognisant for the need of funding to spearhead strategy and effectively realise value out of the other capitals.

CML strive to have access to reasonably priced debt capital or equity contributions to fund its inorganic expansion strategy as well as financing some of the projects out of cash generated from operations.

The Company pays special attention to the following:

- Judicious working capital management to ensure continued going concern and ability to finance organic growth.
- Observance of the strategy and resource allocation process in place via quarterly board meetings to review the progress on strategy execution.
- Active management of cashflows to ensure adherence to the debt covenants and periodic business update engagements with the lender.

Human Capital

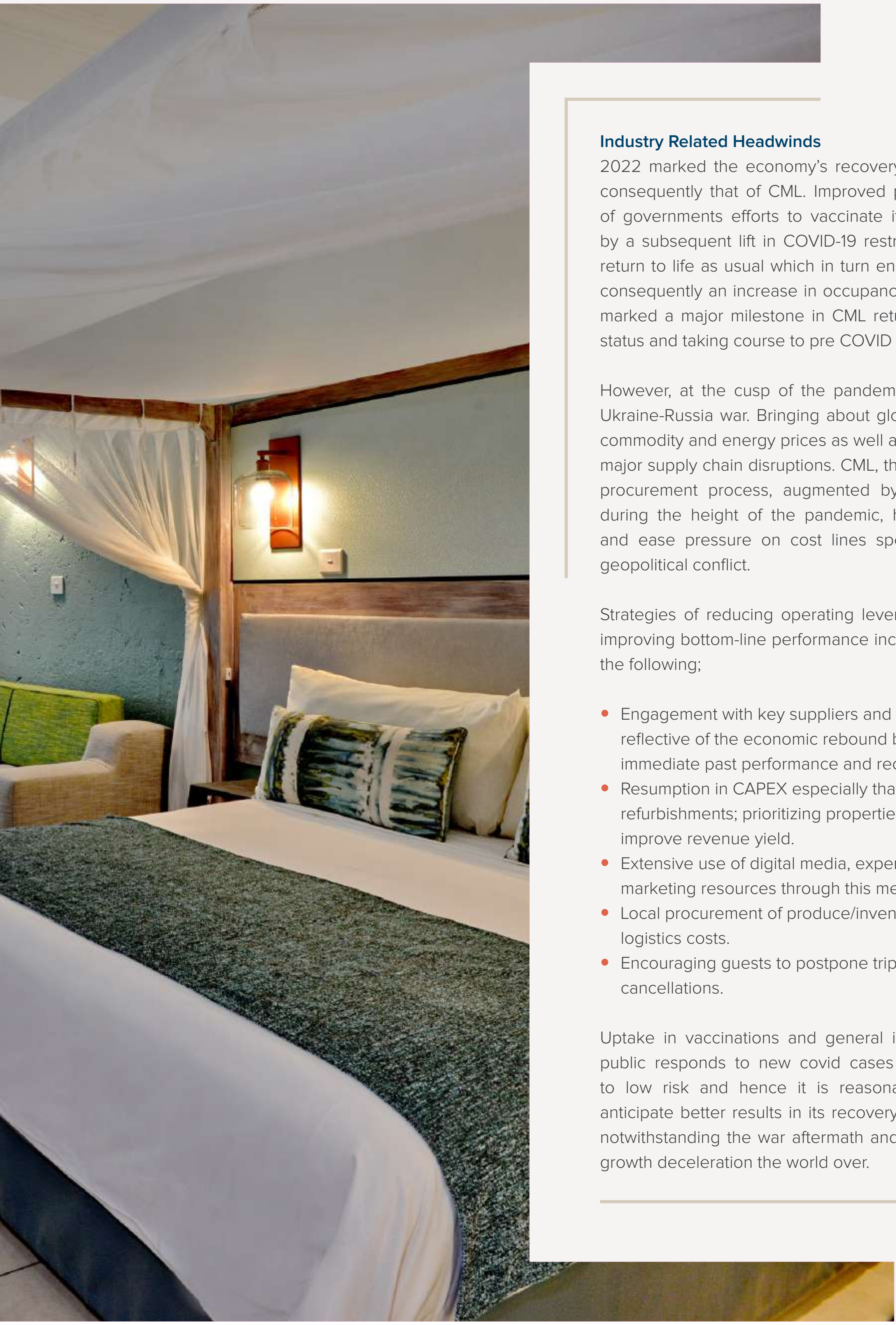
CML prides itself in the engine that drives the optimisation of all the other five identified capitals – Our People. The Company places importance on its staff engagement levels to ensure there is always adequate highly skilled talent to deliver on the strategy.

Core Human Capital keys to CML are:

- Recruitment and retention of top skills.
- Employee engagement surveys and implementation of recommendations or corrective actions
- Succession planning for key positions.
- Fair and sustainable remuneration with annual performance-based bonus.
- Career growth opportunities for our staff underpinned by internal promotions whenever possible.
- Investing in staff training and development programs.

Sustainability Report (continued)

Sustainability Report (continued)



Industry Related Headwinds

2022 marked the economy's recovery from the pandemic and consequently that of CML. Improved performance was a result of governments efforts to vaccinate its people, a lax followed by a subsequent lift in COVID-19 restrictions and a yearning to return to life as usual which in turn enhanced travel uptake and consequently an increase in occupancies in our properties. This marked a major milestone in CML returning to its profit-making status and taking course to pre COVID revenue levels.

However, at the cusp of the pandemic was the advent of the Ukraine-Russia war. Bringing about global inflation and a rise in commodity and energy prices as well as supply shortages due to major supply chain disruptions. CML, through its semi centralized procurement process, augmented by strategies implemented during the height of the pandemic, has continued to combat and ease pressure on cost lines specifically affected by this geopolitical conflict.

Strategies of reducing operating leverage of the business and improving bottom-line performance include but are not limited to the following;

- Engagement with key suppliers and stakeholders for terms reflective of the economic rebound but cognizant of immediate past performance and recovery thereof.
- Resumption in CAPEX especially that relating to refurbishments; prioritizing properties with high return to improve revenue yield.
- Extensive use of digital media, expending much of its marketing resources through this medium.
- Local procurement of produce/inventory items to reduce logistics costs.
- Encouraging guests to postpone trips rather than outright cancellations.

Uptake in vaccinations and general improvement on how the public responds to new covid cases has relegated COVID-19 to low risk and hence it is reasonable for the business to anticipate better results in its recovery trajectory going forward, notwithstanding the war aftermath and consequential economic growth deceleration the world over.

Sustainability Report (continued)

- Happy, loyal customers whose expectations are exceeded
- Company Growth – organic and inorganic
- Optimisation of enlightened shareholder value
- Making lives better for all stakeholders – employees, communities we operate in, supply chain and providers of expansion capital
- Meaningful contribution to the fiscus, country GDP and employment creation

CRESTA BUSINESS MODEL

THE RESULT

Accommodation
- Full Board
- Bed & Breakfast
- Room Only

Restaurant
- Coffee outlets
- In-house guests & walk in guests

Conferencing
- Full day conferences
- Half day conferences
- Private meetings

Bars
- In-house guests & walk in guests

Other Food & Beverage
- Outside-Catering
- Weddings & Cocktails
- Room hire, Spa, Curio shops

OUR SERVICE OFFERINGS

SALES ACQUISITION MODEL

Business-to-Government guest acquisition

Business-to-Consumer guest acquisition

Business-to-Business guest acquisition

Customer Loyalty Programme | Staff Training & Development | Staff Engagement | Digitisation | Central Procurement | Robust Processes | Expansion | Brand Equity

STRATEGIC PILLARS

CUSTOMER CENTRICITY
- Closely monitored guest feedback platform
- CAPEX driven by customer feedback
- Quick response to Guest inquiries and complaints

INNOVATION
- Innovation of Processes
- Products innovation
- Digitisation

REFURBISHMENTS
Ensure high quality products through:
- Soft and major refurbishments cycles
- Planned Maintenance Program

THE CML VALUE CREATION SUSTAINABILITY FOUNDATION

Sustainability Report (continued)

Cresta Marakanelo Limited Key Risks

CML board, supported and augmented by the executive and risk committees, has through the ERM process established a framework of identifying and methodically addressing potential events that serve as hindrances in the overall achievement of strategic objectives and our competitive advantage. The following risks, after thorough analysis and comprehension of our operating environment were identified and closely monitored during the financial year ended December 2022 and controls to the same effected.

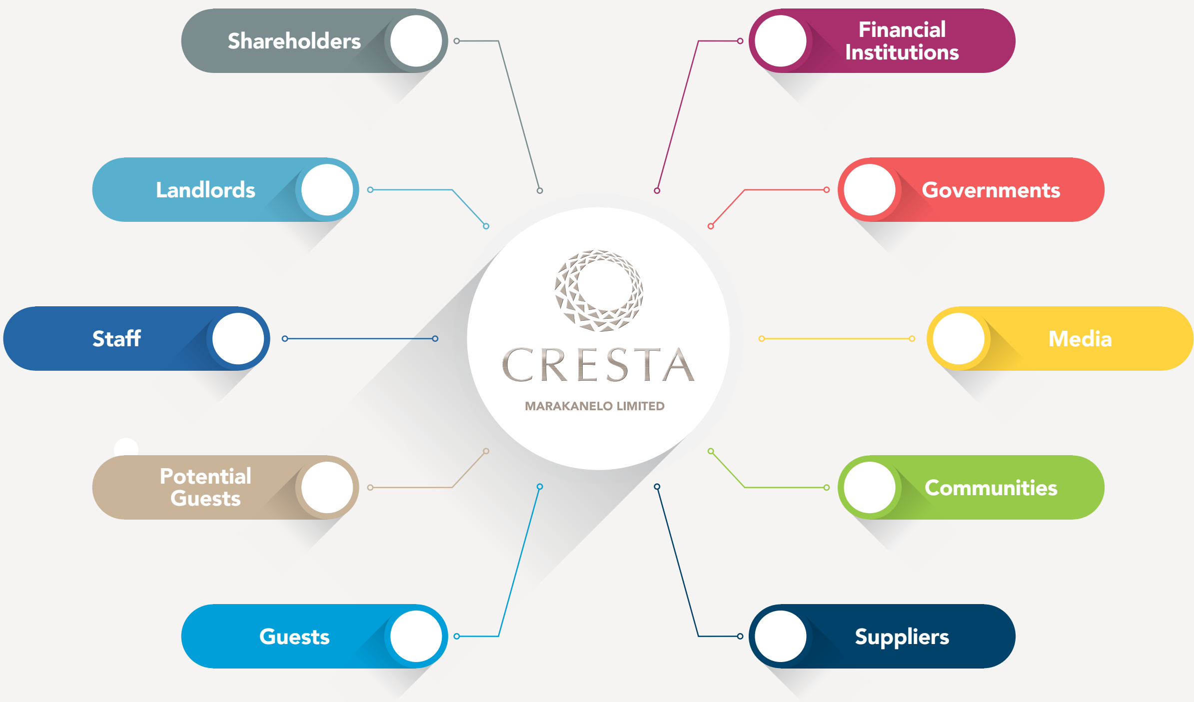
RISK CATEGORY	DETAILED RISK	POTENTIAL IMPACT	RISK MITIGATION
Strategic risks	Increasing growth in low cost alternative accommodation offerings.	Reduction in revenue	- Sharpern competitive advantage based on great customer service, increase contribution from other segments. - Diversification of markets, driving online sales channels. - Efficient cost management to reduce the impact of the lost revenues.
	Concentration risk on Government business.	Loss of revenue base should Government cut expenditure.	- Customer diversification marketing strategies to appeal to other market segments.
	Rising price wars as a result of the reduced market base and wear and tear in our properties due to a lag in refurbishment cycle.	Under pressure Average Daily Rate.	Yield management strategy devised with planned refurbishments to achieve competitive advantage and Improve market share.
Operational Risks	Failure to adapt to the continuously evolving guests demands.	Market share loss from failure to adapt to the changing needs.	Constant research on trends and customising where relevant.
	Guests' perception of destination risk e.g., like disease outbreaks, recently COVID-19.	Unforeseen cancellation of bookings.	- Crisis management framework on right sizing and lean operations. - Continuous staff training and upskilling around topical key risk areas like COVID-19.
	Decline in employee performance and productivity brought about by anxiety and concerns over health, potential job losses and salary cuts.	Demotivated employees rendering below par services to customers.	- Continuous monitoring of profit levels and staff engagement on profitability of CML. - Management aggressive on job security strategies.
	Fraud and inadequate understanding of controls.	Revenue and profit loss.	- Revision of operational SOPs and training on them. - Fraud detection procedures in internal audit programmes.

Sustainability Report (continued)

Cresta Marakanelo Limited Key Risks (continued)

RISK CATEGORY	DETAILED RISK	POTENTIAL IMPACT	RISK MITIGATION
Information Technology Risks	Cyber attacks.	Lawsuits by cyber security breached guests & brand reputation damage.	- Vulnerability tests conducted bi-annually. - Staff training on cyber attacks.
	Social media which has capacity to spread unfavourable and inaccurate news.	Damaged brand perception, low customer ratings leading to loss of revenue.	Constant watch of the social media pages, responding to queries and questions timely.
Financial Risks	Distressed cash flows putting debt service under pressure.	Breach of debt covenants, insufficient cash to fund operations.	Continuous engagement of providers of finance for debt restructuring.

