2019 INTEGRATED REPORT

CRESTA
MARAKANELO LIMITED

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INTEGRATED REPORT 2019

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CRESTA MARAKANELO LIMITED
GENERAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2019

COMPANY REGISTRATION NO:	BW00001308618
NATURE OF BUSINESS	Cresta Marakanelo Limited ("the Company") and its subsidiary (together "the Group") operate a total of 12 hotels with 1,000 rooms. 11 hotels are in Botswana and one is in Zambia. A significant part of the hotel portfolio is focused on the provision of hotel services to business travelers. In addition to accommodation, Cresta, as part of its services, offers customers restaurants, bars, curio shops, health and beauty spa services, game drives and boat cruises, conference facilities, outside catering, as well as other ancillary business activities carried out from the hotels.
DIRECTORS	M K Lekaukau - (Chairman) J Y Stevens T G Ondoko O Majuru P Molefe G Sainsbury B K Molomo M Mbo M Morulane
SECRETARY	P Mothoteng
TRANSFER SECRETARIES	DPS Consulting Services (Pty) Ltd
REGISTERED OFFICE	2nd Floor, Marula House, Prime Plaza, Plot 74538 Gaborone
INDEPENDENT AUDITORS	Deloitte & Touche
BANKERS	Absa Bank Botswana Limited Absa Bank Zambia Plc Botswana Savings Bank Bank Gaborone Limited First National Bank of Botswana Limited Stanbic Bank Botswana Limited
CURRENCY	Botswana Pula

BOARD OF DIRECTORS

Board of Directors

Moatlhodi Lekaukau
Non-Executive Chairman

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

Moatlhodi 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.

Gavin Sainsbury
Non-Executive Director

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

Gavin is also a director of Botswana Insurance Company (BIC).

Tshepidi Moremong-Ondoko
Non-Executive Director

Ms. Moremong-Ondoko holds a BA Degree in Economics and Political Science from Swathmore College and an MBA in Finance and International Business from Columbia University Business School. Tshepidi started her career with Ernst and Young Botswana where she helped establish the management consultancy group. She is currently Head of Coverage Africa at Rand Merchant Bank and is Co-Chairman of African Venture Capital Association. Tshepidi has previously worked at Goldman Sachs, London in the investment banking division, focusing on mergers and acquisitions for Europe.

Board of Directors (continued)

Pius Komane Molefe
Non-Executive Director

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

He 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.

Mbako Mbo
Non-Executive Director

Dr Mbo is the Chief Financial Officer of Standard Chartered Botswana Limited. Prior to his current role he was the Chief Financial Officer of Botswana Development Corporation (BDC) where he oversaw the Finance, Treasury, ICT, Procurement and Administration functions. Prior to joining BDC, he worked for the African Development Bank as a Financial Management Expert working on an investment and program portfolio spanning across seven African countries.

Mbako holds a Bachelor's Degree in Accounting, BSc (Hons) Applied Accounting, an MBA, a PhD and is also a Member of the Association of Chartered Accountants (ACCA) and a Member of the Association of Corporate Treasurers (AMCT).

Bafana Molomo
Non-Executive Director

Mr Molomo is a co-founder and partner of Aleyo Capital, a Botswana-based private equity fund management company. Bafana previously served as the Chief Investment Officer at the Botswana Development Corporation (BDC). He joined BDC in 2015 from Vantage Capital, a leading mezzanine fund manager based in Johannesburg and operating across sub-Saharan Africa.

At Vantage, Bafana was a Senior Associate originating and structuring private equity and mezzanine deals in Sub-Saharan Africa with a focus on South Africa, Botswana, Namibia and Mozambique. He was previously with VPB in Botswana and Namibia as a senior investment professional. He began his career as an analyst with Fleming Asset Management Botswana.

Bafana earned a Bachelor of Commerce (Economics and Finance) and an MBA from University of Cape Town. He also holds a Post-graduate Diploma in Business from the University of Pretoria's Gordon Institute of Business Science. Bafana also serves on the Board of Sechaba Brewery Holdings Limited.

Board of Directors (continued)

John Yendall Stevens
Non-Executive Director

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. John 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.

John is also a member of the Board of Standard Chartered Bank Botswana.

Osborne Majuru
Non-Executive Director

Mr Majuru is a Chartered Accountant with an Accounting (Honours) Degree from the University of Zimbabwe. Osborne has more than 20 years senior management experience including as Financial Director for Anglogold Ashanti in Zimbabwe, Tanzania and Isle of Man; Chief Executive Officer for Cresta Group of Hotels and Zuva Petroleum (Pvt) Limited. In 2019 Osborne 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. Osborne sits on various boards as a non-executive director in Zimbabwe and Botswana.

Mokwena Morulane
Executive Director

Mr Morulane is the Managing Director of Cresta Marakanelo Limited. Mokwena started his career at Deloitte, and has held leadership roles in the mining and financial service sectors. Most recently he held the position of General Manager – Corporate Services at Botswana Oil Limited.

Mokwena is a fellow of the Association of Chartered Certified Accountants (ACCA), and a member of the Chartered Institute of Secretaries in Southern Africa. He holds a BA (Hons) in Accounting from the University of Luton, United Kingdom. He has also completed a Management Development Programme with the University of Stellenbosch Business School, South Africa.

CHAIRMAN'S STATEMENT

Moatlhodi Lekaukau
Chairman

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 2019.

FINANCIAL HIGHLIGHTS

AUDITED	Dec-19 P'000	Dec-18 P'000	% Change
Revenue	396,920	370,847	7%
Operating profit	51,012	35,094	45%
Cash generated from operations	109,465	67,046	63%
Total assets	634,736	272,992	133%
Total shareholders' equity	227,357	191,008	19%
Cash and cash equivalents	103,138	61,636	67%

OVERVIEW OF OPERATIONS

The Group received shareholder approval in February 2019 to acquire five of the hotels it was leasing, wholly funded from debt. The purchase and transfer of four of the properties was concluded in June 2019 and consideration of P251 million was paid to the sellers. The last property transfer was concluded in February 2020.

The Group achieved revenue growth of 7% and a 45% growth in operating profit compared to the same period last year. This was despite a significant reduction in occupancies in all the Botswana hotels during the month of October, when the general elections took place. Centralised procurement and cost containment initiatives in the hotels resulted in improved margins. The decline in PBT is primarily as a result of additional finance costs incurred on borrowings for the acquisition of four hotel properties as well as the depreciation related to the newly acquired properties.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Total assets increased by 133% compared to the financial year ended 31 December 2018. The increase in assets was primarily as a result of the hotel properties acquired, as well as the recognition of Right-of-Use assets for the first time in the current financial period. The acquisition of the properties was wholly funded from borrowings, hence the increase in equity was only 19%.

The Group had cash resources of P103 million at the end of the period under review (2018: P61.6 million).

CONSOLIDATED STATEMENT OF CASH FLOWS

Cash generated from operations amounted to P109.5 million, an increase of 63% compared to the prior year (2018: P67.0 million). This was driven by the higher occupancies achieved and the savings realized on rentals for the properties acquired in June 2019. Net cash utilised in investing activities increased to P273.2 million, from P48.9 million in the prior year, as a result of the acquisition of the hotel properties, as well as refurbishment projects undertaken in the Group. With regards to financing activities, P251 million obtained from the Barclays Bank loan facility was utilised during the period, to fund the hotel property acquisitions.

Chairman's Statement (continued)

SUBSEQUENT EVENTS

The rapidly unfolding COVID-19 pandemic has caused significant disruptions in the global hospitality and tourism industries. Even though there are currently no reported COVID-19 cases in Botswana, the Group has started to receive cancellations from regional and international tour operators and travel agents. In addition, the Government of Botswana has introduced restrictions on public gatherings and conferences in order to contain the possible spread of the disease. All these factors will negatively impact the Group's performance during the 2020 financial year.

In line with the World Health Organisation (WHO) and the Ministry of Health and Wellness guidelines, the Group has introduced measures to increase the availability of hand sanitisers in all public spaces in the properties, increased frequency of cleaning of public area touch points and increased staff training on the WHO hygiene measures to combat the spread of COVID-19. As the duration of the pandemic is unknown, the Group has taken a cautious approach and suspended all major capital expenditure projects for the 2020 financial year in order to conserve cash resources.

GOING CONCERN

In assessing the ability of the Group to continue as a going concern, management carried out a sensitivity analysis on the 12 month forecast cash flow assumptions to reflect a range of reasonably possible outcomes related to the COVID-19 pandemic and concluded that Cresta Marakanelo Limited will be able to continue as a going concern. The Directors reviewed the cash flow forecasts prepared by management when assessing the ability of the Group to continue operating as a going concern. The significant assumption made was that the downturn in business would not be for a period exceeding 12 months.

Based on the review of the Group's cash flow forecasts, the Directors believe that the Group will have sufficient resources to continue to trade as a going concern for a period of at least 12 months from the date of approval of these financial statements and accordingly, the financial statements have been prepared on the going concern basis.

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

DIVIDEND

In light of the uncertainties related to the extent of the disruptions to the business from the COVID-19 pandemic, the Directors have decided not to declare a dividend for the 2019 financial year in order to conserve cash resources.

APPRECIATION

I would like to commend management, staff and my fellow directors for their continued commitment and contribution to the Group.

M Lekaukau
Chairman
29 March 2020

Executive Management

Mokwena Morulane
Managing Director

Rutendo Maziva
Chief Financial Officer

Segomotso Banda
Group Human Resources Manager

Karl Snater
Group Operations Manager

Galeboe Mmelesi
Group ICT Manager

MANAGING DIRECTOR'S STATEMENT

Mokwena Morulane
Managing Director

Managing Director's Statement

PROPERTY ACQUISITION

A milestone achievement, and one of the highlights for the year under review was the acquisition of five of the properties that the Group was leasing. The acquisition and transfer of four of the properties was concluded in June 2019 and consideration of P251 million was paid to the sellers. The transaction was wholly debt funded resulting in net increase in equity of 9% when compared to the financial year ended 31 December 2018.

The acquisition of the properties demonstrates the shareholder confidence in the business; and further cements Cresta Marakanelo Limited ("CML") as a long-term player in the hospitality and tourism sector of the economy. The core of the transaction was to guarantee security of tenure, eliminate rentals which were on annual escalations greater than annual inflation rate and easing of cash outflows in the short to medium term.

BOTSWANA MARKET PERFORMANCE ACCORDING TO AFRICA HOTEL REVIEW

The Africa Hotel Review statistics report produced by STR Global Limited showed a marginal increase in hotel occupancies in Botswana, reporting an average 2019 occupancy of 59% against 58% in financial year 2018. CML performed higher than average market occupancy with its 2019 occupancy closing at 64% against 58% in 2018.

The market at large suffered a setback in the month of October 2019 due to the extended elections days. CML mounted a spirited comeback in November and December 2019 to close the year at 64% occupancy.

CML FINANCIAL PERFORMANCE

The Group recorded a strong performance in the first half of 2019, which was a continuation to the positive performance in 2018. The latter part of the year saw declined occupancy levels in all the Botswana hotels, more especially during the month of October, due to cancellations before, during and after the national general elections. Notwithstanding the decreased occupancies in the month of October, the Group recorded revenue growth of 7% for the year. The Group's Operating Profit stood at P51 million, 45% above prior year which was P35 million. The Profit before tax closed the year at P30.6 million which was 14% below prior year because of the debt funded property acquisitions – this was expected.

Our business is cash generative, posting a closing cash balance for the year of P103 million. Cash generated from operations in 2019 amounted to P109.5 million, an increase of 63% compared to the prior year (2018: P67.0 million). This is attributable to the higher occupancies achieved and the savings realized on rentals for the properties acquired in June 2019.

OUR CORE VALUES

We continue to live, breathe and cascade our core values and principles throughout our operations to ensure that as a Group, we are fully aligned and consistent with our various mandates towards the sustainability of the business. We are aware that in this era of technological and social evolution, our guests have got a much more sophisticated appreciation and understanding of their preferences and alternative service offerings available in the market. Constant improvement of our internal culture and external brand delivery is key for business continuity and the execution of our Group Strategy.

We value our people, the human capital behind our successes. We continue to invest in the development of our people towards exceeding expectations of our valued guests and enhancing individual employee contribution to the business.

We had our first execution phase of the Human Resources incentive program, which saw performance-based payouts to staff. There has also been regular and deliberate communication with staff via monthly meetings, quarterly property tours by the Executive team members, monthly newsletter and utilization of various other platforms such as staff WhatsApp and SMS communication. We recognize the key role of effective communication with staff in driving goal alignment and maintenance of expected standards.

Managing Director's Statement (continued)

INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT)

Technology has placed more power in consumers' hands through smart gadgets in their various forms. The Group is in a deliberate drive to leverage its operations on technology; both to cut down on costs and enhancing service excellence to our guests. Refresher courses and training on the operation of our Property Management System are run from time to time. Our ICT team members keep a watchful eye on data integrity, bandwidth speed and availability and relevant latest technologies of easing up operating systems and procedures. Staff engagements across the 12 hotel establishments in Botswana and Zambia have been made easier through using online infrastructure put in place.

MARKETING

The year under review saw the group utilizing a number of traditional and digital tools for brand advancement and sales. A rigorous website revamp was initiated to better position our properties and ensure a more effective and efficient hotel booking platform. There has been an increased deliberate effort towards CML getting closer to the local media houses to be able to drive hospitality news content.

A key highlight of the year was the enhancement of the data capturing, data security, reporting and ease of use of our Customer Loyalty Programme at all our hotels in Botswana.

Stakeholder engagement is a key component of our communications strategy. In the year under review, CML held several stakeholder engagements across the country including hosting the annual Travel Agents Association of Botswana conference.

LOOKING AHEAD

The outbreak of the COVID-19 pandemic has significantly changed the outlook of the tourism industry in general; and has brought in an unprecedented level of uncertainty. During the periods of country lockdowns – in local and international source markets alike – the Group closed its hotels for periods between one to two months. It is never going to be business as usual; change in approach, systems and attitude is inevitable.

Globally, we continue to see subdued levels of activity in the hospitality and tourism sectors. It is anticipated that the international travel market will continue to demonstrate reduced travel patterns, at least in the near term. This leaves us with having to launch aggressive marketing efforts for the domestic and regional travel market, who will form the critical base of our revenues into the future.

The Group has run a sensitivity analysis on a 12 month cash flow forecast to determine possible business performance post the COVID-19 country lockdowns. The forecasts reasonably point to the business being a going concern in the foreseeable future. The leadership will continue to actively monitor the assumptions and situation on the ground on an ongoing basis and adjust as required.

APPRECIATION

I would like to appreciate and recognize the Staff and Management for their continued support, hard work and dedication to the business. There have been several difficult times during the year but throughout it all, the team continued to be resolute in their determination to succeed.

A word of gratitude goes out to all our valued guests, who have continued to patronize our business throughout the year. Due recognition goes out to my fellow Directors in the Board of Cresta Marakanelo Limited – whose counsel has continued to be the backbone of the success of the business.

Mokwena Morulane
Managing Director

CORPORATE GOVERNANCE

Corporate Governance

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. The Board meets at least four times a year or as often as the circumstances may determine. In addition to the Board members, professional advisors and Executive Management of the Group are requested to attend Board and Committee meetings as and when required.

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

Composition of the Board

The Company's Constitution prescribes that the number of Directors on the Board shall not be more than 12 or less than four, while a quorum for a Board meeting is three Directors. The Board is composed of nine individuals of high caliber with a diverse set of skills, expertise and experience which are adequate to allow the Board to discharge its duties effectively.

