

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF CHOBE HOLDINGS LIMITED**

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Chobe Holdings Limited (the "Company") and its subsidiaries (together the "Group") as at 28 February 2019, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

What we have audited

Chobe Holdings Limited's consolidated and separate financial statements set out on pages 16 to 71 which comprise:

- the consolidated and separate statements of financial position as at 28 February 2019;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended;
- a summary of significant accounting policies;
- financial risk management;
- a summary of critical accounting estimates and assumptions; and
- the notes to the financial statements.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the *Botswana Institute of Chartered Accountants' Code of Ethics (the "BICA Code")* and other independence requirements applicable to performing audits of financial statements in Botswana. We have fulfilled our other ethical responsibilities in accordance with these requirements and the BICA Code. The BICA Code is consistent with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (Parts A and B).

Our audit approach
Overview

	<p>Overall group materiality</p> <ul style="list-style-type: none"> Overall group materiality: P 5,541,600, which represents 5% of the consolidated profit before tax for the year.
	<p>Group audit scope</p> <ul style="list-style-type: none"> The Group consists of 23 components. We performed full scope audits on all financially significant components and the holding company.
	<p>Key Audit Matters</p> <ul style="list-style-type: none"> Impairment assessment of goodwill

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

<i>Overall group materiality</i>	P 5,541,600
<i>How we determined it</i>	5% of the consolidated profit before tax for the year
<i>Rationale for the materiality benchmark applied</i>	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group consists of 23 components. The Group audit scope has been determined based on indicators such as contribution to consolidated profit before tax and consolidated revenue from each component. We performed full scope audits on the holding company and all financially significant components (that is, subsidiaries that engage in tourism related activities and the aircraft maintenance operations) which could individually or in aggregate have a material impact on the consolidated financial statements. Analytical review procedures were performed on insignificant components. All audit work was performed by the group engagement team and did not require involvement of component auditors. This, together with additional procedures performed at the Group level, including testing of consolidation journals and intercompany eliminations, provided us the audit evidence we needed for our opinion on the consolidated financial statements as a whole.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. This matter was 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 this matter. We communicate the key audit matter that relates to the audit of the consolidated financial statements of the current period in the table below.

We have determined that there are no key audit matters to communicate in our report with regard to the audit of the separate financial statements of the Company of the current period.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><i>Impairment assessment of goodwill</i></p> <p>Due to the number of business combinations that the Group has historically entered into, the Group’s consolidated statement of financial position as at 28 February 2019 included goodwill amounting to P54Mn after recognising an impairment provision amounting to P7.4Mn.</p> <p>Assets that are not amortised, such as goodwill and indefinite life intangible assets are required by IAS 36 (Impairment of assets) to be tested annually for impairment. Management performed annual impairment assessments on the individual Cash Generating Units (“CGU”) to which goodwill has been allocated using a discounted cash flow model to determine the value in use.</p>	<p>For each of the CGUs impairment assessments performed by management, we tested the mathematical accuracy of management’s impairment models, recalculated the recoverable amount for significant CGUs and compared this to the respective net carrying values. Our testing did not identify any material differences.</p> <p>We considered the appropriateness of the valuation models applied by management and found that they were materially consistent with best practice and what was used in prior years.</p>

Key audit matter	How our audit addressed the key audit matter
<p>The assessment performed by management required judgement in the determination of key assumptions and future market conditions, particularly in relation to the following:</p> <ul style="list-style-type: none"> • discount rate; • net cash flow forecasts; and • occupancy rate. <p>Based on the results of the impairment assessment as at 28 February 2019, management recognised an impairment of P7.4Mn in respect of goodwill which arose on the acquisition of Dinaka Safaris (Pty) Limited in the prior year.</p> <p>The goodwill impairment assessment is considered to be a matter of most significance to the current year audit due to the significant judgements and assumptions made by management when performing the impairment assessment and the magnitude of the goodwill balance recorded in the consolidated financial statements as at 28 February 2019.</p> <p><i>These matters are disclosed in the following notes to the consolidated financial statements:</i> <i>Summary of significant accounting policies: Note 6 (a) – Goodwill;</i> <i>Summary of significant accounting policies: Note 7 - Impairment of non-financial assets;</i> <i>Critical accounting estimates and assumptions: Note b) - Goodwill impairment assessment; and</i> <i>Note 9 - Goodwill.</i></p>	<p>We tested the key inputs used by management in their calculations by performing the following procedures:</p> <ul style="list-style-type: none"> • We agreed the cash flow projections to the approved financial budgets used by management to manage and monitor the performance of the business and they were found to be consistent; • We assessed the reasonableness of management’s future cash flow forecasts by comparing them to historical forecasts, current operational results and future camp bookings currently in place. We found management’s forecasts to be appropriate; • We assessed the reasonability of the occupancy growth rates by comparing these against actual performance achieved in prior years and performance achieved by similar camps in the Group and found no material inconsistencies; and • We utilised our internal valuation experts to calculate an independent range of discount rates by taking into account independent data such as risk-free rates in the market, country risk premium, cost of debt, market risk premium, beta of comparable companies, capital structure of the industry comparable companies and other macro economic inputs. We compared our independently calculated discount rates against the discount rates used by management and found that the discount rates used by management were within an acceptable range of our independent calculations. <p>Using our independently calculated discount rate range and the key inputs assessed above, we performed an independent impairment assessment. Our assessment did not identify any material differences from management’s impairment assessment.</p>

Other information

The directors are responsible for the other information. The other information comprises the information included in the *Chobe Holdings Limited's Group Financial Statements for the year ended 28 February 2019*, which we obtained prior to the date of this auditor's report, and the other sections of the *Chobe Holdings Limited Annual Report & Group Financial Statements 2019*, which is expected to be made available to us after that date. 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 and will not express an audit opinion or any form of assurance conclusion thereon.

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

If, based on the work we have performed on the other information 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.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation of the consolidated and separate financial statements that give 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 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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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



Practicing Member: Lalithkumar Mahesan
Membership number: 20030046

Gaborone
30 May 2019