Our Key Stakeholders



Sustainability Report (continued)

Our Key Stakeholders — Detailed Analysis (continued)

Stakeholder Group	Point of Engagement with Stakeholder	Stakeholder Expectations of Us	Our Engagement method with stakeholder	The Engagement Expected Outcome
Guests are at the heart of our existence	We endeavour to accurately identify our guests needs, their view of our brand and spending patterns	- Hygienic facilities - Warm staff for a friendly stay - Uninterrupted bandwidth experience - Value for money - Loyalty recognition	- Guest feedback mechanisms are in place - Management check-ups while guests are in-house - 24/7 Reception Help Desk - Cresta Pride Loyalty Card which offers up to 50% discount	- Happy and brand loyal customer, leading to repeat revenue - Customer word of mouth advertising
Potential Guests Market wide customers not yet staying with Cresta hotels.	Understanding their needs, perception of our brand and service, feedback from our existing clients, what would make our potential guests patronise our properties.	- Increased awareness of our product offerings and value proposition - Better rates than their current service provider	- Reference to the Trip Advisor and other social media positive feedback - Word of mouth from existing guests whose expectations are continuously exceeded - Marketing efforts and sales calls	- New business - Enhanced brand perception based on experience - Market word of mouth advertising
Staff are the engine driving the business model, exceeding our guests expectations.	Empathising in their socio-economic needs, career aspirations and training needs.	- Job security during and post COVID-19. Improve in household income by way of salary increments. - Friendly conducive working environment. - Provision of training opportunities and career advancement.	- Open door policy up to the office of the Managing Director - Staff engagement surveys - Town hall meetings with the Executive Management team - Formalised representation of staff through the trade union. - Training opportunities for staff where there are identified gaps in training.	- Reassured staff members who are enabled to consistently exceed guests' expectations - Innovation and creativity - Well trained and fulfilled staff members.

Sustainability Report (continued)

Our Key Stakeholders — Detailed Analysis (continued)

Stakeholder Group	Point of Engagement with Stakeholder	Stakeholder Expectations of Us	Our Engagement method with stakeholder	The Engagement Expected Outcome
Landlords Strategic partners in delivering Cresta standard properties.	Identification of salient features of the lease agreements and adherence to them.	- Adherence to the lease agreements duties and responsibilities	- Scheduled periodic meetings plus ad-hoc engagements from time to time.	- Secured tenure beyond stated lease period to foster long-term business sustainability. - Expansion into new properties with existing landlords. - Remission of lease payments on time.
Shareholders, including potential investors. Providers of equity capital.	Understanding their business growth vision and required return on investment	- Business going concern - Timely payment of lease obligations. - Business going concern - Growth, both organic and inorganic - Consistent dividend payment - Transparent and ethical management	- Annual General Meetings - Press Releases, whenever necessary - Website, in particular the Investor Relations tab - Publishing Audited Financial Statements and Reports - Results presentation meetings	- Enhanced market capitalisation - Sought after counter on Botswana Stock Exchange - Dividend payments - Increasing profitability
Suppliers Strategic partners in delivering the Cresta guest promise.	Gathering information on their going concern, price fairness and products quality Point of engagement with stakeholder	- Objectivity on tender adjudication and placing of orders - Fairness on pricing and payments terms - Timely payments of amounts due to them - Business going concern	- Communication of tender adjudication results - Supplier by supplier meetings - Three quotations system on orders - Tipoff forum, independently managed by Internal Audit	- Fair pricing and payment terms - Strong brand equity and perception - Reciprocal business and word of mouth advertising
Communities Providers of natural resources in our space	Understanding their points of needs – ecological and socio-economic.	- Ecological approach to business, conserving and preserving natural resources - Payback to the Communities we are doing business in	- Corporate Social Responsibility engagements - Donations	- Enhanced goodwill within communities - Building brand equity

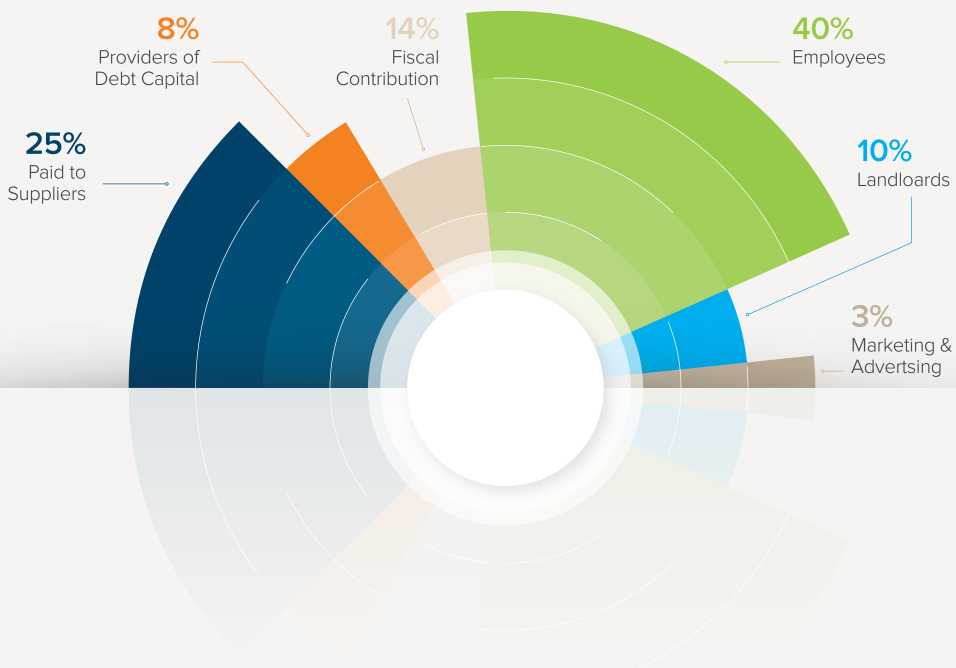
Sustainability Report (continued)

Our Key Stakeholders — Detailed Analysis (continued)

Stakeholder Group	Point of Engagement with Stakeholder	Stakeholder Expectations of Us	Our Engagement method with stakeholder	The Engagement Expected Outcome
Media Partners in reaching our markets and guests	Engage them to ensure dissemination of the correct, objective narrative about the Company	- Providing content for various media channels - Transparency and honest response to questions - Advertising spend	- Radio appearances - Active social media presence - Press releases - Advertising spend	- Information enriched market
Government Sets the tourism policy parameters within which Cresta operates	Consistency of economic policies and even more especially Tourism policy is critical to the sustainable success of Cresta business	- Compliance to laws and regulations - Contribution to the fiscus in taxation - Contribution to Gross Domestic Product (GDP) - Employment creation	- Engagement through the hospitality industry body from time to time - Annual returns filing - Taxation returns - Co-Marketing the Country during the global and regional tourism expos	- Tourism friendly and consistent policies
Financial Institutions Providers of debt capital	Banks from time to time fund Cresta's organic and inorganic growth.	- Adherence to debt covenants - Sustainable company performance - Meeting debt obligations	- Periodic business update meetings - Sharing periodic financial reports	- Favourable cost of capital - Access to expansionary capital

Value Created for Our Stakeholders

P239million



Sustainability Report (continued)

Our Key Stakeholders (continued)

Cresta Pride Card Loyalty Programme

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

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

Cresta Pride Card members reconciliation

As at 31 December 2022

	Loyal Customers
Members as at 1 January 2021	26,239
Additions	1,894
Exits	(88)
Total Number of Pride Card Members as at 31 December 2021	**28,045**
Members as at 1 January 2022	28,045
Additions	2,344
Exits	(293)
Total Number of Pride Card Members as at 31 December 2022	**30,096**

There was a net growth of 8% in Cresta Pride Card holders in 2022 compared to 7% in 2021.

Guest Satisfaction Surveys

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

The Feedback is collected on the following:
- Likelihood of recommending to family and friends
- Overall impression of the hotel
- Food quality
- Wi-Fi
- Cleanliness of hotel
- Standard of room
- Standard of conference facilities
- Friendliness of staff

The Overall Guest Feedback Ratings at 83% for the year, was below that of 2021 at 88%.

Staff Training & Development

As customer needs continue to evolve and more emphasis is placed on potent service delivery, the Company rolled out an intensive training program, updating protocols and standard operating procedures in line with guidelines from World Health Organisation and Botswana Ministry of Health and Wellness during the height of the pandemic. This saw 81% of our training budget in 2021 being allocated towards operations with a focus on operational excellence. 2022 marked a different operating horizon for the industry; with more pronounced focus on other risks. CML, with customer safety and wellness in mind, embarked on refresher courses and training to mitigate against these likely risks identified for the scope of our operations, and help in maintenance of it's a competitive advantage.

Our training budget for the period was therefore largely allocated to risk training (56%). Support functions too had a larger proportion of the training budget at 37% (2021:10%) to permeate an all rounded service and product offering with no gaps.

Investment in Staff Training & Development

	2022 BWP'000	2021 BWP'000
Investment for the year	**434**	868
Operations focus	**32**	703
Support functions	**161**	91
Risk training	**241**	74

Staff compliment demographics	Head Count	
The composition of our staff compliment is:	**941**	873
- Males	**467**	420
- Females	**474**	453
Of the total number of employees, total non-citizens is:	**8**	8
- Males	**6**	6
- Females	**2**	2

Corporate Social Responsibility

"As an operator in the hospitality sector, being a responsible corporate citizen is a key component of our own sustainability. As such we are dedicated to the empowerment, development and growth of the communities in which we operate. CML endevours to have a positive social, economic, environmental and cultural impact in the communities we operate in."

04

Corporate Social Responsibility

Corporate Social Responsibility (continued)

Social, Economic, Environmental and Cultural Impact

in The Communities We Operate In

Our Corporate Social Responsibility Commitment

As an operator in the hospitality sector, being a responsible corporate citizen is a key component of our own sustainability. As such we are dedicated to the empowerment, development and growth of the communities in which we operate. CML endevours to have a positive social, economic, environmental and cultural impact in the communities we operate in.

Our main aim is to engage in projects where there are shared goals and values with communities while looking for opportunities to create and nurture partnerships with reputable societal organisations. The Company seeks to be responsive to the needs of the communities by engaging in high quality, cost effective, sustainable, needs based community activities through short and long term partnerships.

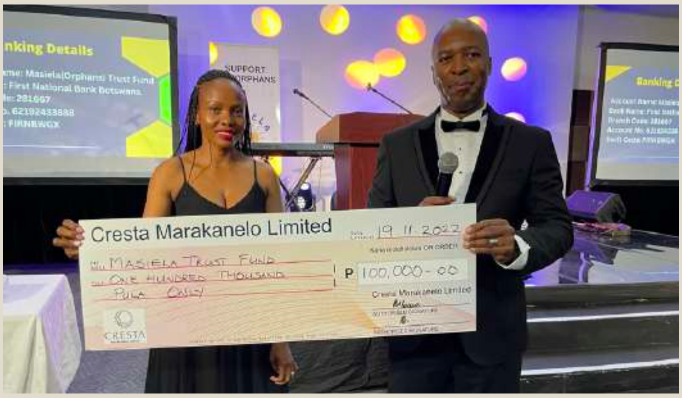
In 2022 we continued with our *'P1 Per Room Night'* initiative, through which CML pledges P1 per room night sold towards the CSR Fund. It is through the proceeds of this fund that we are able to support the various CSI projects in our communities and make a difference in the lives of Batswana.

Corporate Social Responsibility Initiatives

As COVID-19 restrictions eased up globally and the travel and tourism industry progressively began opening up, the lagging effects of the pandemic in our communities became increasingly apparent. This encouraged us to build on to the CSR efforts we had embarked on at the height of the pandemic, and 2022 saw us continue on our quest to support various initiatives aimed at curbing the heightened social and economic hardships in our society.

Masiela Trust Fund Donation

Masiela Trust Fund's core mandate is to raise financial aid for the care of orphans and vulnerable children and has the role of being the premier advocate and facilitator for care and support of orphans and vulnerable children (OVC). The organisation undertakes various initiatives to raise funds and acquire assets to integrate orphans and vulnerable children and promote their well-being through strengthening collaboration and communication with stakeholders. In support of this mission, in 2022 we donated P100 000 to the Masiela Trust Fund at the annual fund-raising Gala Dinner. We believe this donation will have a positive contribution to the organisation's efforts towards the advocacy and care of OVC's in Botswana



Corporate Social Responsibility (continued)

School Uniform Donation for Underprivileged Students

With one of our units being in Fairgrounds Gaborone within the Old Naledi proximity, it is our desire to give back to the communities we operate in and their surrounding areas. In 2022 we donated full school uniforms to 10 top performing students from underprivileged families in the Old Naledi community proceeding to begin their Form 1 and Form 4 studies. The 10 recipients of this donation were identified in partnership with the local authorities, and the handover was done by the CML staff members in honour of the recipients' exceptional academic performance despite their adverse family financial situations.

Drug Free is the New Cool Movement

With the recent surge in drug use amongst youth in Botswana, we recognized the increasing negative effects of this social ill in our communities. Drug use is progressively becoming one of the most concerning killers of the youth in Botswana, and a notable impediment to productivity in the workplace. In 2022 we partnered with the *Drug Free is the New Cool* Organisation as the official accommodation provider for the team in Maun organizing the commemoration of International Day Against Drug Abuse and Illicit Trafficking. The activities culminated in a commemorative walk event in Maun to raise awareness on drug abuse, with staff members at Cresta Maun Hotel taking part in the commemorations.