The composition of the Board remained unchanged in 2019. The Directors of Cresta Marakanelo Limited are:

Moatlhodi Lekaukau - Non-Executive Chairman
John Stevens - Independent Non-Executive Director
Tshepidi Moremong - Ondoko - Independent Non-Executive Director
Pius Molefe - Independent Non-Executive Director
Osborne Majuru - Non-Executive Director
Gavin Sainsbury - Non-Executive Director
Bafana Molomo - Non-Executive Director
Mbako Mbo - Non-Executive Director
Mokwena Morulane - Managing Director

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

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

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. On 29 August 2019, Mr. Pridemore Masamba resigned as the alternate Director to Mr. Osborne Majuru and the Board approved the appointment of Mr. Shingayi Mutasa as an alternate Director to Mr. Osborne Majuru.

Corporate Governance (continued)

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 the internal control system is reviewed by the internal audit function and, where appropriate, by the Group's external auditor, who reports 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 Committee. Both of these committees have terms of references approved by the Board.

Finance, Risk and Audit Committee
Committee Chairman - John Stevens
Committee Members - Mbako Mbo, Osborne Majuru.

The Finance, Risk and Audit Committee is chaired by an independent non-executive Director, and has two non-executive Directors as members. All of the Directors have the relevant financial experience as required. The Finance, Risk and Audit Committee meets at least twice a year and the Committee meets with the external auditors at least twice a year. The Group Internal Auditor and other senior Company executives attend the Committee meetings by invitation.

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.
- 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.

Corporate Governance (continued)

Board delegated committees (continued)

Finance, Risk and Audit Committee (continued)

- Agreement of detailed scope of the external audit prior to commencement of their audit; reviewing the results of the audit and its cost effectiveness; and recommendation of the audit fee to the Board; monitoring and approving, when appropriate, the nature of any non-audit work and levels of fees paid.
- Considering on an annual basis and satisfying itself of the appropriateness of the expertise and experience of the Chief Financial Officer.

The Finance, Risk and Audit Committee is of the view that it has discharged all of its mandated roles. Further to this, the Committee confirms that it reviewed the appropriateness and expertise of the Chief Financial Officer Ms Rutendo Maziva and it is satisfied that she has the suitable expertise and skills for the position. Ms Maziva is a Chartered Accountant (Institute of Chartered Accountants of Zimbabwe and South African Institute of Chartered Accountants). 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).

Human Resources Committee

Committee Chairman – Pius Molefe
Committee Members – Moatlhodi Lekaukau, Mokwena Morulane, Bafana Molomo (appointed in 2020).
The Human Resources Committee is chaired by an independent non-executive director and has two non-executive Directors and one executive Director as members. The Human Resources Committee meets at least twice a year. It is responsible for considering and making recommendations to the Board, within agreed terms of reference, on the Group's remuneration policies, determining the remuneration packages of executive management and the operation of the Group's phantom share scheme. The Committee takes independent advice as deemed necessary.

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 mandate of the Committee was expanded in 2020, renamed "Human Resources and Nominations Committee" and Mr Bafana Molomo was appointed to the Committee. The expanded mandate of the Committee now 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 shall also lead the process for Board appointments and make recommendations to the Board.

Corporate Governance (continued)

2019 Board and Sub-Committee Meetings Attendance

The table below indicates the attendance by the Directors for scheduled 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	-	-	2	2
John Stevens	4	4	4	4	-	-
Gavin Sainsbury	4	4	-	-	-	-
Pius Molefe	4	2	-	-	2	1
Bafana Molomo	4	4	-	-	-	-
Mbako Mbo	4	4	4	4	-	-
Osborne Majuru	4	2	4	2	-	-
Tshepidi Moremong-Ondoko	4	2	-	-	-	-
Mokwena Morulane	4	4	4	4	2	2
Pridemore Masamba (alternate to O Majuru)	1	1	-	-	-	-
Shingayi Mutasa (alternate to O Majuru)	1	1	-	-	-	-

Directors' Remuneration

The basis for Directors' remuneration remained unchanged in 2019 compared to 2018. 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 Managing Director's remuneration is paid by the Management Company (Note 29).

Corporate Governance (continued)

The total remuneration paid by the Company to non-executive Directors for the 2019 financial year for scheduled and ad-hoc meetings is listed below:

	Directors' Fees (P)
Moatlhodi Lekaukau	153,000
John Stevens	89,000
Gavin Sainsbury	57,000
Pius Molefe	38,000
Bafana Molomo	68,000
Mbako Mbo	75,000
Osborne Majuru	50,000
Tshepidi Moremong-Ondoko	41,000
Pridemore Masamba (alternate to O Majuru)	10,000
Shingayi Mutasa (alternate to O Majuru)	10,000
Total	**590,000**

The following Directors have direct or indirect shareholding in Cresta Marakanelo Limited:
John Stevens 200,000 shares
Moatlhodi Lekaukau 11,296 shares

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 X Non-compliant

	Status	Note
Ethical leadership and corporate citizenship		
The board should provide effective leadership based on an ethical foundation	√	
The board should ensure that the company is seen as a responsible corporate citizen	√	
The board should ensure that the company's ethics are managed effectively	√	
Board and directors		
The board is the focal point for and the custodian of corporate governance	√	
The board should appreciate that strategy, risk, performance and sustainability are inseparable	√	
The board should provide effective leadership based on ethical foundation	√	
The board should ensure that the company is and is seen to be a responsible corporate citizen	√	
The board should ensure that the company's ethics are managed effectively	√	
The board should ensure that the company has an effective and independent audit committee	√	
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	√	

Corporate Governance (continued)

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.	#	Note 1
The board should appoint the chief executive officer and establish a framework for the delegation of authority	√	
The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent	#	Note 2
Directors should be appointed through a formal process	√	
The induction of and ongoing training and development of directors should be conducted through formal processes	√	
The board should be assisted by a competent, suitably qualified and experienced company secretary	√	
The evaluation of the board, its committees and the individual directors should be performed every year	X	Note 3
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	√	
Audit Committee		
The board should ensure that the company has an effective and independent audit committee	√	
Audit committee members should be suitably skilled and experienced independent non-executive directors	#	Note 4
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	√	

Corporate Governance (continued)

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	√	
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	√	

Corporate Governance (continued)

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.	X	Note 5

Note 1. Subsequent to the Chairman's appointment to the Board as an Independent Director, he accepted a role at Botswana Development Corporation, a significant shareholder of the Company. In order to assist the Board to deal with any actual or perceived conflicts of interest, Mr John Stevens was appointed as the Lead Independent Director.
Note 2. The Board is comprised of one executive Director and eight non-executive Directors. Of the non-executives, five Directors are not deemed to be independent as they are either shareholder representatives or shareholder nominees. Of the three independent Directors, Mr John Stevens is the Lead Independent Director.
Note 3. Board evaluation exercise was not conducted in 2019 and will be conducted during the 2020 financial year.
Note 4. All the Finance, Risk and Audit Committee members are suitably qualified, however only the Committee chairman is independent.
Note 5. The sustainability reporting and disclosure will be independently assured in the ensuing year.

Communication with Stakeholders
The Group holds Annual General Meetings. At these meetings, there is an opportunity for all shareholders to question the Chairperson and other Directors (including Chairman of the Finance, Risk and Audit Committee, Human Resources 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 working 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 channeled to management through this page.

SUSTAINABILITY REPORT

CONTENTS PAGE

Sustainability Report

Basis of preparation and presentation

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

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

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

Company and business overview

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

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

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

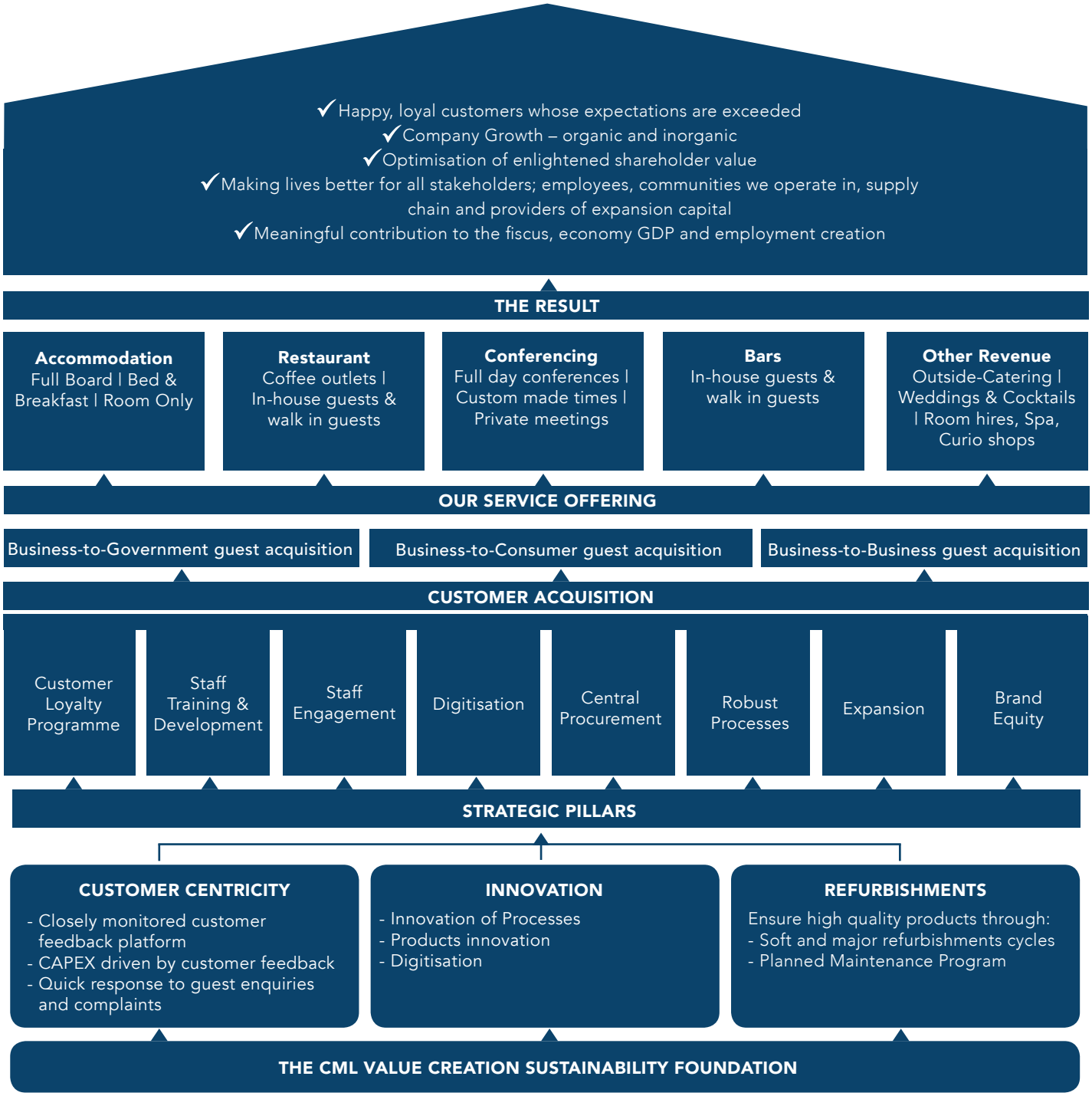
In Zambia, the Group operates Cresta Golfview in Lusaka, the capital city.

Relevant laws and regulations

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

Sustainability Report (continued)

Cresta Marakanelo Limited business model



Sustainability Report (continued)

Cresta Marakanelo Limited key risks

Risk Category	Detailed Risk	Potential Impact	Risk Mitigation
Strategic Risks	Increasing growth in low cost apartment hotels and alternative accomodation such as Airbnb	Reduction in revenue	Sharpen Competitive advantage based on great customer service, increase contribution from other segments
	Concentration risk on Government business	Fall in profitability should Government cut expenditure	Diversification of markets, driving online sales channels
	Rising price wars	Dilution of Average Daily Rate	Product differentiation
	Security of tenure on properties not owned by the Group	Long term sustainability of the business is dependent on the relations with the landlords and government	Paying market-related rentals on time, adherence to the terms & conditions of lease plus relationship management with the landlords
Operational Risks	Failure to adapt to the continuously evolving guests demands.	Market share loss from failure to adapt to the changing needs	Constant research on the trends and customising where relevant
	Guests perception of destination risk e.g. like biological outbreaks, recently COVID-19	Unforeseen cancellation of bookings	Crisis management framework on right sizing and lean operations
	Limited pool of appropriately skilled labour and highly mobile skilled staff in a global world	Decline in customer service excellence	Effective key skills retention strategy in place. Continuous training and upskilling
IT Risks	Cyber attacks	Lawsuits by infringed guests & brand reputation damage	Vulnerability tests conducted bi-annually
	Failure to keep pace with the fast moving guest targeted technology	Loss of customer loyalty and reduced revenue	Constant research on the trends and customising where relevant
	Social media easily and quickly spreading negative information about the business	Damaged brand perception, low customer ratings leading to loss of revenue	Regular review of the social media pages, responding to queries and questions timely, crisis management framework
Financial Risks	Failure to raise funding for the expansion strategy.	Low growth and loss of market share	Adherence to existing debt covenants and balance sheet management
	Credit losses on the credit business	Decrease in cash flow from operating activities	Strict adherence to the credit control policy
	Downward pressure on Average Daily Rates from increasing competition against increasing supply chain costs	Reduction in profits	Optimisation of Central Procurement for Group economies of scale
Compliance Risks	Failure to comply with taxation laws and regulations	Reputational damage and cash ouflows on penalties and interest	Refresher course attendances by relevant persons
	Limited pool of appropriately skilled labour to ensure consistent compliance to internal control systems	Decline in customer service excellence	Effective retention strategy in place. Continuous training
	Non-compliance to environmental and other requirements when executing the expansion strategy	Building and execution inefficiencies and penalties	Maintenance of a projects checklist and adherence thereto

Sustainability Report (continued)

Our Six Capitals

The Company's value is built by consistent year on year positive performance, foremost measured by the Triple Bottom Line – People, Planet and Profit.
To be able to build such performances CML has put together capitals, which include;

- physical capitals (in the form of manmade capital which aids in production such as property and equipment) and
- intangible capitals (in the form of human capital, brand, technology, systems and licenses to operate).

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

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

CAPITAL	UTILISATION OF THE CAPITAL
Manufactured Capital	The state of the properties operated by CML is a key success factor to its triple bottom line goals across its planning horizon. To achieve a sustainable bottom line, the Company is committed to drive its manufactured capital through: • Reinvestment in maintenance and enhancement of capacity with significant spend being allocated towards property refurbishments (soft and hard refurbishments) each financial year. • Expansion of capacity through: ° 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 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 / reputation management . • 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 the first line of defence and internal audits as the second line of defence.