Conclusion

In 2023 the Company will embark on more strategic community projects and impactful partnerships aimed at empowering various segments of society, as we continue to give back to our valued communities that support us and enable our success. We continue to be sensitive towards monitoring the interests of the local population in the areas in which we operate; particularly with regard to safeguarding of their traditions, culture and future development. We will support the economic empowerment of the communities we operate in, by partnering with and capacitating various structures in our community to enable them to sustain themselves and create employment for the community.

We will practise a responsible attitude towards energy conservation in terms of the reduction and recycling of waste; the control of sewage disposal, air-emissions and pollutants; the reduction in use of such unfriendly products as CFCs, pesticides and other toxic substances; and the reduction of noise and visual pollution. We will be sensitive to the conservation of environmentally protected or threatened areas, species and scenic aesthetics. We shall also aim to achieve the enhancement of the landscape, wherever possible, by means of indigenous plant material reinforcement.

Consolidated Financial Statements

05

Financial Statements

Shareholder Information

Directors' Statement of Responsibility and Approval of The Financial Statements

for the year ended 31 December 2022

Directors' Statement of Responsibility

The Board of Directors of Cresta Marakanelo Limited ("the Company") and its subsidiary ("the Group") are required by the Botswana Companies Act, 2003 to maintain adequate accounting records and to prepare financial statements for each financial year which show a true and fair view of the state of affairs of the Company and Group at the end of the financial year and of the results and cash flows for the period. In preparing the accompanying Company and Group financial statements, International Financial Reporting Standards have been followed, suitable accounting policies have been used, and reasonable and prudent judgements and estimates have been made. Any changes to accounting policies are approved by the Group's Board of Directors and the effects thereof are fully explained in the financial statements. The financial statements incorporate full and responsible disclosure in line with the significant accounting policies of the Group noted on pages 63 to 81.

2022 is the first year that the Group has made a profit since the start of the COVID-19 pandemic in 2020. There was no significant rise in new COVID-19 cases during the year under review, with vaccinations being available worldwide. This resulted in the relaxing of the COVID-19 restrictions which included travel bans, alcohol sale bans and restrictions on gatherings. An improvement in business levels was noted with occupancies increasing across the hotels. The Group also noted a rise in the inflow of international tour series business at Cresta Mowana.

For the financial year 2022, the Group achieved a net profit of P19 million (2021: P40 million net loss), continuing from the rebound momentum enjoyed from Q4 2021, post the "State of Emergency".

For the financial year 2022, the Group achieved a net profit after taxation of P19.2 million (2021: P40 million loss). Losses were made in 2021 due to disruptions caused by the COVID-19 pandemic on the travel and hospitality industry. The Group started observing improved business levels towards the end of 2021 and into early 2022 with improved occupancies and positive returns.

Based on the 2022 financial year performance and the forecast for the next 12 months, the Directors are satisfied that the Group has the ability to meet all obligations as they fall due and to trade as a going concern for a period of at least 12 months from the date of approval of these financial statements. The Directors have noted the net current liability position of the Group as at 31 December 2022. They have reviewed the expected timing of the settlement of the liabilities (Note 2.3) and are satisfied that the forecasted cash flows would be sufficient for the liabilities to be settled when due, while the P10 million unutilised overdraft facility would also be available for working capital requirements.

The Directors are therefore of the opinion that the going concern assumption is appropriate in the preparation of the consolidated and separate financial statements.

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

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

The effectiveness of the internal financial control systems is monitored through management reviews, comprehensive reviews and testing by the internal auditors and the external auditors' review and testing of appropriate aspects of the internal financial control systems during the course of their statutory examinations of the Company and Group. The Group's external auditors, Deloitte & Touche, have audited the financial statements and their audit report appears on pages 55 to 58 of the financial statements.

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

Directors' approval of the financial statements

The financial statements for the year ended 31 December 2022, which appear on pages 59 to 115 were approved for issue by the Board of Directors on 31 March 2023 and are signed on its behalf by:

Moatlhodi Lekaukau
Chairman

Mokwena Morulane
Managing Director

Deloitte.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CRESTA MARAKANELO LIMITED

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Cresta Marakanelo Limited (the Company) and its subsidiaries (the Group) set out on pages 59 to 115, which comprise the consolidated and separate statements of financial position as at 31 December 2022, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Group and Company as at 31 December 2022, and their consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Key Audit Matters

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

Independent Auditor's Report (continued)

To the Shareholders of Cresta Marakanelo Limited

Key Audit Matter	How the matter was addressed in the audit
Impairment assessment of Goodwill attributed to Cresta Jwaneng Cash Generating Unit ("CGU") (Group and Company)	
The Group and Company have goodwill attributed to the Cresta Jwaneng CGU amounting to P 5 274 000. In terms of the requirements of IAS 36: Impairment of Assets ("IAS 36") an annual impairment assessment should be performed for the recoverability of the goodwill. Significant judgement and estimation are required by the directors in performing the impairment assessment of the goodwill which is determined with reference to the value in use, including the key assumptions in the discounted cash flow ("DCF") model for the CGU. The DCF Model relies on the accuracy of the budgeted and projected net cash flows and the appropriateness of the discount rate used for the CGU. Because of the level of judgement involved and the significance of the amount of goodwill, we identified the assessment of the recoverability of goodwill as a Key Audit Matter. Related disclosures in the consolidated and separate financial statements: • Note 3.1 – Critical Accounting Estimates and Judgements, Estimated Impairment of Goodwill • Note 15 – Goodwill	We performed the following procedures: • Tested the design and implementation of the controls associated with the directors' assessment of the recoverability of the CGU; • Challenged the calculations prepared by the directors and assessed the reasonableness of the assumptions applied in the recoverability and impairment assessment; • Reviewed the future projected cash flows used in the directors' "value in use" calculation to determine whether they are reasonable; • Compared the projected cash flows against historical performance to test the reasonableness of the directors' projections; • Assessed the key inputs used in the computations, which include the future growth rates, and the discount rate; • Performed independent sensitivity analysis of key inputs (discount rate and the future growth rates) used in the "value in use" computation; • Recalculated the "value in use" and compared the amount to the directors' computation; and • Reviewed the related disclosures for compliance with the requirements of IAS 36 with regard to the goodwill. In conclusion, we considered the judgements and estimates used for the goodwill impairment assessment and related disclosures to be appropriate.

Other Information

The directors are responsible for the other information. The other information comprises the Statement of Directors' Responsibility and Approval of the Financial Statements, which we obtained prior to the date of this auditor's report and the Annual Report will be made available after the date of our independent auditor's report. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report (continued)

To the Shareholders of Cresta Marakanelo Limited

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report (continued)

To the Shareholders of Cresta Marakanelo Limited

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

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

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

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

Deloitte + Touche

Deloitte & Touche
Firm of Certified Auditors
Practicing Member: Pragnaben Naik (CAP 007 2023)

31 March 2023
Gaborone

Statements of Profit and Loss and other Comprehensive Income

for the year ended 31 December 2022

		CONSOLIDATED		COMPANY	
	Notes	2022 P'000	2021 P'000	2022 P'000	2021 P'000
Continuing Operations					
Revenue	4	**355,728**	216,352	**355,728**	216,352
Cost of sales	5	**(206,745)**	(162,270)	**(206,745)**	(162,270)
Gross profit		**148,983**	54,082	**148,983**	54,082
Sales and distribution expenses	5	**(9,283)**	(6,323)	**(9,283)**	(6,323)
Administration and operating expenses	5	**(94,024)**	(78,593)	**(94,024)**	(78,593)
Operating profit/(loss)		**45,676**	(30,834)	**45,676**	(30,834)
Finance income	7	**2,537**	2,182	**2,537**	2,182
Finance expense	7	**(26,547)**	(24,268)	**(26,547)**	(24,268)
Impairment of investment in subsidiary	10	**—**	—	**—**	(3,117)
Profit/(loss) before income tax		**21,666**	(52,920)	**21,666**	(56,037)
Income tax (expense)/ credit	8	**(2,422)**	9,702	**(2,422)**	9,702
Profit/(loss) for the year from continuing operations		**19,244**	(43,218)	**19,244**	(46,335)
Discontiued Operations					
Profit for the year from discontinued operations	12	**—**	3,024	**—**	—
Profit/(loss) for the year		**19,244**	(40,194)	**19,244**	(46,335)
Other comprehensive loss					
Currency translation differences (subject to subsequent recycling through profit or loss)		**—**	(444)	**—**	—
Other comprehensive loss for the year		**—**	(444)	**—**	—
Total comprehensive profit/(loss) for the year		**19,244**	(40,638)	**19,244**	(46,335)
Earnings per share					
Basic and diluted earnings/(loss) per share (thebe)	9	**10.64**	(22.21)		
Earnings/(loss) per share from continuing operations	9	**10.64**	(23.89)		

Statements of Financial Position

At 31 December 2022

	Notes	CONSOLIDATED 2022 P'000	CONSOLIDATED 2021 P'000	COMPANY 2022 P'000	COMPANY 2021 P'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	**336,164**	353,373	**336,164**	353,373
Right-of-use-assets	14	**64,827**	76,708	**64,827**	76,708
Intangible assets					
Goodwill	15	**5,274**	5,274	**5,274**	5,274
Lease rights/software	15	**516**	418	**516**	418
Deferred tax asset	21	**15,399**	17,821	**15,399**	17,821
Total non-current assets		**422,180**	453,594	**422,180**	453,594
Currents assets					
Inventories	17	**3,072**	2,027	**3,072**	2,027
Trade and other receivables	18	**20,141**	12,810	**20,141**	13,489
Current income tax assets	27	**124**	302	**124**	302
Cash and cash equivalents	19	**56,129**	53,241	**56,129**	52,452
Total current assets		**79,466**	68,380	**79,466**	68,270
Total assets		**501,646**	521,974	**501,646**	521,864
EQUITY					
Capital and reserves					
Stated capital	20	**18,500**	18,500	**18,500**	18,500
Treasury shares	16	**(5,915)**	(5,915)	**(2,105)**	(2,105)
Retained earnings		**129,427**	110,183	**125,617**	106,373
Total equity		**142,012**	122,768	**142,012**	122,768
LIABILITIES					
Non-current liabilities					
Lease liabilities	14	**69,300**	81,843	**69,300**	81,843
Borrowings	22	**188,015**	236,627	**188,015**	236,627
Total non-current liabilities		**257,315**	318,470	**257,315**	318,470
Current liabilities					
Trade and other payables	23	**31,674**	31,500	**31,674**	31,390
Borrowings	22	**46,839**	27,597	**46,839**	27,597
Lease liabilities	14	**14,507**	13,064	**14,507**	13,064
Contract liabilities	24	**9,299**	8,575	**9,299**	8,575
Total current liabilities		**102,319**	80,736	**102,319**	80,626
Total liabilities		**359,634**	399,206	**359,634**	399,096
Total equity and liabilities		**501,646**	521,974	**501,646**	521,864

Statements of Changes in Equity

for the year ended 31 December 2022

	Stated capital P'000	Treasury shares P'000	Foreign currency translation reserve P'000	Retained earnings P'000	Total equity P'000
CONSOLIDATED					
Balance at 1 January 2021	18,500	(5,915)	(1,222)	152,043	163,406
Total comprehensive loss for the year	—	—	(444)	(40,194)	(40,638)
Loss for the year	—	—	—	(40,194)	(40,194)
Other comprehensive loss for the year	—	—	(444)	—	(444)
Transfer of reserves	—	—	1,666	(1,666)	—
Balance at 31 December 2021	**18,500**	**(5,915)**	**—**	**110,183**	**122,768**
Year ended 31 December 2022					
Balance at 1 January 2022	18,500	(5,915)	—	110,183	122,768
Total comprehensive income for the year	—	—	—	19,244	19,244
Balance at 31 December 2022	**18,500**	**(5,915)**	**—**	**129,427**	**142,012**
COMPANY					
Balance at 1 January 2021	18,500	(2,105)	—	152,708	169,103
Total comprehensive loss for the year	—	—	—	(46,335)	(46,335)
Balance at 31 December 2021	**18,500**	**(2,105)**	**—**	**106,373**	**122,768**
Year ended 31 December 2022					
Balance at 1 January 2022	18,500	(2,105)	—	106,373	122,768
Total comprehensive income for the year	—	—	—	19,244	19,244
Balance at 31 December 2022	**18,500**	**(2,105)**	**—**	**125,617**	**142,012**

Statements of Cash Flows

for the year ended 31 December 2022

		CONSOLIDATED		COMPANY	
	Notes	2022 P'000	2021 P'000	2022 P'000	2021 P'000
Cash flows from operating activities					
Cash generated from operations	27	**85,485**	33,776	**86,274**	33,610
Interest paid		**(20,601)**	(18,047)	**(20,601)**	(18,047)
Tax refund/(paid)	27	**178**	(88)	**178**	(88)
Cashflows from discontinued operations	12	**—**	3,403	**—**	—
Net cash generated from operating activities		**65,062**	19,044	**65,851**	15,475
Cash flows utilised in investing activities					
Purchase of property, plant and equipment	13	**(14,414)**	(8,309)	**(14,414)**	(8,309)
Purchase of computer software	15	**(472)**	(22)	**(472)**	(22)
Proceeds on disposal of plant and equipment		**56**	7	**56**	7
Interest received	7	**2,537**	2,182	**2,537**	2,182
Net cash utilised in investing activities		**(12,293)**	(6,142)	**(12,293)**	(6,142)
Cash flows utilised in financing activities					
Repayment of lease liabilities		**(13,433)**	(14,245)	**(13,433)**	(14,245)
Repayment of borrowings		**(29,397)**	(14,941)	**(29,397)**	(14,941)
Interest paid - finance lease	7	**(7,395)**	(6,221)	**(7,395)**	(6,221)
Proceeds from borrowings		**—**	25,000	**—**	25,000
Loan to subsidiary		**—**	—	**—**	(3,117)
Cashflows from discontinued operations		**—**	(3,700)	**—**	—
Net cash utilised in financing activities		**(50,225)**	(14,107)	**(50,225)**	(13,524)
Net increase /(decrease) in cash and cash equivalents		**2,544**	(1,205)	**3,333**	(4,191)
Cash and cash equivalents at beginning of year		**53,241**	56,693	**52,452**	56,076
Exchange gain/(loss) on cash and bank balances		**344**	(2,247)	**344**	567
Cash and cash equivalents at end of year	19	**56,129**	53,241	**56,129**	52,452

Summary of Significant Accounting Policies

for the year ended 31 December 2022

General information

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

The consolidated Group financial statements and separate Company financial statements for the year ended 31 December 2022 have been approved for issue by the Board of Directors on 31 March 2023.

Summary of significant accounting policies

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

1.1 Basis of preparation

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

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

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

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

The Cresta Marakanelo Limited accounting policies are described in the notes to the financial statements. The accounting policies adopted by the Group are in line with International Financial Reporting Standards (IFRS). In the current year, the following applicable new or revised Standards issued by the International Accounting Standards Board (IASB) and effective for annual reporting periods beginning on or after 1 January 2022 were adopted by the Group. The adoption has not had any material impact on the disclosures or amounts reported in these financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendment to IFRS 16 – COVID-19 Related Rent Concessions beyond 30 June 2021

In May 2020, the IASB amended IFRS 16 to provide lessees with a practical expedient that relieves a lessee from assessing whether a COVID-19-related rent concession is a lease modification. Among other conditions, the 2020 amendment permits a lessee to apply the practical expedient only to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2021.

Due to the ongoing nature of the pandemic, the Board has extended that date to permit a lessee to apply the practical expedient to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022.

The standard did not have an impact on the Group as the Group did not have COVID-19 related rent concessions in 2022.

Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2022

1.1 Basis of preparation (continued)

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

Amendments to IFRS 3 – Reference to the Conceptual Framework

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

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

Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract

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

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

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

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories. The amendments also clarify the meaning of 'testing whether an asset is functioning properly'.

IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

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

Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle

The Annual Improvements include amendments to four standards.

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

Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2022

1.1 Basis of preparation (continued)

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

IFRS 9 Financial Instruments

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

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements.

IAS 41 Agriculture

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

New and revised IFRS Standards in issue but not yet effective

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

IFRS 17 Insurance Contracts

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

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

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

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

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

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.

Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2022

1.1 Basis of preparation (continued)

New and revised IFRS Standards in issue but not yet effective (continued)

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group's financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements*, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently revisiting its accounting policy information disclosures to ensure consistency with the amended requirements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognized for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The Group is currently assessing the impact of the amendments.

1.2 Basis of consolidation

(a) Subsidiaries

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

Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2022

1.2 Basis of consolidation (continued)

(a) Subsidiaries (continued)

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

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

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

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

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

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

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

(c) Disposal of subsidiaries

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

(d) Discontinued operations

Assets that meet the criteria to be classified as discontinued operations are excluded from the results of continuing operations and are presented as a single amount as a profit or loss after tax from discontinued operations in the statement of profit or loss. Additional disclosure is provided in Note 12. All other notes in the financial statements include amounts for continuing operations, unless otherwise indicated.

Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2022

1.3 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

(c) Group companies

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

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

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

1.4 Revenue recognition

The Group recognises revenue from the following major sources:

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

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

Revenue is recognised as follows:

(a) Provision of services – accommodation and other revenues

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

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

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

Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2022

1.4 Revenue recognition (continued)

Revenue is recognised as follows: (continued)

(c) Interest income

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

(d) Dividend income

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

(e) Customer loyalty programme

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

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

1.5 Leases

The Group as a lessee

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

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

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

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

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

The finance costs included in the repayment of the lease liabilities are presented separately under financing activities in the statement of cash flows.

Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2022

1.5 Leases (continued)

The Group as a lessee (continued)

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

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

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

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

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

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

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

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

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

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

Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2022

1.5 Leases (continued)

The Group as lessor

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

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

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

1.6 Dividend distribution

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

Withholding tax of 10% is payable on the gross value of dividends. The withholding tax is treated as once off tax in the hands of the shareholders.

1.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

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

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

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

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

Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2022

1.7 Property, plant and equipment (continued)

Gains and losses

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

Impairment

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

1.8 Intangible assets

(a) Goodwill

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

(b) Trademarks and licenses

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

(c) Lease rights

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

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

(d) Computer software

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

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

Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2022

1.9 Impairment of non-financial assets

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

1.10 Financial instruments

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

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

Financial assets

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

Classification of financial assets

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

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

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

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2022

1.10 Financial instruments (continued)

Financial assets (continued)

(i) Amortised cost and effective interest method

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

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

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

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

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

(ii) Debt instruments classified as at FVTOCI

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

(iii) Equity instruments designated as at FVTOCI

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

Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2022

1.10 Financial instruments (continued)

Financial assets (continued)

(iii) Equity instruments designated as at FVTOCI (continued)

A financial asset is held for trading if:

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

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

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

(iv) Financial assets at FVTPL

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

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

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

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

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

Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2022

1.10 Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

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

(i) Definition of default

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

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

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

(ii) Credit impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event (see (ii) above);

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iii) Write off policy

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

(iv) Measurement and recognition of expected credit losses

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

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

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

Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2022

1.10 Financial instruments (continued)

Derecognition of financial assets

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

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

Financial liabilities

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

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

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

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

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

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

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

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

Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2022

1.10 Financial instruments (continued)

Derecognition of financial assets (continued)

Financial liabilities measured subsequently at amortised cost

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

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

Derecognition of financial liabilities

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

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

1.11 Inventories

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

1.12 Cash and cash equivalents

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

1.13 Stated capital

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

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

Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2022

1.14 Related parties

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

1.15 Borrowings

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

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

Finance costs on borrowings related to the acquisition of hotel properties that were previously rented by the Group are classified under operating activities on the statement of cash flows.

1.16 Trade payables

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

1.17 Cost of sales

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

1.18 Income tax

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

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

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

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

Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2022

1.18 Income tax (continued)

***b) Deferred tax** (continued)*

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

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

1.19 Employee benefits

a) Pension obligations

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

b) Termination benefits

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

c) Other benefits

(i) Severance payments and gratuities

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

(ii) Leave pay

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

(iii) Profit sharing and bonus plans

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

Employees of the Group receive remuneration in the form of a phantom share. This scheme is managed through an employee trust scheme The objective of the scheme is to retain staff. Only employees who meet the required criteria of two years in continuous employment are eligible to share in the dividend distribution.

Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2022

1.19 Employee benefits (continued)

c) *Other benefits (continued)*

(iv) Medical aid

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

1.20 Earnings per ordinary share

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

1.21 Segmental report

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

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

1.22 Contingent liabilities

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

Financial Risk Management

for the year ended 31 December 2022

2. Financial risk factors

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

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

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

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

2.1 Market risk

i) Foreign currency risk

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

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

ii) Cash flow and fair value interest rate risk

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

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

Interest rate sensitivity analysis

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

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

If the rates had been 50 basis points higher/lower and all other variables were held constant, the Groups profits for the year ended 31 December 2022 would increase/decrease by P1,327,349 (2021: P1,177,000)

Financial Risk Management (continued)

for the year ended 31 December 2022

2.1 Market risk (continued)

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

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

However, considering the short-term maturity for these deposits, these risks are minimised. The fixed deposits at year end were as shown below (2021: P15 million)

2022			CONSOLIDATED & COMPANY
Financial Instrument	**Name of the financial institution**	**Current interest Rate**	**Due in less than one year P'000**
Fixed deposits	Botswana Savings Bank Limited	7.25%	**22,740**
Fixed deposits	Botswana Savings Bank Limited	7.30%	**15,000**

2.2 Credit risk

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

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

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

Credit trading relationship

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

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

Financial Risk Management

for the year ended 31 December 2022

2.2 Credit risk (continued)

Credit trading relationship (continued)

	CONSOLIDATED & COMPANY		COMPANY
	2022 P'000	**2021 P'000**	**2021 P'000**
Trade and other receivables excluding prepayments	**18,990**	12,249	11,224
Amount due from related party (Note 28)	**52**	52	731
Absa Bank Limited	**15,136**	35,525	34,736
Botswana Savings Bank Limited	**37,740**	15,016	15,016
First National Bank of Botswana Limited	**3,211**	2,601	2,601
Stanbic Bank Botswana Limited	**42**	99	99

2.3 Liquidity risk

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

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

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

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

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

Financial Risk Management (continued)

for the year ended 31 December 2022

2.3 Liquidity risk (continued)

	CONSOLIDATED & COMPANY	
	Financial assets at amortised cost	
	2022 P'000	
Cash and cash equivalents	**56,129**	
Trade and other receivables excluding prepayments	**18,990**	
Amounts due from related parties	**52**	
	75,171	

	CONSOLIDATED	COMPANY
	Financial assets at amortised cost	
	2021 P'000	2021 P'000
Cash and cash equivalents	53,241	52,452
Trade and other receivables excluding prepayments	12,249	11,224
Amounts due from related parties	52	731
	65,542	**64,407**

The cash and cash equivalents are as follows:

	CONSOLIDATED & COMPANY	
	2022 P'000	
Cash at bank and short-term bank deposits		
Absa Bank Limited	**15,136**	
Botswana Savings Bank Limited	**37,740**	
First National Bank of Botswana Limited	**3,211**	
Stanbic Bank Botswana Limited	**42**	
	56,129	

	CONSOLIDATED	COMPANY
	2021 P'000	2021 P'000
Cash at bank and short-term bank deposits		
Absa Bank Limited	35,525	34,736
Botswana Savings Bank Limited	15,016	15,016
First National Bank of Botswana Limited	2,601	2,601
Stanbic Bank Botswana Limited	99	99
	53,241	**52,452**

Financial Risk Management

for the year ended 31 December 2022

2.3 Liquidity risk (continued)

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

	Less than 1 year P'000	Between 1 and 2 Years P'000	Between 2 and 5 years P'000	Over 5 Year P'000	Total P'000
CONSOLIDATED & COMPANY					
As at 31 December 2022					
Trade and other payables	31,674	—	—	—	31,674
Borrowings	46,839	82,665	93,100	12,250	234,854
Lease Liabilities	19,481	20,005	53,267	20,878	113,632
	97,994	**102,670**	**146,367**	**33,128**	**380,161**
CONSOLIDATED					
As at 31 December 2021					
Trade and other payables	26,354	—	—	—	26,354
Borrowings	27,597	90,740	132,300	13,587	264,224
Lease Liabilities	18,629	35,392	36,783	35,579	126,383
	72,580	**126,132**	**169,083**	**49,166**	**416,961**
COMPANY					
As at 31 December 2021					
Trade and other payables	26,764	—	—	—	26,764
Borrowings	27,597	90,740	132,300	13,587	264,224
Lease Liabilities	18,629	35,392	36,783	35,579	126,383
	72,990	**126,132**	**169,083**	**49,166**	**417,371**

Further details of amounts due in less than one year as at 31 December 2022 are shown below:

	Due in Quarter 1 P'000	Due in Quarter 2 P'000	Due in Quarter 3 P'000	Due in Quarter 4 P'000	Total P'000
CONSOLIDATED & COMPANY					
As at 31 December 2022					
Trade and other payables	22,639	2,695	2,637	3,703	31,674
Borrowings	10,178	10,178	13,241	13,241	46,839
Lease Liabilities	5,156	5,156	4,529	4,640	19,481
	37,973	**18,030**	**20,408**	**21,584**	**97,994**

The Group's current liabilities will be settled from cash and cash equivalents, cash received from trade receivables, as well as cash generated during the year. The Group has an overdraft facility of P10 million which can be utilised for working capital shortfalls (Note 22).