Sustainability Report (continued)

Our Six Capitals (continued)

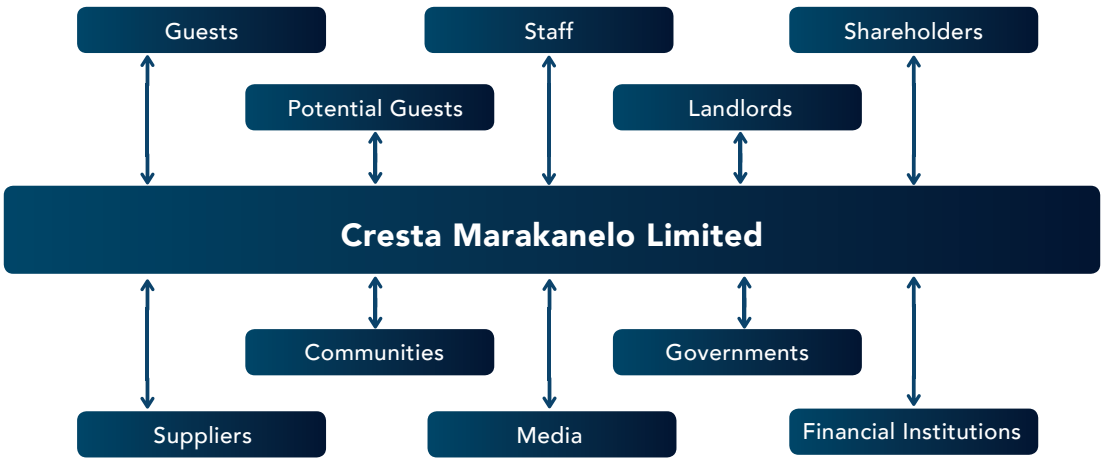
CAPITAL	UTILISATION OF THE CAPITAL
Social and Relationship Capital	The Company is deliberate in developing and maintaining sound mutually beneficial business relationships with stakeholders – customers, investors, shareholders, employees and trade unions, government, financial institutions, suppliers including landlords and the communities we operate in. This capital is being propagated by: • Compliance with the laws and regulations and honouring contracts and agreements in all spheres of operation. Management maintains a Compliance Checklist and quarterly audits are performed which includes testing of compliance. • Enhanced turnaround time on responses to customer feedback and as far as practical, meeting the raised needs. • Stakeholder engagement between CML Executive Management and the Labour Unions on an annual basis plus the regular meetings between staff and Management. • Negotiation policy underpinned by a desire for win-win agreements with our suppliers • CML is involved in Corporate Social Responsibility activities including: • Empowering the Youth in the education sector through: ° Graduate Traineeship Programs ° Being a Botswana Institute of Chartered Accountants (BICA) Authorised Training Employer
Natural Capital	In its decision-making process, CML actively considers the impact of natural resources onto the business – both renewable and non-renewable. This has been significant in getting the Company to holistically identify and manage its Risk Universe and opportunities available for appropriation. Key utilisation of this capital has been driven by the underscored: • Water harvesting - for example Cresta Maun runs entirely on non-municipal water • Our arrangement of planting 2 000 indigenous trees every year across our hotels. (The nursery is at Cresta Mowana). • Energy preservation initiatives – LED lightning across all hotels and conducting feasibility on solar powered hotels • Water saving inventiveness – water regulation devices in all showers, central laundry at city / town level and rolling out of dry gardens. This is due for implementation in 2020. • Pushing towards a semi-paperless environment for the hotel back office reporting.

Sustainability Report (continued)

Our Six Capitals (continued)

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

Our Key Stakeholders



Sustainability Report (continued)

Our Key Stakeholders (continued)

Stakeholder Group	Point of engagement with stakeholder	Stakeholder Expectations of Us	Our Engagement method with stakeholder	The Engagement Expected Outcome
Guests They are the reason Cresta is in existence.	Determining our guests needs, perception of our brand and buying patterns is foundational to the sustainability of our business	- Clean and up to standard rooms and facilities - Consistent service excellence plus friendly staff - Speedy reliable Wi-Fi - Delicious food on varied menus - Value for money - Loyalty recognition	- Customer feedback on check out - Management check-ups while guests are in-house - 24/7 Reception Help Desk - Cresta Pride Loyalty Card which offers up to 50% discount	- Happy and brand loyal customer, leading to repeat revenue - Customer word of mouth advertising
Potential Guests Market wide customers not yet staying with Cresta hotels	Understanding their needs, perception of our brand and service, any word of mouths feedback gotten 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 The core of the customer service excellence engine	Understanding their socio-economic needs, career aspirations and training needs	- Competitive remuneration - Job enrichment - Promotion opportunities - Upskilling programmes - Friendly environment - Job security	- Open door policy up to the office of the Managing Director - Internal promotions - Training and development programmes - Staff engagement surveys - Town Hall meetings with the Executive Management team - Consultation and involvement in strategy formulation and development	- Happy and proudly Cresta high performance staff members, consistently exceeding guests' expectations - Innovation and creativity
Landlords Strategic partners in delivering Cresta standard properties	Identification of salient features of the lease agreements and adherence to them	- Adherence to the lease agreements duties and responsibilities - Business going concern - Timely payment of lease obligations	- Scheduled periodic meetings plus ad-hoc engagements from time to time	- Secured tenure beyond stated lease period to foster long-term business sustainability - Remission of lease payments on time

Sustainability Report (continued)

Our Key Stakeholders (continued)

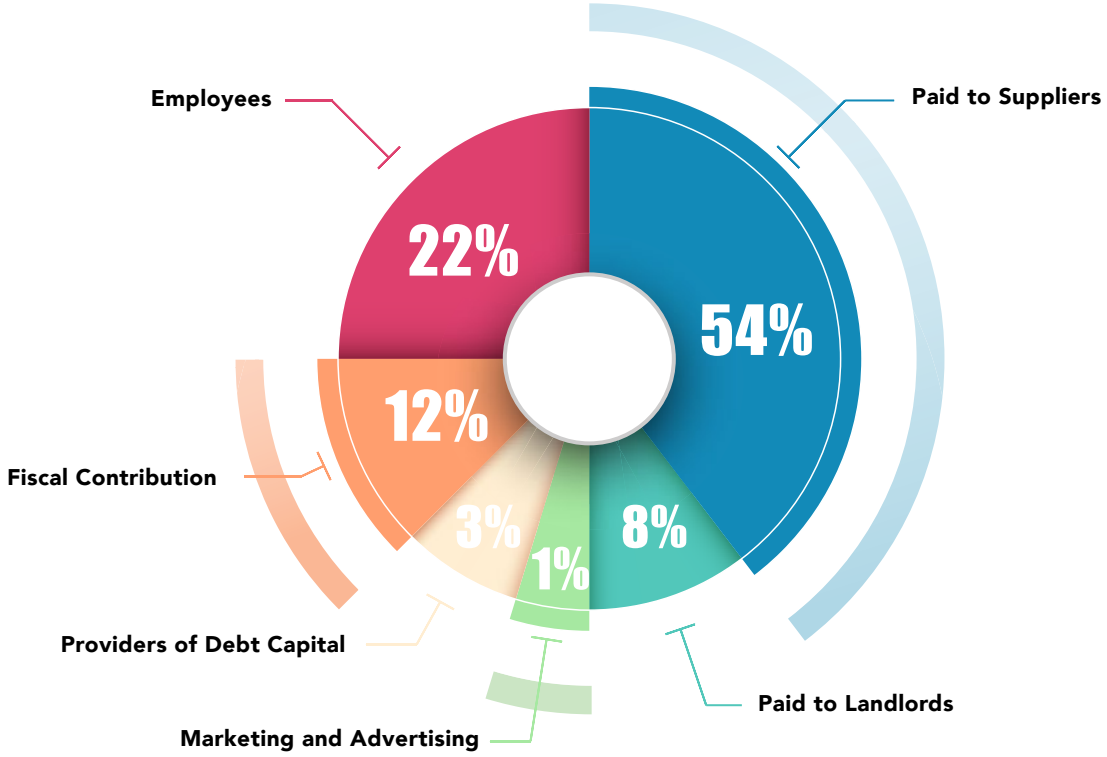
Stakeholder Group	Point of engagement with stakeholder	Stakeholder Expectations of Us	Our Engagement method with stakeholder	The Engagement Expected Outcome
Shareholders, including potential investors Providers of equity capital.	Understanding their business growth vision and required return on investment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

Sustainability Report (continued)

Our Key Stakeholders (continued)

Stakeholder Group	Point of engagement with stakeholder	Stakeholder Expectations of Us	Our Engagement method with stakeholder	The Engagement Expected Outcome
Governments Sets the tourism policy parameters within which Cresta operates	Consistency of economic policies and even more especially Tourism policy is critical to the sustainable success of Cresta business	- Compliance to laws and regulations - Contribution to the fiscus in taxation - Contribution to Gross Domestic Product (GDP) - Employment creation	- Engagement through the hospitality industry body from time to time - Annual returns filing - Taxation returns - Co-Marketing the Country during the global and regional tourism expos	- 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 in 2019=P435 Million



Sustainability Report (continued)

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 2019

	Loyal Customers
Members as at 01 January 2018	15,410
Additions	12,075
Exits / Expired Cards	(10,067)
Total Number of Pride Card Members as at 31 December 2018	17,418
Members as at 01 January 2019	17,418
Additions	13,689
Exits	(10,527)
Total Number of Pride Card Members as at 31 December 2019	20,580

There was a net growth of 18% Cresta Pride Card holders in 2019.

Guest Satisfaction Surveys

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

The Feedback is collected on the following:

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

The Overall Guest Feedback Ratings were 87% for 2019 vs 85% in 2018.

The Company is committed to ensuring that the human capital in its people is sharpened and produces enhanced productivity in delivering high performance, consistently exceeding guests expectations.

Every start of a shift, the staff in operations have 10 minutes Team talks before going into their service areas which act as refresher and emphasise on service excellence, hygiene and other areas of prominent needs of our guests. Various inhouse and outsourced training programmes are conducted throughout the year.

Sustainability Report (continued)

Key Stakeholders (continued)

Staff Training and Development

Investment in Staff Training & Development

	2019 BWP'000	2018 BWP'000
Investment for the year	**752**	**797**
Operations focus	335	650
Support functions	101	97
Risk training	317	51

Our 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 has made a commitment to put P1 per roomnight towards our CSR Fund. It is through the proceeds of this fund, that we are able to give back to the community.

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

Desert Bush Walk

In July 2019 CML sponsored The Desert Bush Walk. This is one of the biggest and well-known walks hosted in Botswana with a patronage averaging 3000 walkers.

This annual walk attracts walkers from Botswana, and across Africa and more recently the West. For the past 5 years the annual Walk has attracted participants from Botswana, South Africa, Namibia, Zimbabwe, Lesotho, Nigeria, Ghana Australia and Germany.

This year's theme was "*Sports & Tourism - giving back to Health & Education*". Thus far The Annual Bush Walk has contributed immensely towards the growth of sport tourism and the education sector as well as in promoting health and wellness in Botswana.

Lady Khama Charitable Trust – Ghanzi Endurance Horse Race

The Ghanzi endurance Horse is another initiative that CML supports. This race is organized by Lady Khama Charitable Trust. The aim of the race is to help improve the lives of vulnerable women and children in Botswana; this through charitable and educational activities. CML donated P50,000 towards this cause in 2019.

Sustainability Report (continued)

Our Corporate Social Responsibility (continued)

Chainring; Ride for Pink

In May 2019 CML also sponsored the Chainring Cycling Club that rode 1000 kilometres from Maun to Gaborone to not only raise Cancer awareness but also promote general health and wellness.

Still in May 2019; a donation of five computers was made towards Sese Primary School in the village of Sese, which is close to the town of Jwaneng. The handover was done at the official opening of the week-long joint law enforcement operation along the Trans Kalahari Highway of the Trans-Kalahari Corridor and was officiated by the Honourable Minister of Transport and Communications, Dorcus Makgato.

Sustainable Development Goals

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

Development Goal	How CML contributes to the SDG
SDG1: Poverty Eradication through Economic Growth	- As at 31 December 2019, CML employed 953 people in Botswana and 63 people in Zambia. Taking dependents per employee into account, the Company is directly impacting more lives than its direct employees. - The tourism industry contribution to Botswana's Gross Domestic Product (GDP) averages 13%. CML being a large hotel chain group in the country, is thus a significant contributor to the GDP of Botswana. - The Company contributed P55.5million to the fiscus in Value Added Tax, Income Tax and levies.
SDG2: Ending Hunger and Increasing Access to Nutrition and Linkages to Poverty	- The poverty eradication measures discussed under SDG 1 substantially help in alleviating nutritional challenges in the sphere of our influence. - Each day, every employee present at work is provided with a balanced diet meal
SDG 3: Ending Poverty and Ensuring Healthy Lives and Well-being	- The Company implements safety measures and supplies relevant protective equipment to different departments like maintenance and kitchen staff - To promote prevention of HIV/ AIDS spread, the company places condoms in all public toilets and hotel rooms - Post year-end, at the outbreak and spread of COVID-19, the Company hired a medical Doctor who went around the hotels educating staff on prevention and precautionary measures. Personal protective equipment has been provided to all staff members.
SDG 5: Gender Equality and Poverty	- CML prohibits any kind of discrimination – gender discrimination, racial or any other form of segregation. There is a set policy which stipulates the channels to follow when there is a grievance. The cases are reported to the Group Human Resources Manager for necessary action.

Sustainability Report (continued)

Sustainable Development Goals (continued)

SDG 6: Ensure availability and sustainable management of water and sanitation for all	During 2020 going into Q1 2021, CML will roll out water conservation initiatives including: - Water regulation devices in all showers and taps - Central laundry at city / town level and - Rolling out of dry gardens
SDG 7: Ensure access to affordable, reliable, sustainable and modern energy for all	- In a bid to save energy, the Company has migrated all lighting to LED energy saving bulbs across all its hotels. - Studies are also underway to assess going green using solar powered operations.
SDG 9: Ending Poverty through Resilient Infrastructure, Inclusive and Sustainable Industrialization and Innovation	- Cresta invests in refurbishments every year. Cresta, thus, contributes to poverty alleviation by ensuring continued employment creation through the construction phase. - When building hotels in a safari setting, Cresta uses an African theme which blends with the environment, an example is Cresta Mowana's architecture with wood and thatch in its entire style and architecture. - Our refurbishment projects provide an upgrade on technology and green efficiencies. Current initiatives are focused on using energy saver bulbs for lighting and placing more windows and openings in rooms to allow more natural light into the rooms thus reducing the need for electricity.
SDG 15: Life on land	- Cresta has planned to plant 2 000 indigenous trees every year across our hotels. The nursery is at Cresta Mowana.
SDG 17: Ending Poverty through Strengthening Means of Implementation and Revitalization of Global Partnerships for Sustainable Development	- CML has several partnerships with different strategic members of the economy – corporates, governments, NGOs, community, donors, academics and other businesses. The common goal of the partnerships is collaboration towards sustainable development of the economy.

Outlook of the Hospitality Industry

The outbreak of the COVID-19 pandemic has significantly changed the short to medium term outlook of the tourism industry in general and brought in an unprecedented level of uncertainty. During the periods of COVID-19 lockdowns and restrictions, the Company closed its hotels.

The Board has put in place the below response plan to ensure that the business continues to be a going concern:

- Immediate reduction of the operational leverage by identification of and freeze of discretionary costs
- Engagement with staff and other strategic suppliers of the business to reduce the contractual obligations
- Re-negotiating the bank loan payments
- Reserve of funds to finance working capital post COVID-19 era
- Temporary closure of hotels to eliminate some operating costs

The Board believes that the Company will be a going concern for the foreseeable future.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

CRESTA MARAKANELO LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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Directors' statement of responsibility and approval of the financial statements

For the year ended 31 December 2019

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 applied consistently except for the adoption of IFRS 16 Leases, 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 50 to 74.

The Directors have reviewed the Group and Company budgets and cash flow forecasts for the year to 31 December 2020. On the basis of this review, and in the light of the current financial position, existing borrowing facilities of the Group and the effects of COVID-19 (Note 33 and 34), the directors are satisfied that Cresta Marakanelo Limited Company and Group are a going concern and have continued to adopt the going concern basis in preparing the financial statements. The Group's external auditors, Deloitte & Touche, have audited the financial statements and their audit report appears on pages 41 to 45 of the financial statements.

The Board of Directors recognises and acknowledges its responsibility for the Group and Company's systems of internal financial control. Cresta Marakanelo Limited has adopted policies on business conduct, which cover ethical behaviour, compliance with legislation and sound accounting practices 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 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 2019, which appear on pages 46 to 114 were approved for issue by the Board of Directors on 30 March 2020 and are signed on its behalf by:

Moatlhodi Lekaukau
Chairman

Mokwena Morulane
Managing Director

Independent Auditor's Report

To the shareholders of Cresta Marakanelo Limited

Deloitte.

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 46 to 114, which comprise the consolidated and separate statements of financial position as at 31 December 2019, and the consolidated and separate statements of profit and 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 and notes.