Financial Risk Management (continued)

for the year ended 31 December 2022

2.4 Analysis of financial instruments

2.4.1 Financial instruments by category

	CONSOLIDATED & COMPANY	
	Financial assets at amortised cost	
	2022 P'000	
Trade and other payables	**28,091**	
Borrowings	**234,854**	
Amount due to related party	**3,583**	
Lease Liabilities	**83,807**	
	350,335	

	CONSOLIDATED	COMPANY
	Financial assets at amortised cost	
	2021 P'000	2021 P'000
Trade and other payables	24,636	25,046
Borrowings	264,224	264,224
Amount due to related party	1,718	1,718
Lease Liabilities	94,908	94,908
	385,486	**385,896**

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

	CONSOLIDATED & COMPANY	
	Financial assets at amortised cost	
	2022 P'000	
Cash and cash equivalents	**56,129**	
Trade and other receivables excluding prepayments	**18,990**	
Amounts due from related parties	**52**	
	75,171	

Financial Risk Management

for the year ended 31 December 2022

2.4 Analysis of financial instruments (continued)

2.4.1 Financial instruments by category (continued)

	CONSOLIDATED	COMPANY
	Financial assets at amortised cost	
	2021 P'000	2021 P'000
Cash and cash equivalents	53,241	52,452
Trade and other receivables excluding prepayments	12,249	11,224
Amounts due from related parties	52	731
	65,542	**64,407**

All financial instruments are measured at amortized cost.

2.4.2 Credit quality of financial assets

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

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

	CONSOLIDATED & COMPANY		COMPANY
	2022 P'000	2021 P'000	2021 P'000
Trade and other receivables excluding prepayments	**18,990**	12,249	11,224
Amount due from related party (Note 28)	**52**	52	731
Absa Bank Limited	**15,136**	35,525	34,736
Botswana Savings Bank Limited	**37,740**	15,016	15,016
First National Bank of Botswana Limited	**3,211**	2,601	2,601
Stanbic Bank Botswana Limited	**42**	99	99

Financial Risk Management (continued)

for the year ended 31 December 2022

2.5 Capital risk management

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

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

The capital structure at 31 December 2022 and 2021 was as follows:

	CONSOLIDATED & COMPANY	
	2022 P'000	
Total borrowings (Note 22)	**234,854**	
Less: Cash and cash equivalent (Note 19)	**(56,129)**	
Net debt	**178,725**	
Total equity	**142,012**	
Total capital	**320,737**	

	CONSOLIDATED	COMPANY
	2021 P'000	2021 P'000
Total borrowings (Note 22)	264,224	264,224
Less: Cash and cash equivalent (Note 19)	(53,241)	(52,452)
Net debt	**210,983**	**211,772**
Total equity	122,768	122,768
Total capital	**333,751**	**334,540**

Critical Accounting Estimates and Assumptions

for the year ended 31 December 2022

3 Critical accounting estimates and judgements

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

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

3.1 Estimated impairment of goodwill

The Group tests annually whether the goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1.8. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

3.2 Income taxes

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

3.3 Useful lives and residual values of property, plant and equipment

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

3.4 Impairment of investment in subsidiary

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

Critical Accounting Estimates and Assumptions (continued)

for the year ended 31 December 2022

3.5 Impairment of assets

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

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

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

3.6 Contract liabilities

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

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

At 31 December 2022, the contract liabilities were estimated based on an expected redemption rate of 48% (2021: 48%) of total accumulated points. Had the estimated redemption rate been 10% higher/(lower), the contract liabilities recognised at the balance sheet date would have been P533,637 (2021: P642,107) higher/ (lower).

Notes to the Financial Statements

for the year ended 31 December 2022

		CONSOLIDATED		COMPANY	
		2022 P'000	2021 P'000	2022 P'000	2021 P'000
4	**Revenue**				
	Accommodation revenue	**201,921**	130,610	**201,921**	130,610
	Food revenue	**109,030**	64,442	**109,030**	64,442
	Bar revenue	**26,197**	11,323	**26,197**	11,323
	Other	**18,580**	9,977	**18,580**	9,977
		355,728	216,352	**355,728**	216,352
	External revenue by timing:				
	Services transferred at a point in time	**201,921**	130,610	**201,921**	130,610
	Goods transferred at a point in time	**153,807**	85,742	**153,807**	85,742
		355,728	216,352	**355,728**	216,352
5	**Expenses by nature**				
	Inventory consumed	**49,313**	26,893	**49,313**	26,893
	Employee benefit expense (note 6)	**96,595**	86,355	**96,595**	86,355
	Transport expenses	**1,388**	1,474	**1,388**	1,474
	Lease concessions	**—**	(252)	**—**	(252)
	Depreciation of right-of-use assets (note 14)	**15,354**	13,333	**15,354**	13,333
	Auditor's remuneration				
	— Audit fee	**1,274**	1,020	**1,274**	1,020
	Depreciation of property, plant and equipment (note 13)	**29,058**	34,075	**29,058**	34,075
	Amortisation of intangible assets (note 15)	**360**	723	**360**	723
	Provision for impairment of trade debtors (note 18)	**886**	(141)	**886**	(141)
	Internal audit costs	**1,593**	1,133	**1,593**	1,133
	Directors' fees	**533**	450	**533**	450
	Management fees (note 28)	**10,579**	6,473	**10,579**	6,473
	Profit bonus payable to management company (note 32)	**7,942**	—	**7,942**	—
	Water and electricity	**21,173**	16,828	**21,173**	16,828
	Marketing and promotion	**6,244**	3,825	**6,244**	3,825
	Repairs and maintenance	**9,910**	8,219	**9,910**	8,219
	Impairment of investment in subsidiary	**—**	—	**—**	3,117
	Other expenses	**47,995**	37,884	**47,995**	37,884
	Insurance	**3,616**	4,159	**3,616**	4,159
	Legal	**762**	510	**762**	510
	Telephone	**3,998**	3,789	**3,998**	3,789
	Travel expenses	**1,479**	436	**1,479**	436
		310,052	247,186	**310,052**	250,303
	Analysed as:				
	Cost of sales	**206,745**	162,270	**206,745**	162,270
	Sales and distribution expenses	**9,283**	6,323	**9,283**	6,323
	Administration and operating expenses	**94,024**	78,593	**94,024**	78,593
	Impairment of investment in subsidiary	**—**	—	**—**	3,117
		310,052	247,186	**310,052**	250,303

Notes to the Financial Statements (continued)

for the year ended 31 December 2022

		CONSOLIDATED		COMPANY	
		2022 P'000	2021 P'000	2022 P'000	2021 P'000
6	**Staff costs**				
	Pension contributions	**3,505**	3,542	**3,505**	3,542
	Gross salaries and wages	**93,090**	82,813	**93,090**	82,813
		96,595	86,355	**96,595**	86,355
	Number of employees	**943**	842	**943**	842
7	**Finance income and expense**				
	Finance income	**(2,537)**	(2,182)	**(2,537)**	(2,182)
	Interest on bank overdrafts and loans	**19,152**	18,047	**19,152**	18,047
	Interest expense on lease liabilities	**7,395**	6,221	**7,395**	6,221
	Finance costs	**26,547**	24,268	**26,547**	24,268
8	**Income tax expense**				
	Company tax	**—**	—	**—**	—
	Deferred tax charge/(credit) - note 21	**2,422**	(9,702)	**2,422**	(9,702)
	Tax charge/(credit)	**2,422**	(9,702)	**2,422**	(9,702)
	The tax on the loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the company as follows:				
	Profit/(loss) before income tax from continuing operations	**21,666**	(52,920)	**21,666**	(56,037)
	Tax calculated at current tax rates - 22%	**4,767**	(11,642)	**4,767**	(12,328)
	Expenses not deductible for taxation	**19**	1,940	**19**	2,626
	Previously unrecognised deferred tax	**(2,364)**	—	**(2,364)**	—
	Tax charge/(credit)	**2,422**	(9,702)	**2,422**	(9,702)

Notes to the Financial Statements (continued)

for the year ended 31 December 2022

9 Earnings per share

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

	CONSOLIDATED	
	2022 P'000	**2021 P'000**
Total operating profit/(loss) attributable to shareholders		
Continuing Operations	**19,244**	(43,218)
Discontinued Operations	**—**	3,024
Weighted average number of ordinary shares in issue ('000)	**180,934**	180,934
- Total number of shares issued	**185,000**	185,000
- Less: Treasury shares (Note 16)	**(4,066)**	(4,066)
Basic and diluted earnings/(loss) per share (thebe)		
Continuing Operations	**10.64**	(23.89)
Discontinued Operations	**—**	1.67

There are no instruments in issue with a dilutive effect.

10 Investment in subsidiary

Impairment test on investment in subsidiary

The Company ceased operations at Cresta Golfview Hotel on 30 September 2021 and the business unit was accounted for as a discontinued operation (Note 12) in the prior year.

11 Cresta Employee Scheme

The Company operates an Employee Scheme which was approved at the Annual General Meeting held on the 26th June 2015. Only employees who have been with Cresta Marakanelo Limited for a period of not less than two years and who are not serving notice are eligible for participation in the scheme distributions. The persons who may participate in the Employee Scheme are such Qualifying Employees as the Board from time to time in its absolute discretion considers to be contributing to the growth and profitability of the Company and who have been employed by the Company for at least two years. Qualifying Employees who are entitled to benefit under the Scheme do not become shareholders in the Company and have no voting rights. The Scheme is a cash bonus payment which is determined on the dividends payable based on the Scheme Shares. 2% (3 700 000 shares) of the stated share capital of Cresta Marakanelo Limited is enjoyed by the Qualifying Employees through the Scheme. During the year there were no dividends paid (2021: nil).

Notes to the Financial Statements (continued)

for the year ended 31 December 2022

12 Discontinued Operations

On 24 June 2021, a decision was taken by the Board of the Company not to renew the lease for Cresta Golfview Hotel, a subsidiary based in Zambia. The lease was due to expire on 31 January 2022 and an agreement was reached with the lessor to cease operations on 30 September 2021. Cresta Golfview Hotel was accounted for as a discontinued operation in the prior year.

	2021 P'000
Revenue	6,210
Expenses	(6,934)
Operating loss	(723)
Write back of lease	4,008
Finance costs	(260)
Profit before tax from discontinued operations	3,024
Tax benefit/(expense):	
Related to pre-tax profit/(loss) from the ordinary activities for the period	—
Profit for the year from discontinued operations	3,024

The net cash flows incurred by Golfview Hotel are as follows:

	2021 P'000
Operating	3,403
Investing	—
Financing	(3,700)
Net cash outflow	(297)
Earnings per share	
Basic and diluted earnings per share (thebe)	1.67

Notes to the Financial Statements (continued)

for the year ended 31 December 2022

13 Property, Plant and Equipment

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

	Leasehold land and buildings P'000	Furniture, fixtures and fittings P'000	Motor vehicles P'000	Computers P'000	Operating equipment P'000	Capital work in progress P'000	Total P'000
CONSOLIDATED & COMPANY							
Year ended 31 December 2022							
Opening net book amount	320,217	25,966	179	766	6,189	54	353,373
Additions	2,741	3,110	—	882	3,436	4,245	14,414
Disposals - at cost	(841)	(5,111)	(15)	(4,305)	(2,339)	—	(12,611)
Depreciation on disposals	839	5,003	15	4,289	2,339	—	12,485
Transfers from capital work in progress	54	—	—	—	—	(54)	—
Depreciation	(20,419)	(7,749)	(106)	(784)	—	—	(29,058)
Usage of operating equipment	—	—	—	—	(2,438)	—	(2,438)
Closing net book amount	**302,591**	**21,218**	**73**	**848**	**7,187**	**4,245**	**336,164**
At 31 December 2022							
Cost	419,306	169,190	1,410	11,538	9,625	4,245	615,314
Accumulated depreciation	(116,716)	(147,971)	(1,337)	(10,688)	(2,438)	—	(279,150)
Net book amount	**302,591**	**21,219**	**73**	**849**	**7,187**	**4,245**	**336,164**
Year ended 31 December 2021							
Opening net book amount	335,843	34,761	370	1,043	7,722	1,901	381,640
Additions	3,583	3,150	—	652	869	54	8,309
Disposals - at cost	(108)	(2,698)	—	(801)	—	—	(3,607)
Depreciation on disposals	88	2,627	—	793	—	—	3,509
Transfers from capital work in progress	1,901	—	—	—	—	(1,901)	—
Depreciation	(21,091)	(11,873)	(190)	(921)	—	—	(34,075)
Usage of operating equipment	—	—	—	—	(2,402)	—	(2,402)
Closing net book amount	**320,217**	**25,967**	**180**	**766**	**6,189**	**54**	**353,373**
At 31 December 2021							
Cost	417,353	170,995	1,425	14,588	6,189	54	610,605
Accumulated depreciation	(97,136)	(145,028)	(1,245)	(13,821)	—	—	(257,230)
Net book amount	**320,218**	**25,967**	**180**	**767**	**6,189**	**54**	**353,373**

Leasehold and freehold land and buildings with a net book value of P218,062,000 are secured as indicated in Note 22.

Notes to the Financial Statements (continued)

for the year ended 31 December 2022

13 Property, Plant and Equipment (continued)

The Company owns the following properties:

Mowana Safari Lodge

Agreement through "Deeds of Fixed Period State Grant" between the Government of Botswana and Cresta Marakanelo Limited dated 22 January 1998 for lease over Lot 2239 - Kasane, measuring 34,2 Ha and another lease dated 10 February 1987 for Lot 872 -Kasane, measuring 21,9 Ha in the Chobe Administrative District. The state grants are for a period of 50 years, upon which the land together with all improvements thereon shall revert to the State absolutely without compensation payable for improvements or otherwise.

Cresta Marang Hotel

Agreement through a "Deed of Fixed Period State Grant" between the Government of Botswana and Cresta Marakanelo Limited dated 14 November 1996 for lease over plots 930, 931 and 21367 - Francistown, measuring 6.38 Ha in the North East Administrative District. The state grant is for a period of 50 years expiring on 14 November 2046 upon which the land together with all improvements thereon shall revert to the State absolutely without compensation payable for improvements or otherwise.

Cresta President Hotel

Lot 1168/9 - Freehold property, Plot measuring 2002 square meters, in Gaborone Extension No. 3 - The Mall.

Cresta Lodge

Lot 50719 - Plot measuring 3,57 Ha, in the Gaborone Administrative District with a 50 year "Deed of Fixed State Grant" No. 1613/90, first registered on the 6 December 1990.

Cresta Riley's Hotel

Tribal Lot 141 Maun - Plot measuring 2,48 Ha, in the Batawana Tribal Territory with a 50 year "Deed of Fixed State Grant" first registered on the 9 August 1998.

Cresta Thapama Hotel

Lot 6348 - Plot measuring 2,51 Ha, in the Francistown Administrative District with a 50 year "Deed of Fixed State Grant" No. 548/84, first registered on the 22 November 1984.

Cresta Bosele Hotel

Lot 19267 - Selebi Phikwe - Plot measuring 2,98 Ha, in the Selebi Phikwe Administrative district witha 50 year "Deed of Fixed State Grant" of 50 years, first registered on the 28 June 1973. Subsequent to year end, the Company received an offer from the Department of Lands to purchase another 50 year fixed State Grant, for a consideration of P5.9 million. The Company accepted the offer and paid the required deposit.

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

Notes to the Financial Statements (continued)

for the year ended 31 December 2022

14 Right of Use Assets and Lease Liabilities

Amounts recognised in the statements of financial position and profit or loss

Set out below, are the carrying amounts of the Company's right-of-use assets and lease liabilities and the movement during the period.

	Right-of-use assets		
	Buildings P'000	Motor vehicles P'000	Total P'000
CONSOLIDATED & COMPANY			
Cost			
As at 1 January 2021	85,022	2,700	87,722
Additions	30,594	314	30,908
As at 31 December 2021	**115,616**	**3,014**	**118,630**
Additions	2,616	857	3,473
As at 31 December 2022	**118,232**	**3,871**	**122,103**
Accumulated depreciation			
As at 1 January 2021	26,742	1,848	28,590
Charge for the year	13,071	261	13,333
As at 31 December 2021	**39,813**	**2,109**	**41,923**
Charge for the year	14,778	575	15,354
At 31 December 2022	**54,591**	**2,684**	**57,275**
Carrying amount			
At 31 December 2022	**63,641**	**1,187**	**64,828**
At 31 December 2021	**75,803**	**905**	**76,708**

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

Cresta Mahalapye Hotel

Mahalapye - initial 10 year lease with Knights Bridge Proprietary Limited commenced 1 October 2012. Annual lease rentals amount to P1,620,000 for the first year with annual escalations of 8%. The lease was extended for another 10 years with effect from 1 September 2022 with an annual escalation of 6%.

Cresta Jwaneng Hotel

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

Cresta Head Office

Plot 74538, Marula House, 2nd floor, New CBD, Gaborone - 5 year lease with Primetime Property Holdings Limited commenced 1 April 2017. Annual lease rentals amount to P1,450,802 for the first year with annual escalations of CPI +1%. The lease has been extended to March 2024.

Cresta Maun Resort

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

Notes to the Financial Statements (continued)

for the year ended 31 December 2022

14 Right of Use Assets and Lease Liabilities (continued)

Cresta Marang Gardens (Residency)

The company has a lease agreement with Knight Bridge Proprietary Limited in respect of a Hotel for plot 6218 portion of lot 931, Francistown. The lease is for 10 years commencing on 1 July 2017 and renewable at the option of Cresta Marakanelo Limited for a further 10 year period. Annual lease rentals amount to P2,160,000 for the first year with annual escalation of 6%.

Motor vehicles

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

In the current year several vehicle leases expired. Some of the related leases were renewed. There were no disposals during the year. The maturity analysis of the liabilities is presented below:

Amounts recognised in the profit and loss

	CONSOLIDATED & COMPANY	
	2022 P'000	2021 P'000
Depreciation expense of right-of-use assets	15,354	13,333
Interest expense on leased buildings	7,277	6,126
Interest expense on leased vehicles	118	95
Total interest expense	7,395	6,221
Rent expense - short-term lease buildings	—	32
Total amounts recognised in profit or loss	22,749	19,586
Lease liabilities		
Analysed as:		
Non Current	69,300	81,843
Current	14,507	13,064
	83,807	94,907
Maturity analysis		
Year 1	19,481	18,629
Year 2	20,005	18,188
Year 3	17,183	17,203
Year 4	18,110	18,376
Year 5	17,974	18,387
Onwards	20,878	35,579
	113,631	126,362
Less: Unearned interest	29,824	31,454
	83,807	94,908
The unearned interest analysed as:		
Non Current	22,742	24,307
Current	7,082	7,148
	29,824	31,455

Notes to the Financial Statements (continued)

for the year ended 31 December 2022

15 Intangible assets

	CONSOLIDATED & COMPANY	
	2022 P'000	2021 P'000
Goodwill		
Opening and closing net book amount	**5,274**	5,274
Arising out of acquisition of business from United Promotional Enterprises (Proprietary) Limited T/A Cezar Hotel	**5,274**	5,274
Closing net book amount	**5,274**	**5,274**
In 2013, the Group entered into an agreement with United Promotional Enterprise (Proprietary) Limited (t/a Cezar Hotel),a company registered in Botswana, to acquire the hotel business which operated within Jwaneng township. As a result of the acquisition, the Group recognised goodwill arising from customer relationships related to the location of the hotel premises.		
Impairment test of goodwill		
For the purpose of impairment testing, goodwill is attached to the following Cash Generating Units ("CGU"):		
Cresta Jwaneng Hotel opening and closing net book amount	**5,274**	5,274
The key assumptions use in the calculation of recoverable amounts are as follows:		
Growth rate beyond the budget period of 2021 to 2025 years (terminal value growth rate)	**2.00%**	2.00%
Discount rate (pre-tax)	**13.74%**	12.90%
Discount rate (after tax)	**12.10%**	11.70%
Recoverable amount of the goodwill (P'000)	**28,590**	14,919
Headroom %	**140%**	38%

For the current year, if the discount rate is at 14.7% (2021: 12.9%) headroom will be 77% (2021: 38%).

For the initial 5 year forecast period, if the revenue growth rate is reduced from 5% (2021: 5%) to 2% (2021: 2%) the headroom will be 30% (2021 : 20%).

Key assumptions used in the calculation of recoverable amounts, discount rates and growth rates for Cresta Jwaneng were based on the following:

Recoverable amount: The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated on page 52. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates. The following approaches were taken in determining the future cash flows:

Growth rate: Average annual growth rate over the five-year forecast period is based on past performance and management's expectations of market development.

Long-term growth rate: This is the weighted average growth rate used to extrapolate cash flows beyond the five-year forecast period. The rate used is consistent with forecasts included in industry reports.

Notes to the Financial Statements (continued)

for the year ended 31 December 2022

15 Intangible assets (continued)

Pre-tax discount rate: Reflects specific risks relating to Botswana, where Cresta Jwaneng Hotel operates.

Budgeted cashflows: Based on past performance and management's expectations for the future using the expected cash flow approach, which is a probability weighted net present value approach. This approach uses all expectations about possible cash flows instead of a single most likely cash flow and assigns probabilities to each cash flow scenario to arrive at a probability weighted net present value.

Other operating costs: Management forecasts these costs based on the current structure of the business, adjusting for inflationary increases but not reflecting any future restructurings or cost saving measures.

Annual capital expenditure: Expected cash costs in Cresta Jwaneng Hotel. This is based on the historical experience of Management, and the planned maintenance capital expenditure. No incremental revenue or cost savings are assumed in the value-in-use model as a result of this expenditure.

	CONSOLIDATED & COMPANY	
	2022 P'000	2021 P'000
Software		
Opening net book amount	**418**	1,119
Additions	**472**	22
Disposal cost	**(14)**	—
Amortisation charge	**(360)**	(723)
Closing net book amount	**516**	418
Cost	**4,714**	4,633
Accumulated amortisation	**(4,198)**	(4,215)
Net book amount	**516**	418
Net book amount of intangible assets (excluding goodwill)	**516**	418

16 Treasury Shares

	CONSOLIDATED & COMPANY	
	2022 P'000	2021 P'000
Opening and closing balance	**5,915**	5,915

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

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

Notes to the Financial Statements (continued)

for the year ended 31 December 2022

17 Inventories

	CONSOLIDATED & COMPANY	
	2022 P'000	2021 P'000
Foods, beverages and tobacco	**2,393**	1,500
Curio shop and stationery	**679**	527
	3,072	2,027
The cost of inventories recognised as expense included in 'cost of sales' amounted to	**49,313**	26,893

18 Trade and other receivables

	2022 P'000	2021 P'000
Trade receivables	**19,468**	12,044
less: expected credit loss	**(2,183)**	(1,314)
Trade receivables - net	**17,285**	10,730
Prepayments	**1,151**	613
Amount due from related parties (note 28)	**52**	52
VAT receivable	**956**	921
Other receivables (sundry debtors, trade deposits and unpaid cheques)	**697**	494
	20,141	12,810

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

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

The following table details the risk profile of trade receivables based on the Company's provision matrix. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Company's different customer segments.

CONSOLIDATED & COMPANY

2022

Aging brackets (days)	30-90	>90	>120	Total
Average expected credit loss % as per age analysis	4.9%	8.9%	22.7%	
Loss allowance	1,236	277	670	2,183

2021

Aging brackets (days)	30-90	>90	>120	Total
Average expected credit loss %	2.7%	8.9%	12.3%	
Loss allowance	138	83	1,093	1,314

Notes to the Financial Statements (continued)

for the year ended 31 December 2022

18 Trade and other receivables (continued)

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

	CONSOLIDATED		COMPANY	
	2022 P'000	2021 P'000	2022 P'000	2021 P'000
Movement of impairment				
Opening balance	**1,314**	2,249	**1,314**	1,966
Charge/(release) for the year	**886**	(141)	**886**	(141)
Bad debts written off	**(17)**	(794)	**(17)**	(511)
Closing balance	**2,183**	1,314	**2,183**	1,314

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

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

19 Cash and cash equivalents

	CONSOLIDATED		COMPANY	
	2022 P'000	2021 P'000	2022 P'000	2021 P'000
Cash at bank and in hand	**18,389**	37,416	**18,389**	37,416
Short-term bank deposits	**37,740**	15,036	**37,740**	15,036
	56,129	52,452	**56,129**	52,452
Short-term bank deposits have an average maturity of not more than 90 days. Cash and bank overdrafts include the following for the purposes of the cash flow statement.				
Cash and cash equivalents	**56,129**	52,452	**56,129**	52,452
	56,129	52,452	**56,129**	52,452
Cash at banks and short term deposits attributabe to discontinued operations	—	789		
Cash and cash equivalents	**56,129**	53,241		

Included within the cash and cash equivalent is P6,427,418 held in a USD call account with ABSA Bank Botswana Limited (2021: P25,173,960).

Notes to the Financial Statements (continued)

for the year ended 31 December 2022

20 Stated Capital

	CONSOLIDATED & COMPANY	
	2022 P'000	**2021 P'000**
185,000,000 ordinary shares of no par value issued and fully paid:		
At the end of the year	**18,500**	18,500

21 Deferred tax

	CONSOLIDATED & COMPANY	
	2022 P'000	**2021 P'000**
Deferred tax assets/(liabilities)		
Beginning of the year	**17,821**	8,119
Income statement (charge)/credit - note 8	**(2,422)**	9,702
End of the year	**15,399**	17,821
Comprising:		
Deferred tax assets	**15,399**	17,821
The deferred tax arises from:		
Accelerated tax depreciation on property, plant, equipment and software, lease rights	**(5,131)**	(3,027)
Right of use assets	**14,262**	10,144
Operating equipment	**1,581**	1,362
Lease liabilities	**(18,437)**	(14,197)
Unrealised exchange gain	**329**	556
Provison for loyalty Points	**(622)**	—
Bonus provision	**(557)**	—
Interest restriction	**(5,123)**	(1,963)
General Provision bad debts	**(166)**	—
Tax losses recognised	**(1,534)**	(10,696)
	(15,399)	(17,821)

The Company has tax losses that arose of P6.97 million (2021: P10.7 million) that are available for offsetting over a period of up to five years against future taxable profits of the Company.

Deferred tax assets of P5.1 million (2021: P1.96 million) have been recognised in respect of restricted interest on borrowings. Deferred tax assests amounting to nil (2021: P2.4 million) were not recognised in respect of restricted interest on borrowings and other timing differences.

The deferred tax asset of P15.3 million was recognised in the current year as it is considered probable that there will be future taxable profits available.