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 2019, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

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 in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Part A and B), together with other ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Botswana, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 33 and Note 34 to the financial statements regarding the impact of COVID-19 on the Group and Company's operations.

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
Accounting for the customer loyalty programme	

The Group and Company operate a customer loyalty programme in which both corporates (Cresta Select) and individuals (Cresta Pride) earn points on amounts spent on accommodation. IFRS 15 (Revenue from Contracts with Customers) requires that such customer loyalty programmes/ schemes be accounted for as multiple element sales arrangements in which the consideration received for the sale of goods or services (from which the points are earned) is allocated between the value of the goods and services delivered (revenue recognised on which a cardholder has earned points), and the points that will be redeemed in the future (contract liabilities). The following risks are associated with the accounting for the customer loyalty programme:

- The judgement involved in the allocation of the consideration received between the value of goods and services delivered and the points that will be redeemed in future;
- The challenges experienced with accurate record-keeping of loyalty points earned, redeemed and forfeited; and
- Critical assumptions and judgements are made in computing the future redemption and expiry pattern of the points. Consequently, the determination of the fair value of the points involves significant estimation and judgements.

Accordingly, we identified the accounting of the customer loyalty programme as a Key Audit Matter due to the need for accurate record-keeping of loyalty points and the judgement required to be applied by the Directors and management.

Related disclosures in the consolidated and separate financial statements:

- Note 3.5 – Critical Accounting Estimates and Judgements
- Note 3.6 and 25 Contract Liabilities
- We performed the following procedures:
- Obtained a detailed understanding of the customer loyalty programme policy as it applies to the points accumulation, redemption and expiry/forfeiture;
- Evaluated the design and implementation of relevant controls around the points accumulation, redemption, expiry/forfeiture;
- Assessed the customer loyalty programme policy against IFRS 15:
- Evaluated the judgements in the allocation of the consideration received between the value of goods and services delivered and the points that will be redeemed in future;
- Tested the points accumulated at year end by testing the opening balance, points earned, redeemed and expired during the year;
- Evaluated the assumptions for future redemption based on usage patterns of the cardholders for reasonability;
- Evaluated the Directors' contract liabilities detailed computations for compliance with the requirements of IFRS 15; and
- Reviewed the related disclosures for compliance with the requirements of IFRS 15.
- The data was interrogated, and detailed analytic and substantive procedures were performed to arrive at a "reasonably accurate" estimate of loyalty points outstanding for purposes of estimating the contract liability relating to the loyalty programme at year end.

In conclusion, we consider the estimate of points accumulated at year end, judgements made in relation to future redemption to be in an acceptable range and related disclosures to be appropriate.

Independent Auditor's Report (continued)

To the shareholders of Cresta Marakanelo Limited

Key Audit Matter	How the matter was addressed in the audit
Impairment of Goodwill – Goodwill attributed to Jwaneng Cash Generating Unit ("CGU") and Cresta Golfview Hotel Limited	

The Group and the Company have goodwill attributed to two cash generating units which are Cresta Jwaneng (Group and Company) and Cresta Golfview (Group). In terms of the requirements of IAS 36: Impairment of Assets ("IAS 36") an annual impairment assessment should be performed for the goodwill. Significant judgement and estimates required by the directors in assessing the impairment of the goodwill, which is determined with reference to the value in use, including the key assumptions into the discounted cash flow ("DCF") model for each cash generating unit. The DCF Model relies on the accuracy of the budgeted and projected net cash flows and the appropriateness of the discount rates used for each of the cash generating units. Accordingly, we identified the impairment assessment of goodwill as a Key Audit Matter.

Related disclosures in the consolidated and separate financial statements:

- Note 3.1 – Critical Accounting Estimates and Judgements, Estimated Impairment of Goodwill
- Note 15 – Goodwill

We performed the following procedures:

- Tested the design and implementation of the controls associated with the directors' assessment of the impairment of goodwill for the two cash generating units;
- Challenged the impairment calculations prepared by the directors and audited the validity and reasonableness of the assumptions applied in the impairment assessment;
- Reviewed the future projected cash flows used in the directors' "value in use" calculation to determine whether they are reasonable;
- Compared the projected cash flows against historical performance to test the reasonableness of the directors' projections;
- Tested the accuracy of the key inputs used in the computation, which include the future growth rates, and the discount rates;
- Performed independent sensitivity analysis of key inputs (discount rates and the future growth rates) used in the "value in use" computation;
- Recalculated the "value in use" and the final impairment amounts recognised and compared the amounts to the directors' computation; and
- Reviewed the related disclosures for compliance with the requirements of IAS 36.

In conclusion, we consider the judgements and estimates used for the goodwill impairment assessment and related disclosures to be appropriate.

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 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 financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we 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 presentation of the consolidated and separate financial statements which present a true and fair view 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.

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 skepticism 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 ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.

Independent Auditor's Report (continued)

To the shareholders of Cresta Marakanelo Limited

- 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 and separate financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Finance, Risk and Audit Committee 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 Finance, Risk and Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them any relationships and other matters that may reasonably be thought to bear on our independence that we are aware of, and where applicable, related safeguards.

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 for the financial year ended 31 December 2019 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes 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 users' interest benefits of such communication.

Deloitte + Touche

Deloitte & Touche
Certified Auditors
Practicing Member: : FC Els (CAPOO62020)

Gaborone
30 March 2020

Statement of Profit And Loss And Other Comprehensive Income

For the year ended 31 December 2019

		CONSOLIDATED		COMPANY	
		2019	2018	**2019**	2018
	Notes	**P'000**	P'000	**P'000**	P'000
Revenue	**4**	**396,920**	370,847	**374,735**	347,257
Cost of sales	**5**	**(236,105)**	(245,499)	**(219,149)**	(227,026)
Gross profit		**160,815**	125,348	**155,586**	120,231
Sales and distribution expenses	**5**	**(9,900)**	(9,503)	**(9,364)**	(9,138)
Administration and operating expenses	**5**	**(99,903)**	(80,751)	**(95,417)**	(77,043)
Operating profit		**51,012**	35,094	**50,805**	34,050
Finance income	**7**	**739**	956	**739**	762
Finance expense	**7**	**(21,116)**	(232)	**(20,913)**	(147)
Profit before income tax		**30,635**	35,818	**30,631**	34,665
Income tax expense	**8**	**(6,997)**	(7,257)	**(6,871)**	(7,652)
Profit for the year		**23,638**	28,561	**23,760**	27,013
Other comprehensive loss					
Currency translation differences (subject to subsequent recycling through profit or loss)		**(94)**	(1,241)	**-**	-
Other comprehensive loss for the year		**(94)**	(1,241)	**-**	-
Total comprehensive income for the year		**23,544**	27,320	**23,760**	27,013
Basic and diluted earnings per share (thebe)	**9**	**13.06**	15.79		

Statement of Financial Position

For the year ended 31 December 2019

		CONSOLIDATED		COMPANY	
		2019	2018	**2,019**	2018
	Notes	**P'000**	P'000	**P'000**	P'000
ASSETS					
Non-current assets					
Property, plant and equipment	**13**	**404,550**	166,043	**402,498**	162,778
Right -of-use -assets	**14**	**82,285**	-	**73,913**	-
Intangible assets	**15**				
- Goodwill		**9,606**	10,396	**5,274**	5,274
- Lease rights/Software		**1,225**	1,831	**1,193**	1,740
Investment in subsidiary	**10**	**-**	-	**10,572**	10,572
Deferred income tax asset	**21**	**-**	3,226	**-**	2,816
Total non-current assets		**497,666**	181,496	**493,450**	183,180
Currents assets					
Inventories	**17**	**2,756**	3,072	**2,532**	2,774
Trade and other receivables	**18**	**25,894**	26,556	**24,208**	25,764
Current income tax assets		**5,282**	232	**5,079**	-
Cash and cash equivalents	**19**	**103,138**	61,636	**100,749**	58,974
Total current assets		**137,070**	91,496	**132,568**	87,512
Total assets		**634,736**	272,992	**626,018**	270,692
EQUITY					
Capital and reserves					
Stated capital	**20**	**18,500**	18,500	**18,500**	18,500
Treasury shares	**16**	**(5,915)**	(5,915)	**(2,105)**	(2,105)
Foreign currency translation reserve		**(290)**	(196)	**-**	-
Retained earnings		**215,062**	178,619	**214,398**	177,833
Total equity		**227,357**	191,008	**230,793**	194,228
LIABILITIES					
Non-current liabilities					
Lease liabilities	**14**	**83,144**	-	**78,083**	-
Deferred lease obligation	**24**	**-**	14,476	**-**	13,374
Borrowings	**22**	**243,500**	2,854	**243,500**	2,854
Total non-current liabilities		**326,644**	17,330	**321,583**	16,228
Current liabilities					
Trade and other payables	**23**	**39,549**	38,678	**37,397**	35,369
Current income tax liabilities		**-**	1,653	**-**	1,653
Deferred income tax liabilities	**21**	**579**	-	**863**	-
Borrowings	**22**	**11,734**	2,580	**11,734**	2,580
Lease liabilities	**14**	**16,185**	-	**11,872**	-
Contract liabilities	**25**	**12,688**	10,408	**11,776**	9,520
Deferred lease obligation	**24**	**-**	11,335	**-**	11,114
Total current liabilities		**80,735**	64,654	**73,642**	60,236
Total liabilities		**407,379**	81,984	**395,225**	76,464
Total equity and liabilities		**634,736**	272,992	**626,018**	270,692

Statement of Changes In Equity

For the year ended 31 December 2019

	Stated capital	Treasury shares	Foreign currency translation reserve	Retained earnings	Total equity
CONSOLIDATED	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**
Year ended 31 December 2018					
Balance at 1 January 2018	18,500	(5,915)	1,045	163,703	177,333
Total comprehensive (loss)/income for the year	-	-	(1,241)	28,561	27,320
Profit for the year	-	-	-	28,561	28,561
Other comprehensive loss for the year	-	-	(1,241)	-	(1,241)
Gross dividends paid	-	-	-	(14,475)	(14,475)
Unclaimed dividends	-	-	-	830	830
Balance at 31 December 2018	**18,500**	**(5,915)**	**(196)**	**178,619**	**191,008**
Year ended 31 December 2019					
Balance at 1 January 2019 (as previously reported)	18,500	(5,915)	(196)	178,619	191,008
Effects of change in accounting policy for initial application of IFRS 16	**-**	**-**	**-**	**12,805**	**12,805**
Balance at 1 January 2019 - as re-stated	**18,500**	**(5,915)**	**(196)**	**191,424**	**203,813**
Total comprehensive (loss)/income for the year	**-**	**-**	**(94)**	**23,638**	**23,544**
Profit for the year	**-**	**-**	**-**	**23,638**	**23,638**
Other comprehensive loss for the year	**-**	**-**	**(94)**	**-**	**(94)**
Balance at 31 December 2019	**18,500**	**(5,915)**	**(290)**	**215,062**	**227,357**
COMPANY					
Year ended 31 December 2018					
Balance at 1 January 2018	18,500	(2,105)	-	164,465	180,860
Profit for the year	-	-	-	27,013	27,013
Gross dividends paid	-	-	-	(14,475)	(14,475)
Unclaimed dividends	-	-	-	830	830
Balance at 31 December 2018	**18,500**	**(2,105)**	**-**	**177,833**	**194,228**
Year ended 31 December 2019					
Balance at 1 January 2019 (as previously reported)	**18,500**	**(2,105)**	**-**	**177,833**	**194,228**
Effects of change in accounting policy for initial application of IFRS 16	**-**	**-**	**-**	**12,805**	**12,805**
Balance at 1 January 2019 - as re-stated	**18,500**	**(2,105)**	**-**	**190,638**	**207,033**
Profit for the year	**-**	**-**	**-**	**23,760**	**23,760**
Balance at 31 December 2019	**18,500**	**(2,105)**	**-**	**214,398**	**230,793**

Statement of Cash Flows

For the year ended 31 December 2019

		Consolidated		Company	
		2019	**2018**	**2019**	**2018**
	Notes	**P'000**	P'000	**P'000**	P'000
Cash flows from operating activities					
Cash generated from operations	**28**	**109,465**	67,046	**105,633**	65,242
Interest paid	**7**	**(12,038)**	(232)	**(12,676)**	(147)
Tax paid	**28**	**(7,053)**	(7,371)	**(6,618)**	(6,989)
Net cash generated from operating activities		**90,374**	59,443	**86,339**	58,106
Cash flows utilised in investing activities					
Purchase of property, plant and equipment	**13**	**(274,521)**	(48,742)	**(274,221)**	(47,727)
Purchase of computer software	**15**	**(513)**	(1,287)	**(513)**	(1,258)
Proceeds on disposal of plant and equipment		**1,054**	131	**1,054**	131
Interest received	**7**	**739**	956	**739**	762
Net cash utilised in investing activities		**(273,241)**	(48,942)	**(272,941)**	(48,092)
Cash flows from financing activities					
Interest paid - finance lease	**14**	**(9,078)**	-	**(8,237)**	-
Repayment of borrowings and loans		**(2,857)**	(2,923)	**(2,857)**	(2,923)
Proceeds from loans and borrowings		**251,000**	-	**251,000**	-
Repayment of lease liabilities		**(13,968)**	-	**(9,953)**	-
Dividend paid to company's shareholders		**-**	(14,475)	**-**	(14,475)
Net cash from financing activities		**225,097**	(17,398)	**229,953**	(17,398)
Net (decrease)/increase in cash and cash equivalents		**42,230**	(6,897)	**43,351**	(7,384)
Cash and cash equivalents at beginning of year		**61,636**	68,513	**58,974**	66,358
Exchange loss on cash and bank balances		**(729)**	20	**(1,576)**	-
Cash and cash equivalents at end of year	**19**	**103,138**	61,636	**100,749**	58,974

Summary of Significant Accounting Policies

For The Year Ended 31 December 2019

General information

Cresta Marakanelo Limited ("the Company") and its subsidiaries ("the Group") is a public limited company listed on the Botswana Stock Exchange and primarily operates hotels and related services in Botswana and Zambia. The address of its registered office is disclosed on the general information page.

The consolidated Group financial statements and separate Company financial statements for the year ended 31 December 2019 have been approved for issue by the Board of Directors on 30 March 2020.

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.

Adoption of new and revised International Financial Reporting Standards

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 2019 were adopted by the Group.

IFRS 16 Leases (effective annual periods beginning on or after 1 January 2019)
Impact of initial application of IFRS 16 Leases

In the current year, the Group has applied IFRS 16 Leases (as issued by the IASB in January 2016) that effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces

Summary of Significant Accounting Policies (continued)

For The Year Ended 31 December 2019

Adoption of new and revised International Financial Reporting Standards (continued)

significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in Note 3. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

The date of initial application of IFRS 16 for the Group is 1 January 2019.

The Group has applied IFRS 16 using the cumulative catch-up approach which:

- Requires the Group to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application.
- Does not permit restatement of comparatives, which continue to be presented under IAS 17 and IFRIC.

(a) Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before 1 January 2019. The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a Contract contains a lease based on whether the customer has the right to control the use of an identified asset for a period in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group.

(b) Impact on Lessee Accounting

(i) Former operating leases

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Group:

a. Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16:C8(b)(ii)
b. Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;

Summary of Significant Accounting Policies (continued)

For The Year Ended 31 December 2019

Adoption of new and revised International Financial Reporting Standards (continued)

c. Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated and separate statement of cash flows.

Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis. Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'other expenses' in profit or loss.

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17.

- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group has adjusted the right-of-use asset at the date of initial application by the deferred lease balances previously recognised under IAS 17 Leases.
- The Group has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Group has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

(i) Former finance leases

For leases that were classified as finance leases applying IAS 17, the carrying amount of the leased assets and obligations under finance leases measured applying IAS 17 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the Group has elected to apply the low-value lease recognition exemption. The right-of-use asset and the lease liability are accounted for applying IFRS 16 from 1 January 2019. The impact of the adoption of IFRS 16 is detailed in Note 14 and 24 of the financial statements.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances.

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

Summary of Significant Accounting Policies (continued)

For The Year Ended 31 December 2019

Adoption of new and revised International Financial Reporting Standards (continued)

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements. Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Group.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset). The amendments had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

These amendments had no impact on the consolidated financial statements as the Group does not have any associates or joint ventures.

Summary of Significant Accounting Policies (continued)

For The Year Ended 31 December 2019

Adoption of new and revised International Financial Reporting Standards (continued)

Annual Improvements 2015-2017 Cycle

• IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where joint control is obtained.

• IFRS 11 Joint Arrangements

An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where a joint control is obtained.

• IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

• IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

Summary of Significant Accounting Policies (continued)

For The Year Ended 31 December 2019

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become 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 2021, 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 IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 *Business Combinations* to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

• Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the Group's financial statements.

Summary of Significant Accounting Policies (continued)

For The Year Ended 31 December 2019

1.2 Basis of consolidation

(a) Subsidiaries

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

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

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

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

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

(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.

Summary of Significant Accounting Policies (continued)

For The Year Ended 31 December 2019

1.2 Basis of consolidation (continued)

(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.

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.

Summary of Significant Accounting Policies (continued)

For The Year Ended 31 December 2019

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, Beverages and curios*

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

c. *Interest income*

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

d. *Dividend income*

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

e. *Customer loyalty programme*

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

Summary of Significant Accounting Policies (continued)

For The Year Ended 31 December 2019

1.4 Revenue recognition (continued)

e. Customer loyalty programme (continued)

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 has applied IFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under IAS 17. The details of accounting policies under both IAS 17 and IFRS 16 are presented separately below.

Policies applicable from 1 January 2019

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 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.

Summary of Significant Accounting Policies (continued)

For The Year Ended 31 December 2019

1.5 Leases (continued)
Policies applicable from 1 January 2019 (continued)
The Group as a lessee (continued)

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

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

The Group did not make any such adjustments during the periods presented.

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

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

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 2019

1.5 Leases (continued)
Policies applicable from 1 January 2019 (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.

Policies applicable prior to 1 January 2019
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as a lessee
Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Group as a lessor
Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease

Summary of Significant Accounting Policies (continued)

For The Year Ended 31 December 2019

1.6 Dividend distribution

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

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

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.

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.

Summary of Significant Accounting Policies (continued)

For The Year Ended 31 December 2019

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 2019

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 annually and 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 2019

1.10 Financial Instruments (continued)
Classification of 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.

Summary of Significant Accounting Policies (continued)

For The Year Ended 31 December 2019

1.10 Financial Instruments (Continued)
Classification of Financial assets (continued)

(iii) Equity instruments designated as at FVTOCI

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

A financial asset is held for trading if:

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

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

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

(iv) Financial assets at FVTPL

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

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

Summary of Significant Accounting Policies (continued)

For The Year Ended 31 December 2019

1.10 Financial Instruments (continued)
Financial assets (continued)
Classification of Financial assets (continued)
(iv) Financial assets at FVTPL (continued)

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

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

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

Impairment of financial assets

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

(i) Definition of default

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

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

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

Summary of Significant Accounting Policies (continued)

For The Year Ended 31 December 2019

1.10 Financial Instruments (continued)
Financial assets (continued)
Impairment of financial assets (continued)

(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 2019

1.10 Financial Instruments (continued)
Financial assets (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 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.

Summary of Significant Accounting Policies (continued)

For The Year Ended 31 December 2019

1.10 Financial Instruments (continued)
Financial liabilities (continued)
Financial liabilities at FVTPL (continued)

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

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

Financial liabilities measured subsequently at amortised cost

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

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

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.

Summary of Significant Accounting Policies (continued)

For The Year Ended 31 December 2019

1.11 Inventories

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

1.12 Cash and cash equivalents

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

1.13 Stated capital

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

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

1.14 Related parties

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

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.

Summary of Significant Accounting Policies (continued)

For The Year Ended 31 December 2019

1.16 Trade payables

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

1.17 Cost of sales

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

1.18 Income tax

a) Income tax

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

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

b) Deferred tax

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

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

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

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

Summary of Significant Accounting Policies (continued)

For The Year Ended 31 December 2019

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 as the employee render services that increases the entitlement or, in the case of non-accumulating absence, when absence occurs.

(iii) Profit sharing and bonus plans

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

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

Summary of Significant Accounting Policies (continued)

For The Year Ended 31 December 2019

1.19 Employee 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 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 2019

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.

Financial Risk Management (continued)

For The Year Ended 31 December 2019

2.1 Market risk (continued)
ii) Cash flow and fair value interest rate risk (continued)
Interest rate sensitivity analysis (continued)

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

If the rates had been 50 basis points higher/lower and all other variables were held constant, The Group's profits for the year ended 31 December 2019 would increase/decrease by P676,317 (2018: P37,000).

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 minimise

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

2018			GROUP	COMPANY
Financial Instrument	**Name of the financial institution**	**Current interest Rate**	**Due in less than one year P'000**	**Due in less than one year P'000**
Fixed deposits	Bank Gaborone Limited	4.9%	15,236	15,236

Financial Risk Management (continued)

For The Year Ended 31 December 2019

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 especially on majority customers by obtaining their latest financial statements, budgets, etc. and where appropriate, makes adequate provision for bad and doubtful debts. Financial assets exposed to credit risk at year end were as follows:

	CONSOLIDATED		COMPANY	
	2019	2018	2019	2018
	P'000	P'000	P'000	P'000
Trade and other receivables	**25,894**	26,556	**24,208**	25,764
Amount due from related party (Note 29)	**12**	-	**62**	485
Absa Bank Limited (Botswana & Zambia)	**71,077**	41,676	**68,688**	39,014
Botswana Savings Bank Limited	**20,254**	-	**20,254**	-
Bank Gaborone Limited	**-**	15,236	**-**	15,236
First National Bank of Botswana Limited	**1,631**	2,037	**1,631**	2,037
Stanbic Bank Botswana Limited	**67**	2,687	**67**	2,687
Stanlib Investment Management Services	**10,109**	-	**10,109**	-

Financial Risk Management (continued)

For The Year Ended 31 December 2019

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 head-room as determined by the above-mentioned forecasts.

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

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

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

GROUP	**2019 P'000**	2018 P'000
Cash at bank and short-term bank deposits		
Absa Bank Limited (Botswana & Zambia)	**71,077**	41,676
Botswana Savings Bank Limited	**20,254**	-
First National Bank of Botswana Limited	**1,631**	2,037
Stanbic Bank Botswana Limited	**67**	2,687
Bank Gaborone Limited	**-**	15,236
Stanlib Investment Management Services	**10,109**	-
	103,138	61,636

COMPANY	**2019 P'000**	2018 P'000
Cash at bank and short-term bank deposits		
Absa Bank Limited (Botswana & Zambia)	**68,688**	39,014
Botswana Savings Bank Limited	**20,254**	-
First National Bank of Botswana Limited	**1,631**	2,037
Stanbic Bank Botswana Limited	**67**	2,687
Bank Gaborone Limited	**-**	15,236
Stanlib Investment Management Services	**10,109**	-
	100,749	58,974

Financial Risk Management (continued)

For The Year Ended 31 December 2019

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	Between 1 and 2 Years	Between 2 and 5 years	Over 5 Year	Total
	P'000	P'000	P'000	P'000	P'000
CONSOLIDATED					
As at 31 December 2019					
Trade and other payables	**39,549**	**-**	**-**	**-**	**39,549**
Borrowings	**11,734**	**15,000**	**123,514**	**104,986**	**255,234**
	51,283	**15,000**	**123,514**	**104,986**	**294,783**
As at 31 December 2018					
Trade and other payables	38,678	-	-	-	38,678
Borrowings	2,580	2,854	-	-	5,434
	41,258	2,854	-	-	44,112
COMPANY					
As at 31 December 2019					
Trade and other payables	**37,397**	**-**	**-**	**-**	**37,397**
Borrowings	**11,734**	**15,000**	**123,514**	**104,986**	**255,234**
	49,131	**15,000**	**123,514**	**104,986**	**292,631**
As at 31 December 2018					
Trade and other payables	35,369	-	-	-	35,369
Borrowings	2,580	2,854	-		5,434
	38,219	2,854	-	-	40,803

Financial Risk Management (continued)

For The Year Ended 31 December 2019

2.4 Analysis of financial instruments
2.4.1 Financial instruments by category

	Financial liabilities at amortised cost	
	2019	2018
CONSOLIDATED	**P'000**	**P'000**
Trade and other payables	**39,549**	35,650
Borrowings	**255,234**	5,434
Amount due to related party (note 29)	**3,379**	4,766
	298,163	45,850

	Financial liabilities at amortised cost	
	2019	2018
COMPANY	**P'000**	**P'000**
Trade and other payables	**37,397**	33,025
Borrowings	**255,234**	5,434
Amount due to related party (note 29)	**3,490**	3,978
	296,121	42,437

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

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

Financial Risk Management (Continued)

For The Year Ended 31 December 2019

2.4 Analysis of financial instruments (continued)
2.4.1 Financial instruments by category (continued)

	Financial assets at amortised cost	
	2019	2018
GROUP	**P'000**	**P'000**
As at 31 December 2019		
Cash and cash equivalents	103,138	61,636
Trade and other receivables	21,848	23,065
Amounts due from related parties	12	-
	124,998	**84,701**

	Financial assets at amortised cost	
	2019	2018
COMPANY	**P'000**	**P'000**
As at 31 December 2019		
Cash and cash equivalents	100,749	58,974
Trade and other receivables	20,514	22,722
Amounts due from related parties	62	485
	121,325	**82,181**

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.

		GROUP		COMPANY	
		2019	2018	2019	2018
	Ratings	P'000	P'000	P'000	P'000
Trade receivables and other receivables	Not rated	**25,894**	26,556	**24,208**	25,764
Cash at bank and short-term deposits	Not rated	**103,138**	68,513	**100,749**	66,358
Absa Bank Limited (Botswana & Zambia)	Not rated	**71,077**	36,390	**68,688**	34,235
Botswana Savings Bank Limited	Not rated	**20,254**	15,013	**20,254**	15,013
First National Bank of Botswana	Not rated	**1,631**	1,715	**1,631**	1,715
Stanbic Bank Botswana Limited	Not rated	**67**	233	**67**	233
Bank Gaborone Limited	Not rated	**-**	15,162	**-**	15,162
Stanlib Investment Management Services	Not rated	**10,109**	-	**10,109**	-

Financial Risk Management (continued)

For The Year Ended 31 December 2019

2.5 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The capital structure of the Group consists of long term borrowings, bank overdrafts and equity attributable to equity holders of the parent. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital structure at 31 December 2019 and 2018 was as follows:

GROUP	2019 P'000	2018 P'000
Total borrowings (note 22)	**255,234**	5,434
Less: Cash and cash equivalent (note 19)	**(103,138)**	(61,636)
Net debt	**152,096**	(56,202)
Total equity	**227,357**	191,008
Total capital	**379,453**	134,806

COMPANY	2019 P'000	2018 P'000
Total borrowings (note 22)	**255,234**	5,434
Less: Cash and cash equivalent (note 19)	**(100,749)**	(58,974)
Net debt	**154,485**	(53,540)
Total equity	**230,793**	194,228
Total capital	**385,278**	140,688

Critical Accounting Estimates and Assumptions

For The Year Ended 31 December 2019

3 Critical accounting estimates and judgements

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

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

3.1 Estimated impairment of goodwill

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

3.2 Income taxes

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

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

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

3.4 Impairment of investment in subsidiary

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

Critical Accounting Estimates and Assumptions (continued)

For The Year Ended 31 December 2019

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 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 2019, the contract liabilities were estimated based on an expected redemption rate of 45% (2018: 65%) 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 P588,220 (2018: P315,986) higher/ (lower). The decrease in the expected redemption rate is based on management expectation that in the current year more points have been earned due to targeted promotions which will result in a high number of expired points.

Notes to the Financial Statements

For the year ended 31 December 2019

		CONSOLIDATED		COMPANY	
		2019	2018	**2019**	2018
		P'000	P'000	**P'000**	P'000
4	**Revenue**				
	Accommodation revenue	**224,335**	208,031	**215,409**	198,589
	Food revenue	**121,936**	111,636	**111,670**	100,557
	Bar revenue	**28,025**	28,246	**26,021**	26,259
	Other	**22,624**	22,934	**21,635**	21,852
		396,920	370,847	**374,735**	347,257
5	**Expenses by nature**				
	Inventory consumed	**55,028**	54,567	**50,675**	49,714
	Employee benefit expense (note 6)	**95,021**	92,356	**89,222**	86,424
	Transport expenses	**1,384**	2,542	**1,282**	2,428
	Operating lease payments	**16,937**	47,468	**16,937**	43,758
	Operating lease depreciation	**18,095**	-	**14,439**	-
	Lease straightlining	**-**	2,954	**-**	2,825
	Auditor's remuneration				
	- Audit fee	**1,456**	1,408	**1,239**	1,175
	Depreciation	**31,298**	21,949	**30,725**	21,327
	Amortisation	**1,040**	808	**1,003**	767
	Provision for impairment of trade debtors (note 18)	**465**	1,042	**436**	940
	Internal audit costs	**1,452**	73	**1,452**	73
	Directors' fees	**590**	823	**590**	817
	Management fees (note 29)	**11,767**	10,995	**11,098**	10,288
	Profit bonus payable to management company (note 29)	**9,237**	6,963	**9,278**	6,680
	Water and electricity	**18,716**	17,494	**18,067**	16,759
	Marketing and promotion	**7,353**	4,622	**6,858**	4,470
	Repairs and maintenance	**10,689**	9,233	**9,784**	8,351
	Other expenses	**55,059**	49,592	**50,899**	46,148
	Insurance	**3,498**	2,851	**3,461**	2,805
	Legal	**807**	342	**759**	296
	Telephone	**4,137**	4,289	**4,041**	4,181
	Travel expenses	**1,877**	3,383	**1,687**	2,981
		345,908	335,753	**323,930**	313,207
	Analysed as:				
	Cost of sales	**236,105**	245,499	**219,149**	227,026
	Sales and distribution expenses	**9,900**	9,503	**9,364**	9,138
	Administration and operating expenses	**99,903**	80,751	**95,417**	77,043
		345,908	335,753	**323,930**	313,207

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

	CONSOLIDATED		COMPANY	
	2019	2018	**2019**	2018
	P'000	P'000	**P'000**	P'000
6 Staff costs				
- Pension contributions	**3,580**	3,441	**3,407**	3,271
- Gross salaries and wages	**91,441**	88,915	**85,815**	83,153
	95,021	92,356	**89,222**	86,424
Number of employees	**1,016**	1,054	**953**	976
7 Finance income and expenses				
Interest income	**(739)**	(956)	**(739)**	(762)
Interest on bank overdrafts and loans	**12,038**	232	**12,676**	147
Interest expense on lease liabilities	**9,078**	-	**8,237**	-
Finance costs	**21,116**	232	**20,913**	147
8 Income tax expense				
Company tax	**3,192**	6,781	**3,192**	6,781
Deferred tax charge/(credit) - note 21	**3,805**	476	**3,679**	871
Tax charge	**6,997**	7,257	**6,871**	7,652
The tax on the profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the company as follows:				
Profit before tax	**30,635**	35,818	**30,631**	34,665
Tax calculated at current tax rates - 22%	**6,740**	7,880	**6,739**	7,626
Expenses not deductible for taxation (allowable deductions)	**132**	26	**132**	26
Tax loss not previously recognised utilised	**(212)**	(202)	**-**	-
Subsidiary rate adjustment from 22% to 17.5%	**(11)**	(51)	**-**	-
Tax loss recognised in deferred tax	**349**	(396)	**-**	-
Tax charge	**6,998**	7,257	**6,871**	7,652

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

9 Earnings per share

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

	CONSOLIDATED		COMPANY	
	2019	2018	**2019**	2018
	P'000	**P'000**	**P'000**	**P'000**
Total operating profit attributable to shareholders	**23,638**	28,561		
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 per share (thebe)	**13.06**	15.79		

10 Investment in subsidiary

	2019	2018	**2019**	2018
	%	%	**P'000**	P'000
	Holding	Holding		
Company				
Held directly:				
Cresta Golfview Hotel Limited, Zambia*	**100%**	100%		
Opening and closing balance	**-**	-	**10,572**	10,572

Impairment test on investment in subsidiary

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

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

The investment in subsidiary has been classified as a Level 3 financial instrument in Note 2.3. The carrying amount of the investment approximates the fair value.