Notes to the Financial Statements (continued)

for the year ended 31 December 2022

22 Borrowings

	CONSOLIDATED & COMPANY	
	2022 P'000	2021 P'000
Borrowings at amortised cost		
Non-current		
Absa Bank of Botswana Limited	**183,750**	218,162
Botswana Development Corporation Limited	**4,265**	18,465
Total	**188,015**	236,627
Current		
Absa Bank of Botswana Limited	**33,075**	20,825
Botswana Development Corporation Limited	**13,764**	6,772
Total	**46,839**	27,597
The carrying amount and fair value of the non- current borrowings is as follows:		
Bank borrowings	**188,015**	236,627

Facility 1: An unsecured loan of P25 million received from Botswana Development Corporation Limited ("BDC") in two tranches; P13 milion received in September 2021 and P12 million received in December 2021. This loan was acquired through the Botswana Government Industry Support Facility, which was a COVID-19 initiative to assist companies with their working capital. The loan has a 6 months moratorium on interest payments and capital repayments. Interest is charged at prime rate, which at 31 December 2022 was 6.76% (2021: 5.25%) and the loan term is 30 months. The total outstanding debt as at 31 December 2022 will be repaid in 6 quarterly installments.

Facility 2: A loan limit of P260 million to acquire properties from Letlole La Rona with the first drawdown of P251 million made in June 2019, second drawdown of P9 million in February 2020. The loan is repayable by 2029, with a 12 month moratorium on capital payments on the first year (2019), which then increases over the period of the loan.Interest rate - variable interest rate based on the profitability of the company, varying from Prime plus 1.75% to Prime plus 0.25%. The capital balance outstanding as at 31 December 2022 is P217million (2021: P239million).

Security - First, second and third Covering Mortgage Bonds totalling P47,000,000 of remaining Lots 930 in Francistown and remaining Extent of Lot 931 Francistown and Lot 21367 Francistown, Tribal lot 141 in Maun for P31,200,000, Lot 50719 in Gaborone for P84,000,000, Lot 634 in Francistown for P72,800,000, Lot 1169 in Gaborone for P76,700,000 and Lot 19267 in Selebi-Phikwe for P21,200,000. The pledged properties have a total net book value of P218,062,000.
- Cession of material damage policies covering the properties listed above.
- Unlimited suretyship by Cresta Marakanelo Limited.
- Since the 2020 financial year, the Group's debt covenant requirements have been waived by the lender.

The banking overdraft facilities available to the Company as at year end is P10,000,000 which has not been utilised by the Company. The bank overdraft is unsecured and bears interest at prime plus 0.5%. The prime rate at 31 December 2022 was 6.76% (2021: 5.25%).

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

Notes to the Financial Statements (continued)

for the year ended 31 December 2022

22 Borrowings (continued)

	CONSOLIDATED & COMPANY	
	2022 P'000	2021 P'000
Undrawn facilities:		
Unsecured bank overdraft		
Amount used	—	—
Amount unused	10,000	10,000
Unsecured loan facilities with various maturity dates		
Amount used	25,000	25,000
Amount unused	—	—
Secured loan facilities with various maturity dates		
Amount used	260,000	260,000
Amount unused	—	—

23 Trade and other payables

	CONSOLIDATED		COMPANY	
	2022 P'000	2021 P'000	2022 P'000	2021 P'000
Trade payables	**14,173**	17,344	**14,173**	17,344
Amount due to related parties (note 28)	**3,583**	1,718	**3,583**	1,718
Other accrued expenses	**2**	2,173	**2**	2,173
VAT payable	**973**	820	**973**	820
Payroll accruals (note 23.1)	**3,893**	4,326	**3,893**	3,806
Other payables	**9,049**	5,118	**9,049**	5,528
	31,674	31,500	**31,674**	31,389

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

23.1 Payroll accruals

	CONSOLIDATED 2022 P'000	CONSOLIDATED 2021 P'000	COMPANY 2022 P'000	COMPANY 2021 P'000
Balance at beginning of the year	**4,326**	4,014	**3,806**	3,494
Accrued during the year	**3,695**	3,559	**3,695**	3,559
Payments made during the year	**(4,128)**	(3,247)	**(3,608)**	(3,247)
Balance at end of the year	**3,893**	4,326	**3,893**	3,806

Notes to the Financial Statements (continued)

for the year ended 31 December 2022

		CONSOLIDATED		COMPANY	
		2022 P'000	2021 P'000	2022 P'000	2021 P'000
24	**Contract liabilities**				
	Arising from customer loyalty programme (i)	**2,829**	2,575	**2,829**	2,575
	Amounts received in advance of provision of services and sale of goods (ii)	**6,470**	6,000	**6,470**	6,000
		9,299	8,575	**9,299**	8,575

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

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

25 Operating Lease Arrangements

The Company as a lessor

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

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

	CONSOLIDATED & COMPANY	
	2022 P'000	2021 P'000
Maturity analysis of operating lease payments:		
Year 1	**1,492**	1,542
Year 2	**1,453**	1,212
Year 3	**1,327**	617
Year 4	**618**	459
Year 5	**—**	23
Year 6 and onwards	**—**	—
Total	**4,890**	3,853

Notes to the Financial Statements (continued)

for the year ended 31 December 2022

25 Operating Lease Arrangements (continued)

	CONSOLIDATED & COMPANY	
	2022 P'000	**2021 P'000**
The following tables presents amounts reported in profit or loss:		
Gross expected rent income	**1,492**	1,542
Less: lease concessions	**—**	—
Net lease income on operating leases	**1,492**	1,542

As set out above net property rental income earned during the year is P1,492,000 and is included in other revenue. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

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

	CONSOLIDATED & COMPANY	
	2022 P'000	**2021 P'000**
Within one year	**1,492**	1,542
Two to five years	**3,398**	2,311
After five yeas	**—**	—
	4,890	3,853

26 Operating Leases

The Company as a lessee

	CONSOLIDATED		COMPANY	
	2022 P'000	**2021 P'000**	**2022 P'000**	**2021 P'000**
Minimum lease payments under operating leases recognised as an expense in the year	**—**	—	**—**	—
Sub-lease payments received	**(61)**	(59)	**(61)**	(59)

27 Cash generated from operations

	CONSOLIDATED 2022	CONSOLIDATED 2021	COMPANY 2022	COMPANY 2021
Operating profit/(loss)	**45,676**	(30,834)	**45,676**	(30,834)
Adjustments:				
- Depreciation	**29,058**	34,075	**29,058**	34,075
- Operating equipment usage and write off	**2,438**	2,402	**2,438**	2,402
- Amortisation of intangible assets	**360**	723	**360**	723
- Right of use depreciation	**15,354**	13,333	**15,354**	13,333
- Loss on disposal of software	**14**	—	**14**	—
- Loss on disposal of plant and equipment	**63**	91	**63**	99
	92,963	19,789	**92,963**	19,798

Notes to the Financial Statements (continued)

for the year ended 31 December 2022

27 Cash generated from operations (continued)

	CONSOLIDATED		COMPANY	
	2022 P'000	2021 P'000	2022 P'000	2021 P'000
Changes in working capital:				
- Inventories	**(1,045)**	272	**(1,045)**	32
- Trade and other receivables	**(7,331)**	10,543	**(6,652)**	9,168
- Trade and other payables	**174**	2,240	**284**	3,683
- Movement in contract liabilities	**724**	931	**724**	931
Cash generated from operations	**85,485**	33,776	**86,274**	33,612
Taxation paid				
Opening balance	**302**	214	**302**	214
Charge for the year	**—**	—	**—**	—
Closing balance	**124**	302	**124**	302
Taxation refund/(paid)	**178**	(88)	**178**	(88)

28 Related party transactions

Related companies are companies under common control, directors or ownership. The following are related parties: Botswana Development Corporation Limited ("BDC") - Shareholder with 27% interest. Cresta Holdings Proprietary Limited - Management company and shareholder with 24% interest. Cresta Holdings Proprietary Limited is part of the Masawara Holdings Group, which owns Cresta Lodge Harare Hotel and Cresta Hotels in Johannesburg, South Africa. Cresta Golfview Hotel Limited, Zambia, was previously a wholly owned subsidiary to Cresta Marakanelo Limited and ceased trading in September 2021 and has been classified as a discontinued operation.

	CONSOLIDATED		COMPANY	
	2022 P'000	2021 P'000	2022 P'000	2021 P'000
i) Purchase of services				
Management services - fees				
- Management fees - Cresta Holdings Proprietary Limited	**10,579**	6,473	**10,579**	6,473
- Profit bonus - Cresta Holdings Proprietary Limited	**7,942**	—	**7,942**	—
The Group Managing Director and Group Chief Financial Officer are employees of Cresta Holdings Proprietary Limited who are seconded to the Group in accordance with a management contract.				
Interest Paid				
- BDC	**1,441**	237	**1,441**	237

Notes to the Financial Statements (continued)

for the year ended 31 December 2022

28 Related party transactions (continued)

	CONSOLIDATED		COMPANY	
	2022 P'000	2021 P'000	2022 P'000	2021 P'000
ii) Year-end balances arising from sales/purchases of services:				
Amount due from related parties				
- Cresta Golfview Hotel Limited Zambia (note 18)	**—**	—	**—**	679
- Masawara Holdings	**52**	52	**52**	52
	52	52	**52**	731
Amount due to related parties				
- Cresta Lodge - Harare	**231**	3	**231**	3
- Cresta Holdings Proprietary Limited	**3,105**	704	**3,105**	704
- Cresta Hotels - Johannesburg	**247**	1,011	**247**	1,011
	3,583	1,718	**3,583**	1,718
iii) Year-end balances arising from Loans received:				
Amount due to related parties				
- BDC -Industry Support Loan	**18,029**	25,237	**18,029**	25,237
iv) Directors' fees and costs				
- Costs	**15**	59	**15**	59
- Fees	**533**	450	**533**	450
	548	509	**548**	509
v) Transfer of balances from discontinued operation				
Cresta Golfview Hotel Limited	**—**	(778)	**—**	(778)
vi) Funding of Cresta Golfview Hotel	**—**	—	**—**	3,117
vii) Key management compensation				
Key management for the Company includes the Group Operations Manager, Group ICT Manager, Group Risk and Internal Audit and Group Human Resource Manager. The compensation paid or payable to key management for employee services is shown below:				
Salaries and other short-term employee benefits	**5,090**	4,072	**5,090**	4,072
Terminal benefits	**558**	1,119	**558**	1,119

Notes to the Financial Statements (continued)

for the year ended 31 December 2022

29 Commitments

	CONSOLIDATED & COMPANY	
	2022 P'000	2021 P'000
a) Capital commitments		
Not yet contracted:		
Furniture and Fittings and leasehold improvements	**77,269**	11,856
The capital expenditure will be financed from internally generated cash flows.		
Contracted:		
As at 31 December, contracted capital commitments which are financed from internal resources were - Furniture & Fittings:	**800**	143

30 Segmental information

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

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

Cresta Urban Oasis

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

Cresta Urban Heartbeat

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

Cresta African Roots

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

Cresta African fingerprint

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

Control unit

Control unit is the head office which manages the entire operation of 11 hotels.

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

Notes to the Financial Statements (continued)

for the year ended 31 December 2022

30 Segmental information (continued)

	Cresta Urban Oasis P'000	Cresta Urban Heartbeat P'000	Cresta African Roots P'000	Cresta African Fingerprint P'000	Control Unit P'000	Combined P'000
CONSOLIDATED & COMPANY						
Year Ended 31 December 2022						
Revenue	**74,308**	**70,170**	**115,530**	**93,490**	**2,230**	**355,728**
Accommodation revenue	40,612	41,792	67,619	52,152	(254)	201,921
Food revenue	24,872	21,533	37,205	25,420	—	109,030
Bar revenue	4,904	4,404	8,275	8,615	—	26,197
Other revenue	3,920	2,441	2,431	7,303	2,484	18,580
Cost of sales	(38,469)	(33,249)	(62,114)	(46,461)	(26,451)	(206,745)
Gross profit/(loss)	35,839	36,921	53,416	47,029	(24,221)	148,983
Sales and distribution costs	(1,558)	(669)	(1,859)	(1,921)	(3,275)	(9,283)
Administration and operating expenses	(26,779)	(28,325)	(36,563)	(31,775)	29,418	(94,024)
Operating profit	**7,502**	**7,927**	**14,994**	**13,333**	**1,921**	**45,676**
Finance income	—	—	—	—	2,537	2,537
Finance expense	(1,103)	(41)	(3,863)	(2,182)	(19,358)	(26,547)
Reportable segment profit/(loss) before tax	**6,399**	**7,886**	**11,131**	**11,150**	**(14,900)**	**21,666**
Income tax expense						**(2,422)**
Profit for the year from continuing operations						**19,244**
Profit from discontinued operations						—
Profit for the year						**19,244**
Total assets	106,972	135,358	88,183	97,225	73,908	501,646
Total liabilities	15,703	3,262	51,403	28,513	260,753	359,634
Capital expenditure	3,124	4,970	3,403	2,423	494	14,414
Depreciation	6,244	9,107	7,165	6,234	308	29,058
Amortisation	3	1	25	3	328	360