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

11 Loan to subsidiary

Cresta Marakanelo Limited (the holding company) obtained a loan from Barclays Bank of Botswana Limited to acquire the business of Golfview Hotel Limited. A new company, Cresta Golfview Hotel Limited (subsidiary) was formed as a vehicle to purchase the business of Golfview Hotel Limited in Zambia. The holding company advanced Cresta Golfview Hotel Limited the amount received from Barclays Bank of Botswana Limited as a loan. The loan to the subsidiary was at the same terms as the loan from Barclays Bank to the holding company. The loan of P20m was obtained at prime less 2%. The loan was to be repaid over a period of 10 years. During the 2016 financial year, the holding Company made a decision to convert the subsidiary loan balance into equity shares in Cresta Golfview Hotel Limited. As a result the investment in subsidiary was increased by P15.3m.The objective of the conversion was to provide financial assistance to Cresta Golfview Hotel Limited due to continued operating losses incurred by the entity and excessive borrowing costs in Zambia for financing working capital through external borrowings. The effective date of the conversion was 1 May 2016. The investment in subsidary was tested for impairment and the value written down to P10.6 million in December 2016.

12 Cresta Employee Scheme

The Company operates an Employee Scheme which was approved at the Annual General Meeting held on the 26th June 2015. Only employees who have been with Cresta Marakanelo Limited for a period of not less than two years and who are not serving notice are eligible for participation in the scheme distributions. The persons who may participate in the Employee Scheme are such Qualifying Employees as the Board from time to time in its absolute discretion considers to be contributing to the growth and profitability of the Company and who have been employed by the Company for at least two years. Qualifying Employees who are entitled to benefit under the Scheme do not become shareholders in the Company and have no voting rights. The Scheme is a cash bonus payment which is determined on the dividends payable based on the Scheme Shares. 2% (3 700 000 shares) of the stated share capital of Cresta Marakanelo Limited is enjoyed by the Qualifying Employees through the Scheme. During the year there were no dividends payments and in 2018 financial year P296 000 was paid as dividends under this scheme and included in staff cost.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

13 Property, plant and equipment

	Leasehold land and buildings P'000	Furniture, fixtures and fittings P'000	Motor vehicles P'000	Computers P'000	Operating equipment P'000	Capital work in progress P'000	Total P'000
CONSOLIDATED							
Year ended 31 December 2018							
Opening net book amount	86,597	43,398	754	2,171	9,498	286	142,704
Foreign exchange movements	(122)	(282)	(9)	(15)	(141)	(26)	(595)
Additions	11,793	15,995	841	1,693	3,965	14,455	48,742
Disposals	-	(5,154)	(41)	(1,738)	-	-	(6,933)
Depreciation on disposals	-	5,043	41	1,728	-	-	6,812
Transfers	-	262	-	-	-	(262)	-
Depreciation	(5,844)	(13,945)	(671)	(1,489)	-	-	(21,949)
Usage of operating equipment	-	-	-	-	(2,738)	-	(2,738)
Closing net book amount	92,424	45,317	915	2,350	10,584	14,453	166,043
At 31 December 2018							
Cost	132,938	175,924	5,821	16,678	10,584	14,453	356,398
Accumulated depreciation	(40,514)	(130,607)	(4,906)	(14,328)	-	-	(190,355)
Net book amount	92,424	45,317	915	2,350	10,584	14,453	166,043
Year ended 31 December 2019							
Opening net book amount	**92,424**	**45,317**	**915**	**2,350**	**10,584**	**14,453**	**166,043**
Foreign exchange movements	**(230)**	**(531)**	**(11)**	**(40)**	**(197)**	**(8)**	**(1,016)**
Additions	**260,982**	**8,296**	**188**	**1,137**	**2,933**	**986**	**274,521**
Disposals	**(249)**	**(11,584)**	**(4,140)**	**(1,156)**	**-**	**-**	**(17,129)**
Depreciation on disposals	**249**	**11,415**	**3,828**	**1,147**	**-**	**-**	**16,639**
Transfers	**7,114**	**6,794**	**-**	**126**	**-**	**(14,034)**	**-**
Depreciation	**(15,170)**	**(14,227)**	**(408)**	**(1,494)**	**-**	**-**	**(31,299)**
Usage of operating equipment	**-**	**-**	**-**	**-**	**(3,209)**	**-**	**(3,209)**
Closing net book amount	**345,120**	**45,480**	**372**	**2,070**	**10,111**	**1,398**	**404,550**
At 31 December 2019							
Cost	**400,555**	**178,899**	**1,858**	**16,745**	**10,111**	**1,398**	**609,565**
Accumulated depreciation	**(55,435)**	**(133,419)**	**(1,486)**	**(14,675)**	**-**	**-**	**(205,015)**
Net book amount	**345,120**	**45,480**	**372**	**2,070**	**10,111**	**1,398**	**404,550**

Leasehold land and buildings with a net book value of P 311,700,004 are secured as indicated in note 22.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

13 Property, plant and equipment (continued)

	Leasehold land and buildings	Furniture, fixtures and fittings	Motor vehicles	Computers	Operating equipment	Capital work in progress	Total
	P'000	P'000	P'000	P'000	P'000	P'000	P'000
COMPANY							
Year ended 31 December 2018							
Opening net book amount	85,766	41,847	658	2,134	8,674	-	139,079
Additions	11,793	15,364	841	1,548	3,749	14,432	47,727
Disposals	-	(5,154)	(41)	(1,738)	-	-	(6,933)
Depreciation on disposals	-	5,043	41	1,728	-	-	6,812
Transfers	-	-	-	-	-	-	-
Depreciation	(5,738)	(13,525)	(631)	(1,433)	-	-	(21,327)
Usage of operating equipment	-	-	-	-	(2,580)	-	(2,580)
Closing net book amount	91,821	43,575	868	2,239	9,843	14,432	162,778
At 31 December 2018							
Cost	132,154	166,669	5,159	14,698	9,843	14,432	342,955
Accumulated depreciation	(40,333)	(123,094)	(4,291)	(12,459)	-	-	(180,177)
Net book amount	91,821	43,575	868	2,239	9,843	14,432	162,778
Year ended 31 December 2019							
Opening net book amount	**91,821**	**43,575**	**868**	**2,239**	**9,843**	**14,432**	**162,778**
Adjustments	**-**	**-**	**-**	**-**	**-**	**(208)**	**(208)**
Additions	**260,885**	**8,220**	**188**	**1,106**	**2,836**	**986**	**274,221**
Disposals	**(249)**	**(11,584)**	**(4,140)**	**(1,156)**	**-**	**-**	**(17,129)**
Depreciation on disposals	**249**	**11,415**	**3,828**	**1,147**	**-**	**-**	**16,639**
Transfers from WIP	**7,112**	**6,776**	**-**	**126.00**	**-**	**(14,014)**	**-**
Depreciation	**(15,070)**	**(13,844)**	**(379)**	**(1,432)**	**-**	**-**	**(30,725)**
Usage of operating equipment	**-**	**-**	**-**	**-**	**(3,078)**	**-**	**(3,078)**
Closing net book amount	**344,748**	**44,558**	**365**	**2,031**	**9,601**	**1,196**	**402,498**
At 31 December 2019							
Cost	**399,902**	**170,081**	**1,207**	**14,774**	**9,601**	**1,196**	**596,761**
Accumulated depreciation	**(55,154)**	**(125,523)**	**(842)**	**(12,744)**	**-**	**-**	**(194,263)**
Net book amount	**344,748**	**44,558**	**365**	**2,030**	**9,601**	**1,196**	**402,498**

Leasehold land and buildings with a net book value of P 311,700,004.48 are secured as indicated in note 22.

Notes to the Financial Statements
(continued)
For the year ended 31 December 2019

14 Right Of Use Assets And Lease Liabilities

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

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

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

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

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

CONSOLIDATED	Right-of-use assets		
	Buildings	Motor vehicles	Total
	P'000	P'000	P'000
Cost			
As at 1 January 2019	**98,276**	**2,104**	**100,381**
Additions	**-**	**-**	**-**
As at 31 December 2019	**98,276**	**2,104**	**100,381**
Accumulated depreciation			
As at 1 January 2019	-	-	-
Charge for the year	17,048	1,047	18,095
As at 31 December 2019	**17,048**	**1,047**	**18,095**
Carrying amount			
At 31 December 2019	**81,228**	**1,057**	**82,285**

COMPANY	Right-of-use assets		
	Buildings	Motor vehicles	Total
	P'000	P'000	P'000
Cost			
As at 1 January 2019	**86,248**	**2,104**	**88,352**
Additions	**-**	**-**	**-**
As at 31 December 2019	**86,248**	**2,104**	**88,352**
Accumulated depreciation			
As at 1 January 2019	-	-	-
Charge for the year	13,392	1,047	14,439
As at 31 December 2019	**13,392**	**1,047**	**14,439**
Carrying amount			
At 31 December 2019	**72,856**	**1,057**	**73,913**

Notes to the Financial Statements
(continued)
For the year ended 31 December 2019

14 Right Of Use Assets And Lease Liabilities (continued)

The group leases several assets including buildings and vehicles. The average lease term for buildings is 10 years while for vehicles is 3 years.
The group has options to purchase certain vehicles for a nominal amount at the end of the lease term. The Groups's obligations are secured by lessors title to the leased assets for such leases.
In the current financial year there were no lease expiry for buildings wheres as for vehicles only 2 leases expired and were not renewed. The maturity analysis of lease liabilities is presented below;

Amounts recognised in profit and loss

	CONSOLIDATED	COMPANY
	2019	**2019**
	P'000	**P'000**
Depreciation expense of right-of-use assets	18,095	14,439
Interest expense on leased buildings	8,904	8,063
Interest expnse on leased vehicles	174	174
Sub total	**9,078**	**8,237**
Rent expense - short-term leased buildings	16,937	16,937
Rent expense - short-term leased vehicles	52	52
Total amounts recognised in profit or loss	**44,162**	**39,665**

Lease liabilities	CONSOLIDATED	COMPANY
	2019	**2019**
Analysed as:	**P'000**	**P'000**
Non Current	83,144	78,083
Current	16,185	11,872
	99,329	**89,955**
Maturity analysis		
Year 1	24,188	19,294
Year 2	25,160	20,176
Year 3	19,794	19,378
Year 4	14,791	14,791
Year 5	13,718	13,718
Onwards	33,305	33,305
	130,956	**120,662**
Less: Unearned interest	**31,627**	**30,706**
	99,329	**89,956**
Analysed		
Non Current	23,624	23,285
Current	8,003	7,421
	31,627	**30,706**

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's Treasury function.

All lease obligations are denominated in BWP except for Cresta Golfview hotel which is in USD.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

15 Intangible assets

	CONSOLIDATED		COMPANY	
	2019	2018	2019	2018
	P'000	P'000	P'000	P'000
Goodwill				
Opening net book amount	**10,396**	11,365	**5,274**	5,274
Cost	**10,396**	11,365	**5,274**	5,274
Accumulated impairment	**(221)**	(261)	**-**	-
Exchange differences	**(569)**	(708)	**-**	-
Closing net book amount	**9,606**	10,396	**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 is expected to increase its presence in the mining town. Customer relationships are not formalised and they are more of a transient nature in that they are contractors/visitors to the mine or hospital. Accordingly, any value assigned to these relationships would be best assigned to the location of the premises and was included in goodwill.

Impairment test of goodwill

For the purpose of impairment testing, goodwill is attached to the following Cash Generating Units ("CGU"):

Cresta Golfview Hotel Limited	**4,332**	5,122	**-**	-
Cresta Jwaneng Hotel	**5,274**	5,274	**5,274**	5,274
	9,606	10,396	**5,274**	5,274

The Group did not identify any impairment for the Cresta Jwaneng CGU and the Cresta Golfview CGU during the current year (2018 : Nil).

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

A material uncertainity exists related to the impact of COVID-19 on the future cashflows utilised in the computations of the value in use, which may result in future impairments. (Refer to Note 33 and 34)

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

15 Intangible assets (continued)

	CONSOLIDATED		COMPANY	
	2019	2018	**2019**	2018
	P'000	P'000	**P'000**	P'000
Key assumptions used in the calculation of recoverable amounts, discount rates and growth rates, are as follows for Cresta Golfview:				
Growth rate beyond the budget period of 2020 to 2024 years (terminal value growth rate)	**3.00%**	5.00%	**-**	-
Discount rate	**23.70%**	16.30%	**-**	-
Recoverable amount of the goodwill (P'000)	**10,559**	15,944	**-**	-
Headroom %	**120%**	211%	**-**	-
For the current year, if the discount rate is at 47.8% (2018 : 52.0%) headroom will be nill (2018 : nill).				
For the initial 5 year forecast perod if the revenue growth rate is reduced from 7.5% (2018: 6.5%) to 5.5% (2018 : 3.9%) the headroom will be nill (2018 : nill).				
Budget period considered for impairment testing is 2020 to 2024. Even with no growth after budget period, there is sufficient headroom.				
No reasonable movement in any of the underlying assumptions would indicate impairment of the goodwill for this business unit.				
Key assumptions used in the calculation of recoverable amounts, discount rates and growth rates for Cresta Jwaneng are as follows :				
Growth rate beyond the budget period of 2020 to 2024 years (terminal value growth rate)	**2.00%**	5.00%	**2.00%**	5.00%
Discount rate	**13.00%**	13.20%	**13.00%**	13.20%
Recoverable amount of the goodwill (P'000)	**39,744**	55,522	**39,744**	55,522
Headroom %	**146%**	707%	**146%**	707%

For the current year, if the discount rate is at 18.3% (2018 : 42.7%) headroom will be nill (2018 : nill).

For the initial 5 year forecast period, if the revenue growth rate is reduced from 4% (2018: 5%) to 2.5% (2018 : 0.1%) the headroom will be nill (2018 : nill).

No reasonable movement in any of the underlying assumptions would indicate impairment of the goodwill for this business unit.

A material uncertainity exists related to the impact of COVID-19 on the future cashflows utilised in the computations of the value in use, which may result in future impairments. (Refer to Note 33 and 34)

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

15 Intangible assets (continued)

	CONSOLIDATED		COMPANY	
	2019	2018	**2019**	2018
	P'000	P'000	**P'000**	P'000
Lease rights				
Opening net book amount	**26**	63	**26**	63
Amortisation charge	**(26)**	(37)	**(26)**	(37)
Closing net book amount	**-**	26	**-**	26
Cost	**365**	365	**365**	365
Accumulated amortisation	**(365)**	(339)	**(365)**	(339)
Net book amount	**-**	26	**-**	26

Lease rights relate to leasehold concessions acquired through the leasing of property from Botsalo Hotel (Proprietary) Limited on 1 October 2009 and are amortised over 10 years, being the initial lease period.

Software

Opening net book amount	**1,805**	1,289	**1,714**	1,187
Additions	**513**	1,287	**513**	1,258
Disposal	**(78)**	-	**(56)**	-
Amortisation charge	**(1,014)**	(771)	**(977)**	(731)
Closing net book amount	**1,226**	1,805	**1,194**	1,714
Cost	**3,914**	4,177	**3,787**	3,668
Accumulated amortisation	**(2,689)**	(2,372)	**(2,594)**	(1,954)
Net book amount	**1,225**	1,805	**1,193**	1,714
Net book amount of intangible assets (excluding goodwill)	**1,225**	1,805	**1,193**	1,714

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

16 Treasury Shares

	CONSOLIDATED		COMPANY	
	2019	2018	**2019**	2018
	P'000	P'000	**P'000**	P'000
Opening and closing balance	**5,915**	5,915	**2,105**	2,105

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

In addition, shares issued to the Cresta Employee Share Scheme (3,700,000) have been disclosed as treasury shares.

17 Inventories

Foods, beverages and tobacco	**2,265**	2,434	**2,068**	2,166
Curio shop and stationery	**491**	638	**464**	608
	2,756	3,072	**2,532**	2,774
The cost of inventories recognised as expense included in 'cost of sales' amounted to	**55,028**	54,567	**50,675**	49,714

18 Trade and other receivables

Trade receivables	**20,286**	22,277	**19,250**	21,609
less: expected credit loss	**(1,113)**	(1,320)	**(1,042)**	(1,235)
Trade receivables - net	**19,173**	20,957	**18,208**	20,374
Prepayments	**4,056**	3,491	**3,694**	3,042
Amount due from related parties (note 29)	**12**	-	**62**	485
Other receivables (sundry debtors, trade deposits and upaid cheques)	**2,653**	2,108	**2,244**	1,863
	25,894	26,556	**24,208**	25,764

The carrying amount of trade and other receivables are denominated in Botswana Pula and approximates the fair value due to their short-term nature. Trade debtors are unsecured and do not attract interest.

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

18 Trade and other receivables (continued)

The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group'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 Group's different customer segments.

2019				
Aging brackets (days)	**30-90**	**>90**	**>120**	**Total**
Average expected credit loss %	0.7%	6.0%	20.1%	
Company - loss allowance	80	85	877	**1,042**
Group - loss allowance	101	88	924	**1,113**

2018				
Aging brackets (days)	**30-90**	**>90**	**>120**	**Total**
Average expected credit loss %	1.0%	4.9%	67.9%	
Company - loss allowance	145	70	1,020	**1,235**
Group - loss allowance	158	74	1,088	**1,320**

The movement in the provision for impairment of trade receivables is as follows:	**CONSOLIDATED**		**COMPANY**	
	2019	2018	**2019**	2018
Movement of impairment	**P'000**	P'000	**P'000**	P'000
Opening balance	**1,320**	444	**1,235**	318
Charge for the year	**465**	1,042	**436**	940
Bad debts written off	**(672)**	(166)	**(629)**	(23)
Closing balance	**1,113**	1,320	**1,042**	1,235

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

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

19 Cash and cash equivalents

Cash at bank and in hand	**52,713**	46,400	**50,324**	43,738
Short-term bank deposits	**50,425**	15,236	**50,425**	15,236
	103,138	61,636	**100,749**	58,974
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	**103,138**	61,636	**100,749**	58,974
Bank overdrafts (note 22)	**-**	-	**-**	-
	103,138	61,636	**100,749**	58,974

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

20 Stated Capital

	CONSOLIDATED		COMPANY	
	2019	2018	**2019**	2018
	P'000	P'000	**P'000**	P'000
185,000,000 ordinary shares of no par value issued and fully paid:				
At the end of the year	**18,500**	18,500	**18,500**	18,500

21 Deferred income tax

Deferred tax assets/liabilities				
Beginning of the year	**3,226**	3,702	**2,816**	3,687
Income statement credit - note 8	**(3,805)**	(476)	**(3,679)**	(871)
End of the year	**(579)**	3,226	**(863)**	2,816
The deferred tax arises from:				
- Accelerated tax depreciation on property, plant, equipment and software, lease rights	**2,264**	2,574	**2,280**	2,571
- Right - of use - assets	**16,261**	-	**16,261**	-
- Operating lease expenditure	**2,112**	(5,387)	**2,112**	(5,387)
- Lease liabilities	**(19,790)**	-	**(19,790)**	-
- Unrealised exchange loss	**(212)**	(9)	**-**	-
- Bad debts provision	**6**	(8)	**-**	-
-Tax losses for future utilisation recognised	**349**	(396)	**-**	-
	990	(3,226)	**863**	(2,816)
The analysis of deferred tax assets and deferred tax liabilities is as follows:				
Deferred tax liabilities				
- Deferred tax liabilities to be recovered more than 12 months	**18,541**	747	**18,541**	744
- Deferred tax liabilities to be recovered within 12 months	**1,900**	1,827	**2,112**	1,827
	20,441	2,574	**20,653**	2,571
Deferred tax assets				
- Deferred tax assets to be recovered after 12 months	**(17,188)**	(3,355)	**(17,178)**	(2,942)
- Deferred tax assets to be recovered within 12 months	**(2,263)**	(2,445)	**(2,612)**	(2,445)
	(19,451)	(5,800)	**(19,790)**	(5,387)
Deferred tax assets - net	**990**	(3,226)	**863**	(2,816)

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

22 Borrowings

	CONSOLIDATED		COMPANY	
	2019	2018	**2019**	2018
	P'000	P'000	**P'000**	P'000
Non-current				
Absa Bank of Botswana Limited loan	**243,500**	2,854	**243,500**	2,854
Current				
Absa Bank of Botswana Limited loan	**11,734**	2,580	**11,734**	2,580
The carrying amount and fair value of the non-current borrowings is as follows:				
Bank borrowings	**243,500**	2,854	**243,500**	2,854

Facility 1: The loan which is repayable by 2022 is repayable in monthly instalments of P253,351 at a variable rate of prime less 2%. Prime rate as at 31 December 2019 was 6.25% (2018 : 6.5%). The balance outstanding as at 31 December 2019 is P2.8 million (2018: P5.4 million).

Security - First and Second Covering Mortgage Bonds over Lots Rem 930, 931 and 21367 in Francistown for P31,078,797.

Facility 2: The loan is repayable by 2029, with a 12 month moratorium on capital payments, which then increase 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%. Balance outstanding as at 31 December 2019 is P252.4 million (2018: nil).

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

The banking overdraft facilities available to the Company as at year end is P10,000,000.
The bank overdraft bears interest at prime plus 0.5%. The prime rate at 31 December 2019 was 6.25% (2018: 6.5%).

- The bank has issued guarantees in favour of Botswana Power Corporation and Bostwana Government amounting to P154,000 and P600,000 respectively as security for the supply of power on credit to the company and for Cresta casinos.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

23 Trade and other payables

	CONSOLIDATED		COMPANY	
	2019 P'000	2018 P'000	**2019 P'000**	2018 P'000
Trade payables	**15,179**	14,259	**14,736**	13,573
Amount due to related party (note 29)	**3,379**	4,766	**3,490**	3,978
Other accrued expenses	**2,505**	8,578	**2,227**	7,980
VAT payable	**1,046**	2,770	**822**	2,501
Payroll accruals (note 23.1)	**4,238**	3,928	**3,550**	3,446
Other payables	**13,202**	4,377	**12,573**	3,891
	39,549	38,678	**37,397**	35,369

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

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

23.1 Payroll accruals

Balance at beginning of the year	**3,928**	4,270	**3,446**	3,640
Accrued during the year	**3,149**	1,797	**2,401**	1,559
Payments made during the year	**(2,839)**	(2,139)	**(2,297)**	(1,753)
Balance at end of the year	**4,238**	3,928	**3,550**	3,446

24 Deferred lease obligation

This balance represents the difference in the straight-lined recognition of operating lease charges under IAS -17 leases, and actual lease payments made in accordance with underlying lease agreements.

Balance beginning of year	**25,811**	29,068	**24,488**	27,313
Foreign exchange movement	**-**	(303)	**-**	-
Recognised against retained earnings on adoption of IFRS 16	**(12,805)**	-	**(12,805)**	-
Recognised against right-of-use assets on adoption of IFRS 16	**(13,006)**	(2,954)	**(11,683)**	(2,825)
Balance at end of year	**-**	25,811	**-**	24,488
Non - current				
Deferred lease obligation	**-**	14,476	**-**	13,374
Current				
Deferred lease obligation	**-**	11,335	**-**	11,114
	-	25,811	**-**	24,488

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

25 Contract liabilities

	CONSOLIDATED		COMPANY	
	2019 P'000	2018 P'000	**2019 P'000**	2018 P'000
Arising from customer loyalty programme (i)	**2,359**	1,972	**2,327**	1,939
Amounts received in advance of provision of services and sale of goods (ii)	**10,329**	8,436	**9,449**	7,581
	12,688	10,408	**11,776**	9,520

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

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

26 Dividends

	CONSOLIDATED		COMPANY	
	2019 P'000	2018 P'000	**2019 P'000**	2018 P'000
Gross dividends	-	14,475	-	14,475
Withholding tax	-	(1,086)	-	(1,086)
Net dividends	-	13,389	-	13,389

Dividend per share : 2019 Nil. 2018 7.24Thebe

27 Operating Lease Arrangements

The Group as a lessor

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

27 Operating Lease Arrangements (continued)
The Group as a lessor (continued)

Maturity analysis of operating lease payments:	CONSOLIDATED		COMPANY	
	2019	2018	**2019**	2018
	P'000	P'000	**P'000**	P'000
Year 1	**1,829**	-	**1,829**	-
Year 2	**1,363**	-	**1,363**	-
Year 3	**1,361**	-	**1,361**	-
Year 4	**556**	-	**556**	-
Year 5	**408**	-	**408**	-
Year 6 and onwards	**26**	-	**26**	-
Total	**5,541**	**-**	**5,541**	**-**

The following tables presents amounts reported in profit or loss

	CONSOLIDATED		COMPANY	
	2019	2018	**2019**	2018
	P'000	P'000	**P'000**	P'000
Lease income on operating leases	**967**	-	**967**	-

As set out above property rental income earned during the year was P967,671. All the properties held have committed tenants for the next 2 to 5 years years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

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

	CONSOLIDATED		COMPANY	
	2019	2018	**2019**	2018
	P'000	P'000	**P'000**	P'000
Within one year	**1,829**	-	**1,829**	-
Two to five years	**3,687**	-	**3,687**	-
After five years	**26**	-	**26**	-
	5,541	**-**	**5,541**	**-**

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

27 Operating Lease Arrangements (continued)

The Group as a lessee

Operating lease payments represents rentals payable by the Group for hotel properties and office properties. Leases are negotiated for an average term of 10 years for hotel properties and 5 years for office properties and rental are fixed for an average of 10 years with an option to extend for a further 10 years or 5 years at the then prevailing market rate.

	CONSOLIDATED		COMPANY	
	2019	2018	**2019**	2018
	P'000	P'000	**P'000**	P'000
Minumum lease payments under opering leases recognised as an expense in the year	**16,937**	47,468	**16,937**	43,758
Sub-lease payments received	**(246)**	(349)	**(246)**	(349)

At the reporting date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

Within one year	-	70,859	-	66,695
In the second to fifth year inclusive	-	94,331	-	85,385
After five years	-	32,599	-	32,599
	-	197,789	-	184,679

The Group adopted IFRS 16 leases on 1 January 2019, the outstanding commitments on the respective leases have been disclosed in the maturity analysis in note 14.

The Company/Group holds the following leases:

Mowana Safari Lodge

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

Cresta Marang Hotel

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

27 Operating Lease Arrangements (continued)

In addition, 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 2007 and renewable at the option of Cresta Marakanelo Limited for a further 10 year period. Annual lease rentals amount to P2,095,153.

Cresta Botsalo Hotel

Lot 87 - Palapye - 10 year lease with Botsalo Hotel (Proprietary) Limited commenced 1 October 2009. Annual lease rentals amount to P1,500,000 for the first year with annual escalations of 8%. In October 2016 the rental agreement was revised for the period to September 2019 and the monthly rental was fixed at P200,000 per month with no escalation for the remaining period of the contract in lieu of leasehold improvements made by the Company. The lease period was further extended from September 2019 to September 2026 on the same terms entered in 2009 year.

Cresta Golfview Hotel, Zambia

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

Cresta Mahalapye Hotel

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

Cresta Jwaneng Hotel

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

Cresta Head office

Plot 74538, Marula House, 2nd floor, New CBD, Gaborone - 5 year lease with Primetime Property Holdings Limited commenced 1 April 2014. Annual lease rentals amount to P1,372,798 for the first year with annual escalations of CPI +1%.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

27 Operating Lease Arrangements (continued)

The following properties were acquired during the year and the leases terminated on the acquisition date:

Cresta Lodge

Lot 50719 - Gaborone - 10 year lease with Letlole La Rona Limited commenced on 1 July 2002. Annual lease rentals amount to P3,600,000 for the first year with annual escalations of 8%. A new 10 year lease agreement has been entered into with effect from 1 July 2010. According to the agreement, annual lease rentals amount to P5,880,000 for the first year with annual escalations of 8%. The property was acquired in 26 June 2019.

Cresta President Hotel

Lot 1168/9 - Gaborone - 10 year lease with Letlole La Rona Limited commenced 1 July 2002. Annual lease rentals amount to P540,000 for the first year with annual escalations of 8%. A new 10 year lease agreement has been entered with effect from 1 July 2010. According to the agreement, annual lease rentals amount to P3,960,000 for the first year with annual escalations of 8%.The property was acquired in 26 June 2019.

Cresta Riley's Hotel

Tribal Lot TB - Maun - 10 year lease with Botswana Hotels Development Company (Proprietary) Limited commenced 1 July 2002. Annual lease rentals amount to P840,000 for the first year with annual escalations of 8%. A new 10 year lease agreement has been entered into with effect from 1 July 2010. According to the agreement, annual lease rentals amount to P1,680,000 for the first year with annual escalations of 8%. The property was acquired in 23 May 2019.

Cresta Thapama Hotel

Lot 6348 - Francistown - 10 year lease with Letlole La Rona Limited commenced 1 July 2002. Annual lease rentals amount to P1,320,000 for the first year with annual escalations of 8%. A new 10 year lease agreement was entered into with effect from 1 July 2010. According to the agreement, annual lease rentals amount to P3,960,000 for the first year with annual escalations of 8%. The property was acquired in 21 June 2019.

Cresta Bosele Hotel

Lot 276 - Selebi Phikwe - 10 year lease with Letlole La Rona Limited commenced 1 July 2002. Annual lease rentals amount to P648,000 for the first year with annual escalations of 8%. A new 10 year lease agreement was entered into with effect from 1 July 2010. According to the agreement, annual lease rentals amount to P1,560,000 for the first year with annual escalations of 8%. The property transfer was concluded on 10 February 2020.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

28 Cash generated from operations

	CONSOLIDATED		COMPANY	
	2019	2018	**2019**	2018
	P'000	P'000	**P'000**	P'000
Operating profit	**51,012**	35,094	**50,805**	34,050
Adjustments:				
- Depreciation	**31,299**	21,949	**30,725**	21,327
- Operating equipment usage and write off	**3,209**	2,738	**3,078**	2,580
- Amortisation of intangible assets	**1,040**	808	**1,003**	767
- Deferred lease credit	**-**	(2,954)	**-**	(2,825)
- Lease depreciation	**18,095**	-	**14,439**	-
- Unclaimed dividends written back	**-**	830	**-**	830
- Movement in contract liabilities	**2,280**	2,693	**2,256**	2,923
-Exchange loss on remeasured liability	**1,181**	-	**-**	-
- Gain on disposal of plant and equipment	**(500)**	(10)	**(500)**	(10)
	107,616	61,094	**101,807**	59,642
Changes in working capital:				
- Inventories	**316**	(202)	**242**	(123)
- Trade and other receivables	**662**	(555)	**1,556**	(304)
- Trade and other payables	**871**	6,709	**2,027**	6,027
Cash generated from operations	**109,465**	67,046	**105,633**	65,242
Taxation paid				
Opening balance	**(1,421)**	2,011	**(1,653)**	1,861
Charge for the year	**3,192**	6,781	**3,192**	6,781
Closing balance	**5,282**	(1,421)	**5,079**	(1,653)
Taxation paid	**7,053**	7,371	**6,618**	6,989

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

29 Related party transactions

Related companies are companies under common control, directors or ownership. The following are related parties: Botswana Development Corporation Limited ("BDC") - Shareholder with 26% interest. Botswana Hotel Development Company (Proprietary) Limited - 100% subsidiary of BDC and landlord to Cresta Marakanelo Limited. Letlole La Rona Limited- subsidiary of BDC and landlord to Cresta Marakanelo Limited. 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. Cresta Golfview Hotel Limited, Zambia is a wholly owned subsidiary of Cresta Marakanelo Limited.