Notes to the Financial Statements (continued)

for the year ended 31 December 2022

30 Segmental information (continued)

	Cresta Urban Oasis P'000	Cresta Urban Heartbeat P'000	Cresta African Roots P'000	Cresta African Fingerprint P'000	Control Unit P'000	Combined P'000
CONSOLIDATED						
Year Ended 31 December 2021						
Revenue	**44,197**	**48,585**	**79,750**	**42,650**	**1,171**	**216,352**
Accommodation revenue	26,359	30,572	49,701	24,371	(393)	130,610
Food revenue	13,756	13,665	24,307	12,713	—	64,442
Bar revenue	2,171	2,205	3,930	3,018	—	11,323
Other revenue	1,912	2,142	1,812	2,547	1,564	9,977
Cost of sales	(29,293)	(26,289)	(48,581)	(34,870)	(23,237)	(162,270)
Gross profit/(loss)	14,904	22,297	31,169	7,780	(22,066)	54,082
Sales and distribution costs	(1,076)	(515)	(1,069)	(887)	(2,777)	(6,323)
Administration and operating expenses	(18,757)	(25,387)	(32,104)	(25,072)	22,727	(78,593)
Operating loss	**(4,930)**	**(3,605)**	**(2,005)**	**(18,179)**	**(2,116)**	**(30,837)**
Finance income	—	—	—	—	2,182	2,182
Finance expense	(1,210)	(19)	(2,437)	(2,399)	(18,203)	(24,268)
Reportable segment loss before tax	**(6,140)**	**(3,624)**	**(4,442)**	**(20,578)**	**(18,136)**	**(52,920)**
Income tax credit						**9,702**
Loss for the year from continuing operations						**(43,218)**
Profit from discontinued operations						**3,024**
Loss for the year						**(40,194)**
Total assets	112,946	136,397	68,406	102,355	101,870	521,974
	—	—	—	—	—	—
Total liabilities	18,726	3,619	30,677	35,369	310,815	399,206
	—	—	—	—	—	—
Capital expenditure	4,905	322	1,524	1,170	388	8,309
	—	—	—	—	—	—
Depreciation	6,197	9,351	7,551	10,635	341	34,075
	—	—	—	—	—	—
Amortisation	77	22	145	25	454	723

Notes to the Financial Statements (continued)

for the year ended 31 December 2022

30 Segmental information (continued)

	Cresta Urban Oasis P'000	Cresta Urban Heartbeat P'000	Cresta African Roots P'000	Cresta African Fingerprint P'000	Control Unit P'000	Combined P'000
COMPANY						
Year Ended 31 December 2021						
Revenue	**44,198**	**48,585**	**79,750**	**42,649**	**1,171**	**216,352**
Accommodation revenue	26,359	30,572	49,701	24,371	(393)	130,610
Food revenue	13,756	13,665	24,307	12,713	—	64,442
Bar revenue	2,171	2,205	3,930	3,018	—	11,323
Other revenue	1,912	2,142	1,812	2,547	1,564	9,977
Cost of sales	(29,293)	(26,289)	(48,581)	(34,870)	(23,237)	(162,270)
Gross profit/(loss)	14,905	22,295	31,169	7,779	(22,066)	54,082
Sales and distribution costs	(1,076)	(515)	(1,069)	(887)	(2,777)	(6,323)
Administration and operating expenses	(18,757)	(25,387)	(32,104)	(25,072)	22,727	(78,593)
Operating loss	**(4,928)**	**(3,607)**	**(2,004)**	**(18,180)**	**(2,116)**	**(30,834)**
Impairment of subsidiary	—	—	—	—	(3,117)	(3,117)
Finance income	—	—	—	—	2,182	2,182
Finance expense	(1,210)	(19)	(2,437)	(2,399)	(18,203)	(24,268)
Reportable segment loss before tax	**(6,139)**	**(3,626)**	**(4,442)**	**(20,579)**	**(21,254)**	**(56,037)**
Income tax credit						**9,702**
Loss for the year						**(46,335)**
Total assets	112,946	136,397	68,406	102,355	101,760	521,864
Total liabilities	18,726	3,619	30,677	35,369	310,705	399,096
Capital expenditure	4,905	322	1,524	1,170	388	8,309
Depreciation	6,195	9,351	7,551	10,635	343	34,075
Amortisation	77	22	145	25	454	723

Notes to the Financial Statements (continued)

for the year ended 31 December 2022

31 Events after the reporting period

The Board and Management are not aware of any material events that have occurred subsequent to the end of the reporting period that require adjustment and or disclosure in the financial statements.

32 Going concern

For the financial year 2022, the Group and Company achieved a net profit after taxation of P19 million (2021: P40 million group loss) and (2021: P46 million company loss). Losses were made in 2021 due to disruptions caused by the COVID-19 pandemic on the travel and hospitality industry. The Group started observing improved business levels towards the end of 2021 and into early 2022 with improved occupancies and positive returns.

Based on the 2022 financial year performance and the forecast for the next 12 months, the Directors are satisfied that the Group has the ability to meet all obligations as they fall due and to trade as a going concern for a period of at least 12 months from the date of approval of these financial statements. The Directors have noted the net current liability position of the Group as at 31 December 2022. They have reviewed the expected timing of the settlement of the liabilities and are satisfied that the forecasted cash flows would be sufficient for the liabilities to be settled when due, while the P10 million unutilised overdraft facility would also be available for working capital requirements.

The Directors are therefore of the opinion that the going concern assumption is appropriate in the preparation of the consolidated and separate financial statements.

Shareholder Information

As at 31 December 2022

TOP 10 SHAREHOLDERS

	SHARES HELD	% HOLDING
BOTSWANA DEVELOPMENT CORPORATION LIMITED	**50,283,958**	27.18%
CRESTA HOLDINGS (PTY) LTD	**46,179,583**	24.96%
BIHL INSURANCE COMAPNY T/A LEGAL GUARD	**18,691,588**	10.10%
LHG MALTA HOLDING LTD	**16,888,955**	9.13%
MOTOR VEHICLE ACCIDENT FUND	**9,250,010**	5.00%
SCBN (PTY) LTD RE: BPOPF LOCAL EQUITIES ACTIVE PORTFOLIO CO ALLAN GRAY BOTSWANA	**8,294,479**	4.48%
BOTSWANA INSURANCE COMPANY LIMITED	**5,607,812**	3.03%
MASAWARA HOSPITALITY MAURITIUS LIMITED	**3,680,000**	1.99%
ALLAN GRAY: DEBSWANA PENSION FUND	**2,190,117**	1.18%
STANBIC NOMS BW (PTY) LTD RE: BPOPF EQUITY PORTFOLIO C	**1,394,551**	0.75%

PUBLIC AND NON-PUBLIC SHAREHOLDERS

	NUMBER OF SHAREHOLDERS	SHARES HELD	% HOLDING
NON-PUBLIC SHAREHOLDERS			
Shareholder holding more than 10%, associates and treasury shares	5	**124,442,941**	67.27%
Treasury Shares	1	**4,065,056**	2.19%
Directors	2	**211,996**	0.12%
PUBLIC SHAREHOLDERS	2,989	**56,280,007**	30.42%
TOTAL	**2,996**	**185,000,000**	**100.00%**
SHAREHOLDER SPREAD			
1 – 10 000 shares	2,734	**4,200,885**	2.27%
10 001 – 100 000 shares	224	**6,022,920**	3.26%
100 001 – 1 000 000 shares	26	**7,249,343**	3.92%
1 000 001 shares and above	12	**163,461,796**	88.36%
Treasury Shares	1	**4,065,056**	2.19%
TOTAL	**2,996**	**185,000,000**	**100.00%**

Notice of Annual General Meeting

Notice is hereby given that the 2022 Annual General Meeting of members will be held on Wednesday, 28 June 2023 at 0830hrs at the Cresta Lodge Gaborone Conference Room, to transact the following business:

1. To receive, consider and adopt the audited annual financial statements for the year ended 31 December 2022 together with the directors' and auditors' reports thereon.

2. To approve the remuneration of the external auditors, Deloitte for the year ended 31 December 2022.

3. To approve the appointment of Deloitte & Touche as external auditors for the year ending 31 December 2023 and to authorize the Board of Directors to determine their remuneration.

4. To approve the Remuneration report for the year ended 31 December 2022.

5. To approve the Directors' remuneration for the year ended 31 December 2022.

6. To re-elect **Mr Moatlhodi Lekaukau** who retires by rotation pursuant to section 20.10.1 of the Constitution of the Company, and who, being eligible, offers himself for re-election as a Director. Mr Lekaukau is the Managing Director of Kalahari Capital and the Executive Chairman of YMH Media Group, a diversified media holding company with interests in Botswana and Zambia. His previous roles include Acting Managing Director and Chief Investment Officer of Botswana Development Corporation, Chief Executive Officer of Standard Chartered Bank Botswana and Partner and Head of Mergers and Acquisitions at Deloitte in South Africa. Mr Lekaukau is a member of the South African Institute of Chartered Accountants, a fellow member of the Botswana Institute of Chartered Accountants and holds a Bachelor of Commerce Degree and Postgraduate Diploma in Accounting from the University of Cape Town. Mr Lekaukau has served on several boards of listed and private companies.

7. To re-elect **Mr Osborne Majuru** who retires by rotation pursuant to section 20.10.1 of the Constitution of the Company, and who, being eligible, offers himself for re-election as a Director. Mr Majuru is a Chartered Accountant (Z) with an Accounting (Honours) Degree from the University of Zimbabwe. Mr Majuru has more than 20 years senior management experience including as Financial Director for Anglogold Ashanti in Zimbabwe, Tanzania and Isle of Man; Chief Executive Officer for Cresta Group of Hotels and Zuva Petroleum (Pvt) Limited. In 2019, Mr Majuru was appointed Chief Executive Officer in charge of the Cresta Hotels Cluster for the Masawara Group. Prior to this, he was the Group Chief Financial Officer and thereafter the Group Chief Strategy Officer for Masawara Zimbabwe (Pvt) Limited. Mr Majuru serves on various Boards including Cresta Holdings (Pty) Limited, Cresta Hotels (Pvt) Limited, Grand Reinsurance and Minerva Risk Advisors.

8. To re-elect **Mrs Tshepidi Ondoko**. Mrs. Ondoko holds a BA Degree in Economics and Political Science from Swathmore College and an MBA in Finance and International Business from Columbia University Business School. Mrs Ondoko has a career spanning 20 years in financial services in both private equity and investment banking. She has worked for various institutions in Africa and Europe, including Aureos Capital, Goldman Sachs and Rand Merchant Bank. Mrs Ondoko is currently the Chief Operating Officer for Africa50 a pan-African infrastructure investment platform.

9. To transact any other business that may be transacted at an Annual General Meeting.

Any member entitled to attend and vote is entitled to appoint a proxy or proxies to attend, speak, and vote in his/her stead, and such proxy need not be a member of the Company. The instrument appointing such a proxy must be sent to Mpho Kgosietsile by email at mkgosietsile@wiseleadership.co.bw not less that 48 hours before the meeting.

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

By Order of the Board
Wise Leadership Proprietary Limited
Company Secretary
6 June 2023

Proxy Form

(Please complete in block letters)

I/We* ____________________

Of ____________________

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

1. ____________________ or failing him/her

2. ____________________ or failing him/her

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

	NUMBER OF ORDINARY SHARES		
	FOR	AGAINST	ABSTAIN
Ordinary Resolution Number 1			
Ordinary Resolution Number 2			
Ordinary Resolution Number 3			
Ordinary Resolution Number 4			
Ordinary Resolution Number 5			
Ordinary Resolution Number 6			
Ordinary Resolution Number 7			
Ordinary Resolution Number 8			

Signed: ____________________ on this __________ day of __________ 2023

COMPANY STAMP

Please read the notes on the following page.

Proxy Form (continued)

Proxy Form Notes

1. A shareholder may insert the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the Chairman of the Annual General Meeting". The person whose name appears first on the form of proxy and whose name has not been deleted will be entitled to act as proxy to the exclusion of those whose names follow.

2. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the shareholder in the appropriate space provided. Failure to comply herewith will be deemed to authorize the proxy to vote at the Annual General Meeting as he/she deems fit in respect of the shareholder's votes exercisable thereat, but where the proxy is the Chairman, failure to comply will be deemed to authorize the proxy to vote in favor of the resolution. A shareholder or his/her proxy is obliged to use all the votes exercisable by the shareholder or by his/her proxy.

3. Forms of proxy must be lodged at or posted to the Company Secretary at P/Bag 00272, Plot 74538 Marula House, Prime Plaza, New CBD, Gaborone; or emailed to the Company Secretary not later than 48 hours before the time fixed for holding the meeting.

4. The Chairman of the Annual General Meeting may reject or accept any form of proxy not completed and/or received other than in accordance with these notes provided that he/she is satisfied as to the manner in which the shareholder concerned wishes to vote.

5. An instrument of proxy shall be valid for the Annual General Meeting as well as for any adjournment thereof, unless the contrary is stated thereon.

6. A vote given in accordance with the terms of a proxy shall be valid, notwithstanding the previous death or insanity of the shareholder, or revocation of the proxy, or of the authority under which the proxy was executed, or the transfer of the ordinary shares in respect of which the proxy is given, provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company not less than one hour before the commencement of the Annual General Meeting or adjourned Annual General Meeting at which the proxy is to be used.

7. The authority of a person signing the form of proxy under a power of attorney or on behalf of a company must be attached to the form of proxy, unless the authority or full power of attorney has already been registered by the Company or the Transfer Secretaries.

8. Where ordinary shares are held jointly, all joint shareholders must sign.

9. A minor must be assisted by his/her guardian, unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company.

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ebsite: www.crestamarakanelo.com

CRESTA
MARAKANELO LIMITED