	CONSOLIDATED		COMPANY	
i) Purchase of services	**2019**	2018	**2019**	2018
	P'000	P'000	**P'000**	P'000
Management services - fees				
- Management fees - Cresta Holdings Proprietary Limited	**11,767**	10,995	**11,098**	10,288
- Profit bonus - Cresta Holdings Proprietary Limited	**9,237**	6,963	**9,278**	6,680
The Group managing director and Group chief financial officer are employees of Cresta Holdings Proprietary Limited who are seconded to the Group in accordance with a management contract.				
Rent paid				
- Letlole La Rona Limited	**15,618**	27,479	**15,618**	27,479
- Botswana Hotel Development Company Proprietary Limited	**1,296**	2,994	**1,296**	2,994
ii) Year-end balances arising from sales/purchases of services				
Amount due from related parties				
- Cresta Golfview Hotel Limited Zambia (note 18)	**-**	-	**50**	485
- Masawara Holdings (note 18)	**12**	-	**12**	-
	12	-	**62**	485
Amount due to related parties				
- Cresta Lodge - Harare (note 23)	**70**	-	**70**	-
- Cresta Holdings Proprietary Limited (note 23)	**3,309**	-	**3,419**	-
	3,379	4,766	**3,490**	3,978

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

29 Related party transactions (continued)

	CONSOLIDATED		COMPANY	
	2019	2018	**2019**	2018
	P'000	P'000	**P'000**	P'000
iii) Directors' fees and costs				
- Costs	**87**	177	**87**	177
- Fees	**590**	646	**590**	640
	677	823	**677**	817

iv) Key management compensation

Key management for the Company includes the Group Operations Manager, Group Projects Manager, Group ITC Manager and Group Human Resource Manager, and for the Group, includes compensation paid to Cresta Golfview Hotel Limited Zambia key management. The compensation paid or payable to key management for employee services is shown below:

Salaries and other short-term employee benefits	**5,011**	5,415	**3,065**	3,462
Termination benefits	**895**	1,054	**694**	670

30 Contingent liabilities

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

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

31 Commitments

a) Capital commitments				
Not yet contracted:				
Property	**-**	260,000	**-**	260,000
The property acquisitions will be financed through bank borrowings.				
Furniture and Fittings	**65,292**	69,163	**64,982**	65,507
The furniture and fittings will be financed through internal resources.				
b) Operating lease commitments - Company/ Group as lessee, (refer note 27)				
Contracted:				
As at the end of 31 December contracted capital commitments which are financed through internal resources were:	**260**	-	**260**	-

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

32 Segmental information

While strategic decision making rights vests with the Board of Cresta Marakanelo Limited, operational and managerial responsibility vests with Executive Management, which includes the Chief Executive Officer, Chief Financial Officer, Group Operations Manager, Group Sales and Marketing Manager, Group Project Manager and Group Human Resources Manager. For the purpose of presenting segmental information, Executive management has been identified as the Chief Decision Maker as defined in IFRS 8 (Operating segments), based on the location and theme of the hotels and type of guests served.

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

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

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

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

Cresta African fingerprint
Two Hotels, Mowana Resort and Spa and Cresta Maun Resort, are classified within this brand, and they are a signature destination offering a unique travel experience to guests. These Gateway's hotels has a high rating and offers guests a travel experience, which includes safaris and other activities in addition to top class hotel rooms and restaurants. The Cresta Maun Resort was opened in June 2017.

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

32 Segmental information (continued)

CONSOLIDATED	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
YEAR ENDED 31 DECEMBER 2019						
Revenue	104,076	77,807	112,241	101,516	1,279	396,920
Accommodation revenue	57,722	48,846	63,612	54,542	(388)	224,335
Food revenue	34,729	22,116	37,264	27,826	-	121,936
Bar revenue	7,168	4,879	8,887	7,091	-	28,025
Other revenue	4,456	1,966	2,478	12,057	1,667	22,624
Cost of sales	(61,251)	(41,462)	(63,058)	(48,162)	(22,173)	(236,105)
Gross profit/(loss)	42,825	36,345	49,183	53,354	(20,894)	160,815
Sales and distribution costs	(1,411)	(643)	(1,086)	(1,665)	(5,095)	(9,900)
Administration and operating expenses	(33,309)	(25,763)	(35,354)	(33,457)	27,980	(99,903)
Operating profit/(loss)	8,105	9,939	12,743	18,233	1,992	51,012
Finance income	-	-	-	-	739	739
Finance expense	(1,623)	(24)	(3,715)	(2,726)	(13,028)	(21,116)
Reportable segment profit/(loss) before tax	6,482	9,915	9,028	15,507	(10,297)	30,635
Income tax expense						(6,997)
Net profit after tax						23,638
Total assets	134,836	155,592	89,418	133,476	121,414	634,736
Total liabilities	36,362	4,987	49,212	40,998	275,820	407,379
Capital expenditure	80,041	152,998	33,605	7,426	452	274,521
Depreciation	5,904	6,988	7,111	11,016	279	31,299
Amortisation	132	59	285	160	367	1,004

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

32 Segmental information (continued)

COMPANY	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
YEAR ENDED 31 DECEMBER 2019						
Revenue	81,892	77,807	112,241	101,516	1,280	374,735
Accommodation revenue	48,796	48,846	63,612	54,542	(388)	215,409
Food revenue	24,464	22,116	37,264	27,826	-	111,670
Bar revenue	5,165	4,879	8,887	7,091	-	26,021
Other revenue	3,467	1,966	2,478	12,057	1,667	21,635
Cost of sales	(44,295)	(41,462)	(63,058)	(48,162)	(22,173)	(219,149)
Gross profit/(loss)	37,597	36,345	49,183	53,354	(20,892)	155,586
Sales and distribution costs	(876)	(643)	(1,086)	(1,665)	(5,095)	(9,364)
Administration and operating expenses	(28,819)	(25,763)	(35,354)	(33,457)	27,976	(95,417)
Operating profit/(loss)	7,902	9,939	12,743	18,233	1,989	50,805
Finance income	-	-	-	-	739	739
Finance expense	(1,420)	(24)	(3,715)	(2,726)	(13,028)	(20,913)
Reportable segment profit/(loss) before tax	6,482	9,915	9,029	15,507	(10,300)	30,631
Income tax expense						(6,871)
Net profit after tax						23,760
Total assets	126,212	155,592	89,418	133,476	121,320	626,018
Total liabilities	23,827	4,987	49,212	40,998	276,200	395,225
Capital expenditure	79,741	152,998	33,605	7,426	452	274,221
Depreciation	5,330	6,988	7,111	11,016	279	30,725
Amortisation	132	59	285	160	367	1,004

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

32 Segmental information (continued)

CONSOLIDATED	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
YEAR ENDED 31 DECEMBER 2018						
Revenue	98,739	71,065	104,453	95,538	1,052	370,847
Accommodation revenue	53,286	44,988	60,536	49,226	830	208,031
Food revenue	33,796	20,279	32,559	25,002	-	111,636
Bar revenue	7,331	4,730	9,323	6,862	-	28,246
Other revenue	4,326	1,068	2,035	14,448	1,887	22,934
Cost of sales	(67,316)	(44,463)	(65,195)	(49,641)	(18,884)	(245,499)
Gross profit/(loss)	31,423	26,602	39,258	45,897	(17,832)	125,348
Other income	-	-	-	-	-	-
Sales and distribution costs	(1,400)	(627)	(945)	(1,694)	(4,837)	(9,503)
Administration and operating expenses	(24,922)	(16,955)	(29,981)	(27,770)	18,877	(80,751)
Operating profit/(loss)	5,101	9,020	8,332	16,433	(3,792)	35,094
Finance income	193	-	-	-	763	956
Finance expense	(85)	-	(1)	-	(146)	(232)
Reportable segment profit before tax	5,209	9,020	8,331	16,433	(3,175)	35,818
Income tax expense						(7,257)
Net profit after tax						28,561
Total assets	38,933	10,550	36,454	123,360	63,645	272,992
Total liabilities	12,021	4,560	6,669	9,741	48,994	81,984
Capital expenditure	4,771	3,559	9,978	30,024	410	48,742
Depreciation	3,540	2,398	7,182	8,450	379	21,949
Amortisation	116	60	216	175	241	808

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

32 Segmental information (continued)

COMPANY	Cresta Urban Oasis P'000	Cresta Urban Heartbeat P'000	Cresta African Roots P'000	Cresta African Fingerprint P'000	Cresta Control Unit P'000	Combined P'000
YEAR ENDED 31 DECEMBER 2018						
Revenue	75,149	71,065	104,453	95,537	1,052	347,257
Accommodation revenue	43,844	44,988	60,536	49,226	(835)	197,759
Food revenue	22,717	20,279	32,559	25,002	-	100,557
Bar revenue	5,345	4,730	9,323	6,861	-	26,259
Other revenue	3,244	1,068	2,035	14,448	1,887	22,682
Cost of sales	(48,843)	(44,463)	(65,195)	(49,641)	(18,884)	(227,026)
Gross profit/(loss)	26,306	26,602	39,258	45,896	(17,831)	120,231
Sales and distribution costs	(1,035)	(627)	(945)	(1,694)	(4,837)	(9,138)
Administration and operating expenses	(21,213)	(16,955)	(29,981)	(27,770)	18,876	(77,043)
Operating profit/(loss)	4,059	9,020	8,332	16,432	(3,793)	34,050
Finance income	-	-	-	-	762	762
Finance expense	-	-	(1)	-	(146)	(146)
Reportable segment profit/ (loss) before tax	4,059	9,020	8,331	16,432	(3,177)	34,665
Income tax expense						(7,652)
Net profit after tax						27,013
Total assets	36,680	10,550	36,454	123,360	63,648	270,692
Total liabilities	6,501	4,560	6,669	9,741	48,993	76,464
Capital expenditure	3,756	3,559	9,978	30,024	410	47,727
Depreciation	2,929	2,398	7,182	8,450	368	21,327
Amortisation	76	60	216	173	242	767

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

33 Events after the reporting period

The rapidly unfolding COVID-19 pandemic has caused significant disruptions in the global hospitality and tourism industries. Even though there are currently no reported COVID-19 cases in Botswana, the Group has started to receive cancellations from regional and international tour operators and travel agents. In addition, the Government of Botswana has introduced restrictions on public gatherings and conferences in order to contain the possible spread of the disease. All these factors will negatively impact the Group's performance during the 2020 financial year.

In line with the World Health Organisation (WHO) and the Ministry of Health and Wellness guidelines, the Group has introduced measures to increase the availability of hand sanitiser in all public spaces in the properties, increased frequency of cleaning of public area touch points and increased staff training on the WHO hygiene measures to combat the spread of COVID-19. As the duration of the pandemic is unknown, the Group had taken a cautious approach and suspended all major capital expenditure projects for the 2020 financial year in order to conserve cash resources.

34 Going concern

In assessing the ability of the Group to continue as a going concern, management carried out a sensitivity analysis on the 15 month forecast cash flow assumptions to reflect a range of reasonably possible outcomes related to the COVID-19 pandemic and concluded that Cresta Marakanelo Limited will be able to continue as a going concern. The Directors reviewed the cash flow forecasts prepared by management when assessing the ability of the Group to continue operating as a going concern. The significant assumption made was that the downturn in business would not be for a period exceeding 12 months.

Based on the review of the Group's cash flow forecasts, the Directors believe that the Group will have sufficient resources to continue to trade as a going concern for a period of at least 12 months from the date of approval of these financial statements and accordingly, the financial statements have been prepared on the going concern basis.

Shareholder Information

For The Year Ended 31 December 2019

TOP 10 SHAREHOLDERS	Shares Held	% Holding
Botswana Development Corporation Limited	50,283,958	27.18%
Cresta Holdings Proprietary Limited	46,179,583	24.96%
Botswana Insurance Company Limited	24,299,400	13.13%
LHG Malta Holding Limited	15,673,261	8.47%
Motor Vehicle Accident Fund	9,250,010	5.00%
Fnb Noms BW (Pty) Ltd Re: BPOPF	8,294,479	4.48%
Masawara Hospitality Mauritius Limited	3,680,000	1.99%
Debswana Pension Fund	3,190,860	1.72%
Fnb Noms BW (Pty) Ltd Re: BPOPF Equity Portfolio C	1,994,551	1.08%
Botswana Public Officers Pension Fund	627,200	0.34%

PUBLIC AND NON-PUBLIC SHAREHOLDERS	Number Of Shareholders	Shares Held	% Holding
NON-PUBLIC SHAREHOLDERS			
Shareholder Holding More Than 10%, Associates And Treasury Shares	5	128,507,997	69.46%
Directors	2	211,296	0.11%
PUBLIC SHAREHOLDERS	3,061	56,280,707	30.42%
TOTAL	**3,068**	**185,000,000**	**100.00%**

SHAREHOLDER SPREAD	Number Of Shareholders	Shares Held	% Holding
1 – 10 000 shares	2,791	4,366,677	2.36%
10 001 – 100 000 shares	240	6,694,531	3.62%
100 001 – 1 000 000 shares	27	7,027,634	3.80%
1 000 001 shares and above	10	166,911,158	90.22%
TOTAL	**3,068**	**185,000,000**	**100.00%**

AGM Notice

Notice of Annual General Meeting

Notice is hereby given that the 2019 Annual General Meeting of members will be held on Thursday, 23 July 2020 at 0900hrs via Webinar, to transact the following business:

1. To receive, consider and adopt the audited annual financial statements for the year ended 31 December 2019 together with the directors' and auditors' reports thereon.
2. To approve the remuneration of the external auditors, Deloitte for the year ended 31 December 2019.
3. To approve the appointment of Deloitte as external auditors for the year ending 31 December 2020 and to authorize the Board of Directors to determine their remuneration.
4. To approve the Directors' remuneration for the year ended 31 December 2019.
5. 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. Moatlhodi 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.

   Dr. Mbako Mbo and **Mr. Bafana Molomo** who retire by rotation pursuant to section 20.10.1 of the Constitution of the Company, will not be seeking re-election.
6. To transact any other business that may be transacted at an Annual General Meeting.

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

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

By Order of the Board
Phillip Mothoteng
Company Secretary
29 June 2020

Proxy Form

Proxy Form

(Please complete in block letters)

I/We*……

Of……...

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

……or failing him/her

……or failing him/her

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			

Signed: ……on this……. day of ……. 2020

COMPANY STAMP

Please read the notes on the following page.

Proxy Form

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.

NOTES

NOTES

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

Phone: +267 391 2222

Fax: +267 397 4321

Website: www.crestamarakanelo.com

CRESTA
MARAKANELO LIMITED